ORIGINAL

Progress Energy

D30866-EQ

JAMES A. MCGEE
ASSOCIATE GENERAL COUNSEL
PROGRESS ENERGY SERVICE COMPANY, LLC

August 25, 2003

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: Petition of Progress Energy Florida for approval of a standard offer contract based on a 2007 combined cycle avoided unit, and related petition for waiver of Rule 25-17.0832(4)(e)5, F.A.C.

Dear Ms. Bayó:

Enclosed for filing on behalf of Progress Energy Florida, Inc., formerly Florida Power Corporation, are an original and three copies each of the subject petitions.

Please acknowledge your receipt of the above filing on the enclosed copy of this letter and return to the undersigned. A 3½ inch diskette containing the above-referenced documents in WordPerfect and Word formats is also enclosed. Thank you for your assistance in this matter.

Very truly yours,

James A. McGee

JAM/scc
Enclosures

100 Central Avenue (33701) • Post Office Box 14042 (33733) • St. Petersburg, Florida
Phone: 727.820.5184 • Fax: 727.820.5519 • Email: james.mcgee@pgnmail.com

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Progress Energy Florida for approval of a standard offer contract based on a 2007 combined cycle avoided unit.	Docket No. 030866- EQ Submitted for filing: August 27, 2003

PETITION

Progress Energy Florida, Inc., formerly Florida Power Corporation ("Progress Energy" or "the Company"), pursuant to Section 366.051, F.S., and Rule 25-17.0832(4), F.A.C., hereby petitions the Florida Public Service Commission ("the Commission") for approval the Standard Offer Contract and accompanying Rate Schedule COG-2 attached hereto in standard format as Exhibit A and in legislative format as Exhibit B. In support of this petition, Progress Energy submits the following:

1. Progress Energy is a public utility subject to the regulatory jurisdiction of the Commission pursuant to Chapter 366, F.S. The Company's principal place of business is located at 100 Central Avenue, St. Petersburg, Florida 33701.

2. All notices, pleadings and correspondence required to be served on the petitioner should be directed to:

James A. McGee, Esquire
Post Office Box 14042
St. Petersburg, FL 33733-4042
Facsimile: (727) 820-5519

For express deliveries by private carrier, please use the address in paragraph 1 above.

3. The Standard Offer Contract and accompanying Rate Schedule COG-2, with one exception, are consistent with Commission Rule 25-17.0832(4)-(6), F.A.C., governing standard offer contracts and tariffs. The exception concerns the requirement in Rule 25-17.0832(4)(e)5, F.A.C., that a standard offer contract's open solicitation period must end prior to the issuance of a Request for Proposals ("RFP") pursuant to Rule 25-22.082, F.A.C. (the "Bid Rule"). Accordingly, Progress Energy has filed a petition for a waiver of this requirement in conjunction with the filing of this petition. As is more fully explained in the rule waiver petition, the avoided unit on which the proposed standard offer contract is based is Progress Energy's next planned capacity addition subject to the Bid Rule, Hines 4, a 530 MW combined cycle unit with a scheduled in-service date of December 2007. The requested waiver of Rule 25-17.0832(4)(e)5 is intended to allow the standard offer's open solicitation period and the Bid Rule's RFP process for Hines 4 to take place concurrently. This will avoid the substantial time period that would be added to Hines 4's critical path schedule if the issuance of its RFP were to be delayed until after the standard offer has been approved and the open solicitation period has expired.

4. Consistent with the Company's two previous standard offer contracts based on Hines 2 and 3, the standard offer contract subject to this petition includes a two-week open solicitation period, a 20 MW subscription limit, and a five-year term. The relatively few changes from the most recent standard offer are shown in underline and strike-through format in Exhibit B hereto. The attached Exhibit C contains the economic and financial assumptions for the cost parameters and the K

Factor of the combined cycle avoided unit on which the proposed standard offer contract is based.

WHEREFORE, for the above-stated reasons, Progress Energy respectfully requests that the Commission grant this petition and approve the Standard Offer Contract and accompanying Rate Schedule COG-2 contained in Exhibit A hereto.

Respectfully submitted,

James A. McGee
Associate General Counsel
Progress Energy Service Company, LLC
Post Office Box 14042
St. Petersburg, FL 33733-4042
Telephone: (727) 820-5184
Facsimile: (727) 820-5519

Attorney for
PROGRESS ENERGY FLORIDA, INC.

EXHIBIT A

Progress Energy Florida's Proposed Standard Offer Contract and Accompanying Rate Schedule COG-2

Progress Energy

STANDARD OFFER CONTRACT FOR THE PURCHASE OF FIRM CAPACITY AND ENERGY FROM A SMALL POWER PRODUCER OR OTHER QUALIFYING FACILITY USING RENEWABLE OR NON-FOSSIL FUEL, A QUALIFYING FACILITY WITH A DESIGN CAPACITY OF 100 KW OR LESS, OR A SOLID WASTE FACILITY

TABLE OF CONTENTS

Progress Energy

STANDARD OFFER CONTRACT FOR THE PURCHASE OF FIRM CAPACITY AND ENERGY FROM A SMALL POWER PRODUCER OR OTHER QUALIFYING FACILITY USING RENEWABLE OR NON-FOSSIL FUEL, A QUALIFYING FACILITY WITH A DESIGN CAPACITY OF 100 KW OR LESS, OR A SOLID WASTE FACILITY

between

____

and

PROGRESS ENERGY FLORIDA, INC.

Progress Energy

TABLE OF CONTENTS

Progress Energy

TABLE OF CONTENTS

Progress Energy

STANDARD OFFER CONTRACT FOR THE PURCHASE OF FIRM CAPACITY AND ENERGY FROM A SMALL POWER PRODUCER OR OTHER QUALIFYING FACILITY USING RENEWABLE OR NON-FOSSIL FUEL, A QUALIFYING FACILITY WITH A DESIGN CAPACITY OF 100 KW OR LESS, OR A SOLID WASTE FACILITY

THIS CONTRACT is made and entered this ___ day of _________, ______ , by and between ________________________________ (hereinafter "the QF"), and Progress Energy Florida, Inc. (hereinafter "PEF"), a private utility corporation organized and existing under the laws of the State of Florida. The QF and PEF shall be identified herein as the "Parties". This Contract contains five Appendices which are incorporated into and made part of this agreement: Appendix A, Rate Schedule COG-2; Appendix B, Pay for Performance Provisions, Monthly Capacity Payment Calculation; Appendix C, Termination Fee; Appendix D, Detailed Project Information; Appendix E, Parallel Operating Procedures; Appendix F, Interconnection Scheduling and Cost Responsibility; and Appendix G, Florida Public Service Commission ("FPSC") Rules 25-17.080 through 25-17.091, F.A.C.

WITNESSETH:

WHEREAS, the QF desires to sell, and PEF desires to purchase electricity to be generated by the QF consistent with FPSC Rules 25-17.080 through 25-17.091 F.A.C.; and

WHEREAS, the QF has agreed to the terms in Appendices E and F, or has signed an interconnection/transmission service ("wheeling") agreement with the utility in whose service territory the Facility is to be located, pursuant to which the QF assumes contractual responsibility to make any and all wheeling-related arrangements (including control area services) between the QF and the wheeling utility for delivery of the Facility's firm capacity and energy to PEF; and

WHEREAS, the FPSC has approved this Standard Offer Contract for the Purchase of Firm Capacity and Energy from a Small Power Producer or other Qualifying Facility using renewable or non-fossil fuel, a Qualifying Facility with a design capacity of 100 KW or less, or a Solid Waste Facility; and

WHEREAS, the QF guarantees that the Facility is capable of delivering firm capacity and energy to PEF for the term of this Contract in a manner consistent with the provision of this Contract;

NOW, THEREFORE, for mutual consideration the Parties agree as follows:

1. Facility; Qualifying Status

The QF contemplates installing and operating a __________________ KVA _____________ generator located at ____ (hereinafter called the "Facility"). The generator is designed to produce a maximum of ______________ kilowatts (kW) of electric power at a 90% lagging to 90% leading power factor. The facility's location and generation capabilities are as described in the table below.

TECHNOLOGY AND GENERATOR CAPABILITIES	
Location: Specific legal description (e.g., metes and bounds or other legal description with street address required)	City: County:
Generator Type (Induction or Synchronous)	
Type of Facility (Cogeneration, Small Power Production, MSW)	
Technology	
Fuel Type and Source	
Generator Rating (KVA)	
Maximum Capability (kW)	
Net Output (kW)	
Power Factor (%)	
Operating Voltage (kV)	
Peak Internal Load kW	

The QF's failure to complete the foregoing table in its entirety shall render this Contract null and void and of no further effect.

The Facility has been certified or has self-certified as a "qualifying facility" pursuant to the regulations of the Federal Energy Regulatory Commission ("FERC"). The QF shall maintain the "qualifying" status of the Facility throughout the term of this Contract. Any information provided to FERC regarding the QF's qualifying status shall at the same time be provided to PEF. The QF shall at all times keep PEF informed of any material changes in its business which affect its qualifying status. PEF shall have the right at all times to inspect the Facility and to examine any books, records, or other documents of the QF that PEF deems necessary to verify the Facility's qualifying status. On or before March 31 of each year during the term of this Contract, the QF shall provide to PEF a certificate signed by an officer of the QF certifying that the QF continuously maintained qualifying status during the prior calendar year.

2. Term of Contract

Except as otherwise provided herein, this Contract shall become effective immediately upon its execution by the Parties and shall extend through and including December 31, 2012, unless terminated earlier in accordance with the provisions hereof.

Notwithstanding the foregoing, if the Capacity Delivery Date of the Facility is not accomplished by the QF on or before January 1, 2008, PEF's obligations under this Contract shall be rendered of no force and effect.

3. Minimum Specifications

As required by FPSC Rule 25-17.0832(a), below are the minimum specifications pertaining to this Contract:

3.1 The avoided unit ("Avoided Unit") on which this Contract is based is a 20 MW portion of a 540 MW combined cycle unit.

3.2 The total Committed Capacity needed to fully subscribe the Avoided Unit is 20 MW (the "Subscription Limit").

3.3 This offer shall expire on the earlier of (i) the date of the subscription limit is fully subscribed or (ii) 2 weeks after approval of this standard offer by the Florida Public Service Commission.

3.4 The date by which firm capacity and energy deliveries from the QF to PEF shall commence is January 1, 2008 unless the Facility chooses capacity payments under Options B, C, or D, pursuant to the terms of this Contract.

3.5 The period of time over which firm capacity and energy shall be delivered from the QF to PEF is the five- (5) year period beginning on January1, 2008.

3.6 The following are the minimum performance standards for the delivery of firm capacity and energy by the QF to qualify for full capacity payments under this Contract:

	On Peak*	Off Peak
Availability:	90%	90%

* QF Performance and On Peak hours shall be as measured and/or described in PEF's Rate Schedule COG-2 attached hereto as Appendix B.

4. **Sale of Electricity by the QF**

4.1 Consistent with the terms hereof, the QF shall sell to PEF and PEF shall purchase from the QF electric power generated by the Facility. The purchase and sale of electricity pursuant to this Contract shall be a net billing arrangement or simultaneous purchase and sale arrangement; provided, however, that no such arrangement shall cause the QF to sell more than the Facility's net output. The billing methodology may be changed at the option of the QF, subject to the provisions of PEF Rate Schedule COG-2.

4.2 PEF shall own and be entitled to the benefits of any environmental attributes associated with the QF or the Facility, including but not limited to Renewable Energy Credits (REQs), Green tags, or credits toward a Renewable Portfolio Standard (RPS) during the term of this Contract.

4.3 The QF shall not rely on interruptible standby service for the start up requirements (initial or otherwise) of the Facility.

5. **Committed Capacity/Capacity Delivery Date**

5.1 The QF commits to sell capacity to PEF, the amount of which shall be determined in accordance with this Section 5 and Appendix A (the "Committed Capacity"). Subject to Section 5.3, the Committed Capacity is set at _______ kW, with an expected Capacity Delivery Date of January 1, 2008.

5.2 Testing of the capacity of the Facility (each such test a "Committed Capacity Test") shall be performed in accordance with the procedures set forth in Section 6. The Demonstration Period for the first Committed Capacity Test shall commence no earlier than January 1, 2004 and testing must be completed by 11:59 p.m., December 31, 2007. The first Committed Capacity Test shall not be successfully completed unless the Facility demonstrates a Capacity of at least one hundred percent (100%) of the Committed Capacity set forth in Section 5.1. Subject to Section 6.1, the QF may schedule and perform up to three (3) Committed Capacity Tests to satisfy the requirements of the Contract with respect to the first Committed Capacity Test.

5.3 In addition to the first Committed Capacity Test, PEF shall have the right to require the QF, by notice thereto, to validate the Committed Capacity by means of a Committed Capacity Test at any time, up to six (6) times per year, the results of which shall be provided to PEF within seven (7) calendar days of the conclusion of such test. On and after the date of such requested Committed Capacity Test, and until the completion of a subsequent Committed Capacity Test, the Committed Capacity shall be set at the lower of the Capacity tested or the Committed Capacity as set forth in Section 5.1.

5.4 Notwithstanding anything to the contrary herein, the Committed Capacity may not exceed the amount set forth in Section 5.1 without the consent of PEF to be granted in PEF's sole discretion.

5.5 The "Capacity Delivery Date" shall be defined as the first calendar day immediately following the date of the Facility's successful completion of the first Committed Capacity Test.

5.6 In no event shall PEF make capacity payments to the QF prior to the Capacity Delivery Date.

5.7 The QF shall be entitled to receive capacity payments beginning on the Capacity Delivery Date, provided the Capacity Delivery Date occurs on or after January 1, 2004 and on or before January 1, 2008.

6. Testing Procedures

6.1 The Committed Capacity Test must be completed successfully within a sixty-hour period (the "Demonstration Period"), which period, including the approximate start time of the Committed Capacity Test, shall be selected and scheduled by the QF by means of a written notice to PEF delivered at least thirty (30) calendar days prior to the start of such period. The provisions of the foregoing sentence shall not apply to any Committed Capacity Test ordered by PEF under any of the provisions of this Contract. PEF shall have the right to be present onsite to monitor firsthand any Committed Capacity Test required or permitted under this Contract.

6.2 The Committed Capacity Test results shall be based on a test period of twenty-four (24) consecutive hours (the "Committed Capacity Test Period") at the highest sustained net kW rating at which the Facility can operate without exceeding the design operating conditions, temperature, pressures, and other parameters defined by the applicable manufacturer(s) for steady state operations at the Facility. The Committed Capacity Test Period shall commence at the time designated by the QF pursuant to Section 6.1 or at such time requested by PEF pursuant to Section 5.3; provided, however, that the Committed Capacity Test Period may commence earlier than such time in the event that PEF is notified of, and consents to, such earlier time.

6.3 Normal station service use of unit auxiliaries, including, without limitation, cooling towers, heat exchangers, and other equipment required by law, shall be in service during the Committed Capacity Test Period. Normal deliveries of the contracted quantity and quality of cogenerated steam to the steam host, if any, shall be required during the Committed Capacity Test Period.

6.4 The Capacity of the Facility (the "Capacity") shall be the minimum average hourly net capacity (generator output minus auxiliary) measured over the Committed Capacity Test Period.

6.5 The Committed Capacity Test shall be performed according to standard industry testing procedures for the appropriate technology of the QF.

6.6 The results of any Committed Capacity Test, including all data related to facility operation and performance during testing, shall be submitted to PEF by the QF within seven (7) calendar days of the conclusion of the Committed Capacity Test. The QF shall certify that all such data is accurate and complete.

7. Payment for Electricity Produced by the Facility

7.1 Energy

PEF agrees to pay the QF for energy produced by the Facility and delivered to PEF in accordance with the rates and procedures contained in PEF's approved Rate Schedule COG-2, attached hereto as Appendix A, as it may be amended from time to time. The Parties agree that this Contract shall be subject to all of the provisions contained in Rate Schedule COG-2 as approved and on file with the FPSC.

PEF may, at its option, limit the delivery of energy under this Contract to 110% of the Committed Capacity as established in Section 5, in which event PEF shall pay the QF for any energy delivered in excess of 110% of the Committed Capacity at the rates contained in PEF's Rate Schedule COG-1 as approved and on file with the FPSC, and any such excess energy shall not be included in the calculations made pursuant to Appendix B hereto.

7.2 Capacity

PEF agrees to pay the QF for the capacity described in Section 5 in accordance with the rates and procedures contained in Rate Schedule COG-2, as it may be amended and approved from time to time by the FPSC, and pursuant to the election of Option __________ of Rate Schedule COG-2. The QF understands and agrees that Capacity payments will only be made under Option B, Option C, or Option D if the QF has achieved the Capacity Delivery Date and is delivering firm capacity and energy to PEF. Once so selected, this option cannot be changed for the life of this Contract.

7.3 Payments

Payments due the QF will be made monthly, and normally by the twentieth business day following the end of the billing period. The kilowatt-hours sold by the QF and the applicable avoided energy rate at which payments are being made shall accompany the payment to the QF.

8. Electricity Production and Plant Maintenance Schedule

8.1 No later than sixty (60) calendar days prior to the Capacity Delivery Date, and prior to October 1 of each calendar year thereafter during the term of this Contract, the QF shall submit to PEF in writing a detailed plan of the amount of electricity to be generated by the Facility and delivered to PEF for each month of the following calendar year, including the time, duration and magnitude of any scheduled maintenance period(s) or reductions in capacity.

8.2 By October 31 of each calendar year, PEF shall notify the QF in writing whether the requested scheduled maintenance periods in the detailed plan are acceptable. If PEF does not accept any of the requested scheduled maintenance periods, PEF shall advise the QF of the time period closest to the requested period(s) when the outage(s) can be scheduled. The QF shall only schedule outages during periods approved by PEF, and such approval shall not be unreasonably withheld. Once the schedule for the detailed plan has been established and approved, either Party requesting a subsequent change in such schedule, except when such change is due to Force Majeure, must obtain approval for such change from the other Party. Such approval shall not be unreasonably withheld or delayed. Scheduled maintenance outage days shall be limited to twenty-one (21) days per calendar year. In no event shall maintenance periods be scheduled during the following periods: June 1 through September 15 and December 1 through and including February 28 (or 29th as the case may be).

8.3 The QF shall comply with reasonable requests by PEF regarding day-to-day and hour-by-hour communication between the Parties relative to electricity production and maintenance scheduling.

8.4 Dispatch and Control

8.4.1 Power supplied by the QF hereunder shall be in the form of three-phase 60 Hertz alternating current, at a nominal operating voltage of ______ volts (_______ kV) and power factor dispatchable and controllable in the range of 90% lagging to 90% leading as measured at the interconnection point to maintain system operating parameters, including power factor, as specified from time to time by PEF.

8.4.2 The QF shall operate the Facility with all system protective equipment in service whenever the Facility is connected to, or is operated in parallel with, PEF's system, except for normal testing and repair in accordance with good engineering and operating practices as agreed by the Parties. The QF shall provide adequate system protection and control devices to ensure safe and protected operation of all energized equipment during normal testing and repair. All QF equipment shall meet IEEE and industry standards. The QF shall have independent, third party qualified personnel test, calibrate and certify in writing all protective equipment at least once every twelve (12) months in accordance with good engineering and operating practices. A unit functional trip test shall be performed after each overhaul of the Facility's turbine, generator or boilers and results provided to PEF in writing prior to returning the equipment to service. The specifics of the unit functional trip test will be consistent with good engineering and operating practices as agreed by the Parties.

8.4.3 If the Facility is separated from the PEF system for any reason, under no circumstances shall the QF reconnect the Facility to PEF's system without first obtaining PEF's specific approval.

8.4.4 During the term of this Contract, the QF shall employ qualified personnel for managing, operating and maintaining the Facility and for coordinating such with PEF. The QF shall ensure that operating personnel are on duty at all times, twenty-four (24) hours a calendar day and seven (7) calendar days a week. Additionally, during the term of this Contract, the QF shall operate and maintain the Facility in such a manner as to ensure compliance with its obligations hereunder and in accordance with applicable law and prudent utility practices.

8.4.5 PEF shall not be obligated to purchase, and may require curtailed or reduced deliveries of energy to the extent allowed under FPSC Rule 25-17.086 and under any curtailment plan which PEF may have on file with the FPSC from time to time.

8.4.6 During the term of this Contract, the QF shall maintain sufficient fuel on the site of the Facility to deliver the capacity and energy associated with the Committed Capacity for an uninterrupted seventy-two (72) hour period. At PEF's request, the QF shall demonstrate this capability to PEF's reasonable satisfaction. During the term of this Contract, the QF's output shall remain within a band of plus or minus ten percent (10%) of the daily output level or levels specified by the plant operator, in ninety percent (90%) of all operating hours under normal operating conditions. This calculation will be adjusted to exclude forced outage periods and periods during which the QF's output is affected by a Force Majeure event.

9. Completion/Performance Security

9.1 As security for the achievement of the Capacity Delivery Date and satisfactory performance of its obligations hereunder, the QF shall provide PEF either: (a) an unconditional, irrevocable, direct-pay letter(s) of credit in effect through the first (1st) anniversary of the Capacity Delivery Date (or the next business day thereafter), issued by a financial institution(s) having an investment grade credit rating, in form and substance acceptable to PEF (including provisions (i) permitting partial and full draws and (ii) permitting PEF to draw in full if such letter of credit is not renewed or replaced as required by the terms hereof at least ten (10) business days prior to its expiration date); (b) a cash deposit(s) with PEF; or (c) a bond issued by a financially sound company in form and substance acceptable to PEF. Such letter(s) of credit, cash deposit(s) or bond shall be provided in the amount and by the date listed below:

9.1.1 $30.00 per kW (as set forth in Section 5.1) within thirty (30) calendar days of the execution of this Contract by the Parties hereto.

The specific security instrument provided for purposes of this Contract is:
( ) Unconditional, irrevocable, direct-pay letter(s) of credit.
( ) Bond.
( ) Cash deposit(s) with PEF.

9.2 PEF shall have the right and the QF shall be required to monitor the financial condition of the issuer(s) in the event any letter of credit is provided by the QF. In the event the senior debt rating of any issuer(s) has deteriorated to a level below investment grade, PEF may require the QF to replace the letter(s) of credit. Replacement letter(s) of credit must be issued by a financial institution(s) with an investment grade credit rating, and meet the requirements of Section 9.1, within thirty (30) calendar days following written notification to the QF of the requirement to replace. Failure by the QF to comply with the requirements of this Section 9.3 shall be grounds for PEF to draw in full on the existing letter of credit and to exercise any other remedies it may have hereunder.

9.3 Notwithstanding the foregoing provisions of this Section 9, pursuant to FPSC Rule 25-17.091(4), F.A.C., a QF qualifying as a "Solid Waste Facility" pursuant to Section 377.709(3) or (5), Fla. Stat., respectively, may use an unsecured promise to pay by the local government which owns the Facility or on whose behalf the QF operates the Facility, to secure its obligation to achieve on a timely basis the Capacity Delivery Date and the satisfactory performance of its obligations hereunder. Within one year of execution of this agreement and annually thereafter, QF shall supply to PEF an audited, comprehensive financial statement of such local government which shall demonstrate that the local government continues its promise to pay and continues to possess the financial wherewithal to honor such promise.

9.4 If an Event of Default under Section 12 occurs, PEF shall be entitled immediately to receive, draw upon, or retain, as the case may be, one-hundred percent (100%) of the then-applicable Completion/Performance Security.

9.5 If an Event of Default has not occurred and the QF fails to achieve the Capacity Delivery Date on or before January 1, 2008, PEF shall be entitled immediately to receive, draw upon, or retain, as the case may be, one-hundred percent (100%) of the Completion/Performance Security. The Parties acknowledge that the injury that PEF will suffer as a result of delayed availability of Committed Capacity and energy is difficult to ascertain and that PEF may accept such sums as liquidated damages or resort to any other remedies which may be available to it under law or in equity. If the Capacity Delivery Date is achieved on or before January 1, 2008, then the QF shall be entitled to reduce the amount of the Completion/Performance Security to an amount equal to $15.00 per kW (for the number of kW set forth in Section 5.1).

9.6 In the event that PEF requires the QF to perform one or more Committed Capacity Test(s) at any time pursuant to Section 5.3 and, in connection with any such Committed Capacity Test(s), the QF fails to demonstrate a Capacity of at least one-hundred percent (100%) of the Committed Capacity set forth in Section 5.1, PEF shall be entitled immediately to receive, draw upon, or retain, as the case may be, one-hundred percent (100%) of the then-remaining amount of the Completion/Performance Security.

10. Termination Fee

10.1 In the event that the QF receives capacity payments pursuant to Option B, Option C, or Option D, then upon the termination of this Contract, the QF shall owe and be liable to PEF for a termination fee calculated in accordance with Appendix C (the "Termination Fee"). The Termination Fee is in the nature of liquidated damages due as a consequence of terminating this Contract. The QF's obligation to pay the Termination Fee shall survive the termination of this Contract. PEF shall provide the QF, on a monthly basis, a calculation of the Termination Fee.

10.1.1 The Termination Fee shall be secured (with the exception of governmental solid waste facilities covered by FPSC Rule 25-17.091) by the QF by (i) an unconditional, irrevocable, direct pay letter(s) of credit issued by a financial institution(s) with an investment grade credit rating in form and substance acceptable to PEF (including provisions (a) permitting partial and full draws and (b) permitting PEF to draw upon such letter of credit, in full, if such letter of credit is not renewed or replaced at least ten (10) business days prior to its expiration date), (ii) a bond issued by a financially sound company in form and substance acceptable to PEF; or (iii) a cash deposit with PEF (any of (i), (ii), or (iii), the "Termination

Security"). If the QF is operating as a solid waste facility pursuant to Section 9.4 of this agreement, the Termination Fee shall be secured by an unsecured promise to pay, by the local government which owns the Facility or on whose behalf the QF operates the Facility, to secure its obligation to pay on a timely basis the Termination Fee. Within one year of execution of this Contract and annually thereafter, QF shall supply to PEF an audited, comprehensive financial statement of such local government which shall demonstrate that the local government continues its promise to pay the Termination Fee and continues to possess the financial wherewithal to honor such promise. The specific security instrument selected by the QF for purposes of this Contract is:

( ) Unconditional, irrevocable, direct pay letter(s) of credit.
( ) Bond.
( ) Cash deposit(s) with PEF.

10.1.2 PEF shall have the right and the QF shall be required to monitor the financial condition of (i) the issuer(s) in the case of any letter of credit and (ii) the insurer(s), in the case of any bond. In the event the senior debt rating of any issuer(s) or insurer(s) has deteriorated to a level below investment grade, PEF may require the QF to replace the letter(s) of credit or the bond, as applicable. In the event that PEF notifies the QF that it requires such a replacement, the replacement letter(s) of credit or bond, as applicable, must be issued by a financial institution(s) or insurer(s) with an investment grade credit rating, and meet the requirements of Section 10.1.1 within thirty (30) calendar days following such notification. Failure by the QF to comply with the requirements of this Section 10.1.2 shall be grounds for PEF to draw in full on any existing letter of credit or bond and to exercise any other remedies it may have hereunder.

10.1.3 After the close of each calendar quarter (March 31, June 30, September 30, and December 31) occurring subsequent to the Capacity Delivery Date, upon PEF's issuance of the Termination Fee calculation as described in Section 10.1, the QF must provide PEF, within ten calendar (10) days, written assurance and documentation (the "Security Documentation"), in form and substance acceptable to PEF, that the amount of the Termination Security is sufficient to cover the balance of the Termination Fee. In addition to the foregoing, at any time during the term of this Contract, PEF shall have the right to request and the QF shall be obligated to deliver within five (5) calendar days of such request, such Security Documentation. Failure by the QF to comply with the requirements of this Section 10.1.3 shall be grounds for PEF to draw in full on any existing letter of credit or bond or to retain any cash deposit, and to exercise any other remedies it may have hereunder.

10.1.4 Upon any termination of this Contract following the Capacity Delivery Date, PEF shall be entitled to receive (and in the case of the letter(s) of credit or bond, draw upon such letter(s) of credit or bond) and retain one hundred percent (100%) of the Termination Security.

11. Performance Factor

PEF desires to provide an incentive to the QF to operate the Facility during on-peak and off-peak periods in a manner that approximates the projected performance of PEF's Avoided Unit. A formula to achieve this objective is attached as Appendix B.

12. Default

Notwithstanding the occurrence of any Force Majeure as described in Section 16, each of the following shall constitute an Event of Default:

(a) The QF fails to maintain the "qualifying" status of the Facility specified in Section 1 of this Contract;

(b) The QF changes or modifies the Facility from that provided in Section 1 with respect to its type, location, technology or fuel source, without prior written approval from PEF;

(c) After the Capacity Delivery Date, the Facility fails for twelve (12) consecutive months to maintain an Annual Capacity Billing Factor, as described in Appendix B, of at least eighty percent (80%);

(d) The QF fails to satisfy its obligations under Section 8.4.6 hereof;

(e) The QF fails to comply with any of the provisions of Section 9 hereof;

(f) The QF fails to comply with any of the provisions of Section 10 hereof;

(g) The QF, or the entity which owns or controls the QF, ceases the conduct of active business; or if proceedings under the federal bankruptcy law or insolvency laws shall be instituted by or for or against the QF or the entity which owns or controls the QF; or if a receiver shall be appointed for the QF or any of its assets or properties, or for the entity which owns or controls the QF; or if any part of the QF's assets shall be attached, levied upon, encumbered, pledged, seized or taken under any judicial process, and such proceedings shall not be vacated or fully stayed within thirty (30) calendar days thereof; or if the QF shall make an assignment for the benefit of creditors, or admit in writing its inability to pay its debts as they become due;

(h) The QF fails to give proper assurance of adequate performance as specified under this Contract within thirty (30) calendar days after PEF, with reasonable grounds for insecurity, has requested in writing such assurance;

(i) The QF materially fails to perform as specified under this Contract, including but not limited to, the QF's obligations under Sections 8, 9, 10, and 14-18;

(j) The QF fails to achieve licensing, certification, and all federal, state and local governmental, environmental, and licensing approvals required to initiate construction of the Facility by no later than January 1, 2007;

(k) The QF fails to comply with any of the provisions of Section 18.3 hereof;

(l) Any of the representations or warranties made by the QF in this Contract is false ormisleading in any material respect as of the time made;

(m) If, at any time after the Capacity Delivery Date, the QF reduces the Committed Capacity due to an event of Force Majeure and fails to repair the Facility and reset the Committed Capacity to the level set forth in Section 5.1 (as such level may be reduced by Section 5.3) within twelve (12) months following the occurrence of such event of Force Majeure;

(n) The QF breaches any material provision of this Contract not specifically mentioned in this Section 12.

13. PEF's Rights in the Event of Default

13.1 Upon the occurrence of any of the Events of Default in Section 12, PEF may, at its option:

13.1.1 Terminate this Contract, without penalty or further obligation, except as set forth in Section 13.2, by written notice to the QF, and offset against any payment(s) due from PEF to the QF, any monies otherwise due from the QF to PEF;

13.1.2 Enforce the provisions of the Termination Security requirement pursuant to Section 10 hereof;

13.1.3 Exercise any other remedy(ies) which may be available to PEF at law or in equity.

13.2 Termination shall not affect the liability of either Party for obligations arising prior to such termination or for damages, if any, resulting from any breach of this Contract.

14. Indemnification

14.1 PEF and the QF shall each be responsible for its own facilities. PEF and the QF shall each be responsible for ensuring adequate safeguards for other PEF customers, PEF's and the QF's personnel and equipment, and for the protection of its own generating system. Each Party (the "Indemnifying Party") agrees, to the extent permitted by applicable law, to indemnify, pay, defend, and hold harmless the other Party (the "Indemnifying Party") and its officers, directors, employees, agents and contractors (hereinafter called respectively, "PEF Entities" and "QF Entities") from and against any and all claims, demands, costs or expenses for loss, damage, or injury to persons or property of the Indemnified Party (or to third parties) caused by, arising out of, or resulting from:

(a) a breach by the Indemnifying Party of its covenants, representations, and warranties or obligations hereunder;

(b) any act or omission by the Indemnifying Party or its contractors, agents, servants or employees in connection with the installation or operation of its generation system or the operation thereof in connection with the other Party's system;

(c) any defect in, failure of, or fault related to, the Indemnifying Party's generation system;

(d) the negligence or willful misconduct of the Indemnifying Party or its contractors, agents, servants or employees; or

(e) any other event or act that is the result of, or proximately caused by, the Indemnifying Party or its contractors, agents, servants or employees.

14.2 Payment by an Indemnified Party to a third party shall not be a condition precedent to the obligations of the Indemnifying Party under Section 14. No Indemnified Party under Section 14 shall settle any claim for which it claims indemnification hereunder without first allowing the Indemnifying Party the right to defend such a claim. The Indemnifying Party shall have no obligations under Section 14 in the event of a breach of the foregoing sentence by the Indemnified Party. Section 14 shall survive termination of this Agreement.

15 Insurance

15.1 The QF shall procure or cause to be procured and shall maintain throughout the entire term of this Contract, a policy or policies of liability insurance issued by an insurer acceptable to PEF on a standard "Insurance Services Office" commercial general liability form (such policy or policies, collectively, the "QF Insurance"). A certificate of insurance shall be delivered to PEF at least fifteen (15) calendar days prior to the start of any interconnection work. At a minimum, the QF Insurance shall contain (a) an endorsement providing coverage, including products liability/completed operations coverage for the term of this Contract, and (b) a broad form contractual liability endorsement covering liabilities (i) which might arise under, or in the performance or nonperformance of, this Contract and the Interconnection Agreement, or (ii) caused by operation of the Facility or any of the QF's equipment or by the QF's failure to maintain the Facility or the QF's equipment in satisfactory and safe operating condition. Effective at least fifteen (15) calendar days prior to the synchronization of the Facility with PEF's system, the QF Insurance shall be amended to include coverage for interruption or curtailment of power supply in accordance with industry standards. Without limiting the foregoing, the QF Insurance must be reasonably acceptable to PEF. Any premium assessment or deductible shall be for the account of the QF and not PEF.

15.2 The QF Insurance shall have a minimum limit of One Million Dollars ($1,000,000.00) per occurrence, combined single limit, for bodily injury (including death) or property damage.

15.3 To the extent that the QF Insurance is on a "claims made" basis, the retroactive date of the policy(ies) shall be the effective date of this Contract or such other date as may be agreed upon to protect the interests of the PEF Entities and the QF Entities. Furthermore, to the extent the QF Insurance is on a "claims made" basis, the QF's duty to provide insurance coverage shall survive the termination of this Contract until the expiration of the maximum statutory period of limitations in the State of Florida for actions based in contract or in tort. To the extent the QF Insurance is on an "occurrence" basis, such insurance shall be maintained in effect at all times by the QF during the term of this Contract.

15.4 The QF Insurance shall provide that it may not be cancelled or materially altered without at least thirty (30) calendar days' written notice to PEF. The QF shall provide PEF with a copy of any material communication or notice related to the QF Insurance within ten (10) business days of the QF's receipt or issuance thereof.

15.5 The QF shall be designated as the named insured and PEF shall be designated as an additional named insured under the QF Insurance. The QF Insurance shall be endorsed to be primary to any coverage maintained by PEF.

16. Force Majeure

Force Majeure is defined as an event or circumstance that is not reasonably foreseeable, is beyond the reasonable control of and is not caused by the negligence or lack of due diligence of the affected Party or its contractors or suppliers. Such events or circumstances may include, but are not limited to, actions or inactions of civil or military authority (including courts and governmental or administrative agencies), acts of God, war, riot or insurrection, blockades, embargoes, sabotage, epidemics, explosions and fires not originating in the Facility or caused by its operation, hurricanes, floods, strikes, lockouts or other labor disputes or difficulties (not caused by the failure of the affected party to comply with the terms of a collective bargaining agreement). QF equipment breakdown or inability to use equipment caused by its design, construction, operation, maintenance or inability to meet regulatory standards, or otherwise caused by an event originating in the Facility, or a QF failure to obtain on a timely basis and maintain a necessary permit or other regulatory approval, shall not be considered an event of Force Majeure, unless the QF can conclusively demonstrate, to the reasonable satisfaction of PEF, that the event was not reasonably foreseeable, was beyond the QF's reasonable control and was not caused by the negligence or lack of due diligence of the QF or its agents, contractors or suppliers.

16.1 Except as otherwise provided in this Contract, each Party shall be excused from performance when its nonperformance was caused, directly or indirectly by an event of Force Majeure.

16.2 In the event of any delay or nonperformance resulting from an event of Force Majeure, the Party claiming Force Majeure shall notify the other Party in writing within five (5) business days of the occurrence of the event of Force Majeure, of the nature cause, date of commencement thereof and the anticipated extent of such delay, and shall indicate whether any deadlines or date(s), imposed hereunder may be affected thereby. The suspension of performance shall be of no greater scope and of no greater duration than the cure for the Force Majeure requires. A Party claiming Force Majeure shall not be entitled to any relief therefor unless and until conforming notice is provided. The Party claiming Force Majeure shall notify the other Party of the cessation of the event of Force Majeure or of the conclusion of the affected Party's cure for the event of Force Majeure in either case within two (2) business days thereof.

16.3 The Party claiming Force Majeure shall use its best efforts to cure the cause(s) preventing its performance of this Contract; provided, however, the settlement of strikes, lockouts and other labor disputes shall be entirely within the discretion of the affected Party and such Party shall not be required to settle such strikes, lockouts or other labor disputes by acceding to demands which such Party deems to be unfavorable.

16.4 If the QF suffers an occurrence of an event of Force Majeure that reduces the generating capability of the Facility below the Committed Capacity, the QF may, upon notice to PEF temporarily adjust the Committed Capacity as provided in Sections 16.5 and 16.6. Such adjustment shall be effective the first calendar day immediately following PEF's receipt of the notice or such later date as may be specified by the QF. Furthermore, such adjustment shall be the minimum amount necessitated by the event of Force Majeure.

16.5 If the Facility is rendered completely inoperative as a result of Force Majeure, the QF shall temporarily set the Committed Capacity equal to 0 kW until such time as the Facility can partially or fully operate at the Committed Capacity that existed prior to the Force Majeure. If the Committed Capacity is 0 kW, PEF shall have no obligation to make capacity payments hereunder.

16.6 If, at any time during the occurrence of an event of Force Majeure or during its cure, the Facility can partially or fully operate, then the QF shall temporarily set the Committed Capacity at the maximum capability that the Facility can reasonably be expected to operate.

16.7 Upon the cessation of the event of Force Majeure or the conclusion of the cure for the event of Force Majeure, the Committed Capacity shall be restored to the Committed Capacity that existed immediately prior to the Force Majeure. Notwithstanding any other provisions of this Contract, upon such cessation or cure, PEF shall have right to require a Committed Capacity Test to demonstrate the Facility's compliance with the requirements of this section 16.7. Any Committed Capacity Test required by PEF under this Section shall be additional to any Committed Capacity Test under Section 5.3.

16.8 During the occurrence of an event of Force Majeure and a reduction in Committed Capacity under Section 16.4 all Monthly Capacity Payments shall reflect, pro rata, the reduction in Committed Capacity, and the Monthly Capacity Payments will continue to be calculated in accordance with the pay-for-performance provisions in Appendix B.

16.9 The QF agrees to be responsible for and pay the costs necessary to reactivate the Facility and/or the interconnection with PEF's system if the same is (are) rendered inoperable due to actions of the QF, its agents, or Force Majeure events affecting the QF, the Facility or the interconnection with PEF. PEF agrees to reactivate, at is own cost, the interconnection with the Facility in circumstances where any interruptions to such interconnections are caused by PEF or its agents.

17. Representations, Warranties, and Covenants of QF

The QF represents and warrants that as of the Effective Date:

17.1 Organization, Standing and Qualification

The QF is a ___________ (corporation, partnership, or other, as applicable) duly organized and validly existing in good standing under the laws of ___________ and has all necessary power and authority to carry on its business as presently conducted to own or hold under lease its properties and to enter into and perform its obligations under this Contract and all other related documents and agreements to which it is or shall be a Party. The QF is duly qualified or licensed to do business in the State of Florida and in all other jurisdictions wherein the nature of its business and operations or the character of the properties owned or leased by it makes such qualification or licensing necessary and where the failure to be so qualified or licensed would impair its ability to perform its obligations under this Contract or would result in a material liability to or would have a material adverse effect on PEF.

17.2 Due Authorization, No Approvals, No Defaults

Each of the execution, delivery and performance by the QF of this Contract has been duly authorized by all necessary action on the part of the QF, does not require any approval, except as has been heretofore obtained, of the ____________ (shareholders, partners, or others, as applicable) of the QF or any consent of or approval from any trustee, lessor or holder of any indebtedness or other obligation of the QF, except for such as have been duly obtained, and does not contravene or constitute a default under any law, the ______________ (articles of incorporation, bylaws, or other as applicable) of the QF, or any agreement, judgement, injunction, order, decree or other instrument binding upon the QF, or subject the Facility or any component part thereof to any lien other than as contemplated or permitted by this Contract.

17.3 Compliance with Laws

The QF has knowledge of all laws and business practices that must be followed in performing its obligations under this Contract. The QF is in compliance with all laws, except to the extent that failure to comply therewith would not, in the aggregate, have a material adverse effect on the QF or PEF.

17.4 Governmental Approvals

Except as expressly contemplated herein, neither the execution and delivery by the QF of this Contract, nor the consummation by the QF of any of the transaction contemplated thereby, requires the consent or approval of, the giving of notice to, the registration with, the recording or filing of any document with, or the taking of any other action in respect of governmental authority, except in respect of permits (a) which have already been obtained and are in full force and effect or (b) are not yet required (and with respect to which the QF has no reason to believe that the same will not be readily obtainable in the ordinary course of business upon due application therefor).

17.5 No Suits, Proceedings

There are no actions, suits, proceedings or investigations pending or, to the knowledge of the QF, threatened against it at law or in equity before any court or tribunal of the United States or any other jurisdiction which individually or in the aggregate could result in any materially adverse effect on the QF's business, properties, or assets or its condition, financial or otherwise, or in any impairment of its ability to perform its obligations under this Contract. The QF has no knowledge of a violation or default with respect to any law which could result in any such materially adverse effect or impairment.

17.6 Environmental Matters

To the best of its knowledge after diligent inquiry, the QF knows of no (a) existing violations of any environmental laws at the Facility, including those governing hazardous materials or (b) pending, ongoing, or unresolved administrative or enforcement investigations, compliance orders, claims, demands, actions, or other litigation brought by governmental authorities or other third parties alleging violations of any environmental law or permit which would materially and adversely affect the operation of the Facility as contemplated by this Contract.

18. General Provisions

18.1 Project Viability

To assist PEF in assessing the QF's financial and technical viability, the QF shall provide the information and documents requested in Appendix D or substantially similar documents, to the extent the documents apply to the type of Facility covered by this Contract and to the extent the documents are available. All documents to be considered by PEF must be submitted at the time this Contract is presented to PEF. Failure to provide the following such documents may result in a determination of non-viability by PEF.

18.2 Permits

The QF hereby agrees to obtain and maintain any and all permits, certifications, licenses, consents or approvals of any governmental authority which the QF is required to obtain as a prerequisite to engaging in the activities specified in this Contract.

18.3 Project Management

If requested by PEF, the QF shall submit to PEF its integrated project schedule for PEF's review within sixty (60) calendar days from the execution of this Contract, and a start-up and test schedule for the Facility at least sixty (60) calendar days prior to start-up and testing of the Facility. These schedules shall identify key licensing, permitting, construction and operating milestone dates and activities. If requested by PEF, the QF shall submit progress reports in a form satisfactory to PEF every calendar month until the Capacity Delivery Date and shall notify PEF of any changes in such schedules within ten (10) calendar days after such changes are determined. PEF shall have the right to monitor the construction, start-up and testing of the Facility, either on-site or off-site. PEF's technical review and inspections of the Facility and resulting requests, if any, shall not be construed as endorsing the design thereof or as any warranty as to the safety, durability or reliability of the Facility.

The QF shall provide PEF with the final designer's/manufacturer's generator capability curves, protective relay types, proposed protective relay settings, main one-line diagrams, protective relay functional diagrams, and alternating current and direct elementary diagrams for review and inspection at PEF no later than one hundred eighty (180) calendar days prior to the initial synchronization date.

18.4 Assignment

The QF may not assign this Contract, without PEF's prior written approval, which approval may be withheld at PEF's sole discretion.

18.5 Disclaimer

In executing this Contract, PEF does not, nor should it be construed, to extend its credit or financial support for benefit of any third parties lending money to or having other transactions with the QF or any assigns of this Contract.

18.6 Notification

All formal notices relating to this Contract shall be deemed duly given when delivered in person, or sent by registered or certified mail, or sent by fax if followed immediately with a copy sent by registered or certified mail, to the individuals designated below. The Parties designate the following individuals to be notified or to whom payment shall be sent until such time as either Party furnishes the other Party written instructions to contact another individual:

For the QF:	For PEF:
____________________	Progress Energy Florida, Inc.
____________________	Cogeneration Manager
____________________	100 Central Avenue
____________________	St. Petersburg, FL 33701

This signed Contract and all related documents may be presented no earlier than 8:00 a.m. on the effective date of the Standard Offer Contract, as determined by the FPSC. Contracts and related documents may be mailed to the address below or delivered during normal business hours (8:00 a.m. to 4:45 p.m.) to the visitors' entrance at the address below:

Progress Energy Florida, Inc.
100 Central Avenue
St. Petersburg, FL 33701

Attention: Cogeneration Manager

18.7 Applicable Law

This Contract shall be construed in accordance with and governed by, and the rights of the parties shall be construed in accordance with the laws of the State of Florida.

18.8 Taxation

In the event that PEF becomes liable for additional taxes, including interest and/or penalties arising from an Internal Revenue Services determination, through audit, ruling or other authority, that PEF's payments to the QF for capacity under Options B, C, or D are not fully deductible when paid (additional tax liability), PEF may bill the QF monthly for the costs, including carrying charges, interest and/or penalties, associated with the fact that all or a portion of these capacity payments are not currently deductible for federal and/or state income tax purposes. PEF at its option, may offset these costs against amounts due the QF hereunder. These costs would be calculated so as to place PEF in the same economic position in which it would have been if the entire capacity payments had been deductible in the period in which the payments were made. If PEF decides to appeal the Internal Revenue Service's determination, the decision as to whether the appeal should be made through the administrative or judicial process or both, and all subsequent decisions pertaining to the appeal (both substantive and procedural), shall rest exclusively with PEF.

18.9 Severability

If any part of this Contract, for any reason, is declared invalid or unenforceable by a public authority of appropriate jurisdiction, then such decision shall not affect the validity of the remainder of the Contract, which remainder shall remain in force and effect as if this Contract had been executed without the invalid or unenforceable portion.

18.10 Complete Agreement and Amendments

All previous communications or agreements between the Parties, whether verbal or written, with reference to the subject matter of this Contract are hereby abrogated. No amendment or modification to this Contract shall be binding unless it shall be set forth in writing and duly executed by both Parties. This Contract constitutes the entire agreement between the Parties.

18.11 Survival of Contract

This Contract, as it may be amended from time to time, shall be binding upon, and inure to the benefit of, the Parties' respective successors-in-interest and legal representatives.

18.12 Record Retention

The QF agrees to remain for a period of five (5) years from the date of termination hereof all records relating to the performance of its obligations hereunder, and to cause all QF Entities to retain for the same period all such records.

18.13 No Waiver

No waiver of any of the terms and conditions of this Contract shall be effective unless in writing and signed by the Party against whom such waiver is sought to be enforced. Any wavier of the terms hereof shall be effective only in the specific instance and for the specific purpose given. The failure of a Party to insist, in any instance, on the strict performance of any of the terms and conditions hereof shall not be construed as a waiver of such Party's right in the future to insist on such strict performance.

18.14 Set-Off

PEF may at any time, but shall be under no obligation to, set off any and all sums due from the QF against sums due to the QF hereunder.

IN WITNESS WHEREOF, the QF and PEF have caused this Contract to be executed effective as of the later of the dates set forth below.

______________________________ Print name of QF	**PROGRESS ENERGY FLORIDA, INC.**
By ___________________________ Signature	By ___________________________ Signature
______________________________ Print Name	______________________________ Print Name
______________________________ Title	______________________________ Title
______________________________ Date	______________________________ Date

APPENDIX A
TO
PROGRESS ENERGY FLORIDA STANDARD OFFER CONTRACT
RATE SCHEDULE COG-2

SCHEDULE

COG-2, Firm Capacity and Energy

AVAILABLE

PEF will, under the provisions of this Schedule and PEF's Standard Offer Contract for the Purchase of Firm Capacity and Energy from a Small Power Producer or Other Qualifying Facility ("Standard Offer Contract") to which this Appendix is attached and incorporated into by reference, purchase firm capacity and energy offered by a Qualifying Facility pursuant to FPSC Rule 25-17.0832 (4). PEF's obligation to contract to purchase firm capacity from such QFs by means of this schedule and the Standard Offer Contract will continue only as long as, and the extent that, the 20 MW subscription limit is not exceeded and, in any event, no later than 2 weeks after approval of this standard offer by the Florida Public Service Commission. PEF's obligation to purchase firm capacity by means of this rate schedule and the Standard Offer Contract from QFs locating north of the latitude of PEF's Central Florida Substation is conditioned upon PEF being able to acquire import capability to replace that amount of Florida-Southern Interface import capability lost as a result of the location of the Facility.

APPLICABLE

To Qualifying Facilities as specified in FPSC Rule 25-17.0832 (4) producing capacity and energy for sale to PEF on a firm basis pursuant to the terms and conditions of this schedule and PEF's Standard Offer Contract. Firm Capacity and Energy are described by FPSC Rule 25-17.0832, F.A.C., and are capacity and energy produced and sold by a QF pursuant to the Standard Offer Contract provisions addressing (among other things) quantity, time and reliability of delivery.

CHARACTER OF SERVICE

Purchases within the territory served by PEF shall be, at the option of PEF, single or three phase, 60-hertz alternating current at any available standard PEF voltage. Purchases from outside the territory served by PEF shall be three phase, 60-hertz alternating current at the voltage level available at the interchange point between PEF and the entry delivering the Firm Energy and Capacity from the QF.

LIMITATION

Purchases under this schedule are subject to FPSC Rules 25-17.080 through 25-17.091, F.A.C., and are limited to those Qualifying Facilities which:

A. Are Specified in FPSC Rule 25-17.0832 (4);

B. Execute a Standard Offer Contract;

C. Provide capacity which would not result in the 20 MW capacity subscription limit for PEF to be exceeded.

RATES FOR PURCHASES BY PEF

Firm Capacity and Energy are purchased at unit cost, in dollars per kilowatt per month and cents per kilowatt-hour, respectively, based on the value of deferring additional capacity required by PEF. For the purpose of this Schedule, an Avoided Unit has been designated by PEF. PEF's next Avoided Unit has been identified as a 20 MW portion of a 540 MW combined cycle unit with an in-service date of January 2008, Schedule 1 to this Appendix describes the methodology used to calculate payment schedules, general terms, and conditions applicable to PEF's Standard Offer Contract filed and approved pursuant to FPSC Rules 25-17.080 through 25-17.091, F.A.C.

A. Firm Capacity Rates

Four options, A through D, as set forth below, are available for payments of firm capacity that is produced by a QF and delivered to PEF. Once selected, an option shall remain in effect for the term of the Standard Offer Contract with PEF. Exemplary payment schedules, shown below, contain the monthly rate per kilowatt of Firm Capacity which the QF has contractually committed to deliver to PEF and are based on a contract term which extends through December 31, 2012. Payment schedules for other contract terms will be made available to any QF upon request and may be calculated based on the methodologies described in Schedule 1. The currently approved parameters used to calculate the following schedule of payments are found in Schedule 2 to this Appendix.

Option A - Fixed Value of Deferral Payments - Normal Capacity

Payment schedules under this option are based on the value of a year-by-year deferral of PEF's Avoided Unit with an in-service date of January 1, 2008, calculated in accordance with FPSC Rule 25-17.0832, F.A.C., as described in Schedule 1. Once this option is selected, the current schedule of payments shall remain fixed and in effect throughout the term of the Standard Offer Contract. The payment schedule for this option follows the description of Option D.

Option B - First Value of Deferral Payments - Early Capacity

Payment schedules under this option are based upon the early capital cost component of the value of a year-by-year deferral of PEF's Avoided Unit. The term "early" with respect to Option B means that these payments can start as early as four years prior to the anticipated in-service date of PEF's Avoided Unit; provided, however, that under no circumstances may payments begin before this QF is delivering firm capacity and energy to PEF pursuant to the terms of the Standard Offer Contract. When this option is selected, the capacity payments shall be made monthly commencing no earlier than the Capacity Delivery Date of the QF and calculated as shown on Schedule 1. Capacity Payments under Option B do not result in a prepayment or create a future benefit.

The QF shall select the month and year in which the deliveries of firm capacity and energy to PEF are to commence and capacity payments are to start. PEF will provide the QF with a schedule of capacity payment rates based on the month and year in which the deliveries of firm capacity and energy are to commence and the term of the Standard Offer Contract. The exemplary payment schedule following Option D is based on a contract term that begins on December 1, 2003.

Option C - Fixed Value of Deferral Payment - Levelized Capacity

Payment schedules under this option are based upon the levelized capital cost component of the value of a year-by-year deferral of PEF's Avoided Unit. The capital portion of capacity payments under this option shall consist of equal monthly payments over the term of the Standard Offer Contract, calculated as shown on Schedule 1. The fixed operation and maintenance portion of capacity payments shall be equal to the value of the year-by-year deferral of fixed operation and maintenance expense associated with PEF's Avoided Unit. These calculations are shown in Schedule 1. The payment schedule for this option follows Option D. Capacity Payments under Option C do not result in a prepayment or create a future benefit.

Option D - Fixed Value of Deferral Payment - Early Levelized Capacity

Payment schedules under this option are based upon the early levelized capital cost component of the value of a year-by-year deferral of PEF's Avoided Unit. The capital portion of capacity payments under this option shall consist of equal monthly payments over the term of the Standard Offer Contract, calculated as shown on Schedule 1. The fixed operation and maintenance expense shall be calculated as shown in Schedule 1. At the option of the QF, payments for early levelized capacity shall commence at any time after the specified early capacity date and before the anticipated in-service date of PEF's Avoided Unit, provided that the QF is delivering firm capacity and energy to PEF pursuant to the terms of the Standard Offer Contract. The term "early" with respect to Option D means that capacity payments may begin earlier than the anticipated in-service date of PEF's avoided unit. Capacity payments under Option D do not result in a prepayment or create a future benefit.

EXAMPLE MONTHLY CAPACITY PAYMENT IN $kW/MONTH
PEF'S 2005 COMBINED CYCLE AVOIDED UNIT (20 MW)
STANDARD OFFER CONTRACT AVOIDED CAPACITY PAYMENTS
($/kW/MONTH)

Contract Year	Option A Normal Capacity Payment Starting 01/01/2008	Option B Early Capacity Payment Starting 01/01/2004	Option C Levelized Capacity Payment Starting 01/01/2008	Option D Early Levelized Capacity Payment Starting 01/01/2004
2004	-	2.05	-	2.23
2005	-	2.10	-	2.23
2006		2.15		2.23
2007		2.21		2.24
2008	4.54	2.26	4.75	2.24
2009	4.66	2.32	4.75	2.24
2010	4.77	2.38	4.76	2.25
2011	4.89	2.44	4.77	2.25
2012	5.02	2.50	4.77	2.26

B. Energy Rates

Payments Prior to January 1, 2008

The energy rate, in cents per kilowatt-hour (¢/kWh), shall be based on PEF's actual hourly avoided energy costs which are calculated by PEF in accordance with FPSC Rule 25-17.0825, F.A.C.

The calculation of payments to the QF shall be based on the sum over all hours of the billing period, of the product of each hour's avoided energy cost times the amount of energy (kWh) delivered to PEF from the Facility for that hour. All purchases shall be adjusted for losses from the point of metering to the point of interconnection.

Payments Starting on January 1, 2008
The calculation of payments to the QF for energy delivered to PEF on and after January 1, 2008 shall be the sum, over all hours of the Monthly Billing Period, of the product of (a) each hour's Firm Energy Rate (¢/kWh); and (b) the amount of energy (kWh) delivered to PEF from the Facility during that hour.

The firm energy rate shall be, on an hour-by-hour basis, PEF's Avoided Unit Energy Cost. For any other period during which energy is delivered by the QF to PEF, the Firm Energy Rate in cents per kilowatt hour (¢/kWh) shall be the following on an hour-by-hour basis: the lesser of (a) the as-available energy rate calculated by PEF in accordance with FPSC Rule 25-17.0825, F.A.C., and PEF's Rate Schedule COG-1, as they may each be amended from time to time and (b) PEF's Avoided Unit Energy Cost. PEF's Avoided Unit Energy Cost, in cents per kilowatt -

hour (¢/kWh) shall be defined as the product of (a) the Avoided Unit Gas Cost and (b) an average annual heat rate of 7,046 BTU per kilowatt hour; plus (c) an additional 0.234¢ per kilowatt hour in mid-2003 dollars for variable operation and maintenance expenses which will be escalated at 2% per year.

For the purposes of this agreement, the Avoided Unit Gas Cost shall be determined from gas prices published in Platts Inside FERC, Gas Market Report, first of the month posting for Florida Gas Transmission Zone 3, plus Gulfstream Natural Gas System's applicable Usage-2 rate (Reservation Charge of $0.55), Usage-1 rate (Commodity Charge of $0.02) and the applicable Gulfstream Natural Gas System's Use percentage (not to exceed 2.5%) in accordance with the terms and conditions of Gulfstream Natural Gas System's tariff, as all such charges, surcharges and percentages are in effect from time to time for service under Gulfstream Natural Gas System's Rate Schedule FTS.

ESTIMATED AS-AVAILABLE ENERGY COST

For informational purposes only, the estimated incremental avoided energy costs for the next four semi-annual periods are as follows. The following estimates include variable operation and maintenance expenses.

Applicable Period	On-Peak ¢/KWH	Off-Peak ¢/KWH	Average ¢/KWH
October 1, 2003 - March 31, 2004	4.1	3.3	3.5
April 1, 2004 - September 30, 2004	5.0	3.0	3.6
October 1, 2004 – March 31, 2005	3.7	3.1	3.3
April 1, 2005 – September 30, 2005	5.1	3.3	3.9

ESTIMATED UNIT FUEL COST

The estimated unit fuel costs listed below are associated with PEF's Avoided Unit and are based on current estimates of the price of natural gas.

$/MMBTU

2004	2005	2006	2007	2008	2009	2010	2011	2012
5.97	5.56	5.11	4.03	3.60	3.74	3.98	4.05	4.17

DELIVERY VOLTAGE ADJUSTMENT

Energy payments to the QFs within PEF's service territory shall be adjusted according to the delivery voltage by the following multipliers:

Delivery Voltage	Adjustment Factor
Transmission Voltage Delivery	1.0252
Primary Voltage Delivery	1.0358
Secondary Voltage Delivery	1.0686

PERFORMANCE CRITERIA

Payments for Firm Capacity are conditioned on the QF's ability to maintain the following performance criteria:

A. Capacity Delivery Date

The Capacity Delivery Date shall be no later than the projected in-service date of PEF's Avoided Unit (i.e., January 1, 2008.)

B. Availability and Capacity Factor

The Facility's availability and capacity factor are used in the determination of firm capacity payments through a performance based calculation as detailed in Appendix B to PEF's Standard Offer Contract.

METERING REQUIREMENTS

The QFs within the territory served by PEF shall be required to purchase from PEF hourly recording meters to measure their energy deliveries to PEF. Energy purchases from the QFs outside the Territory of PEF shall be measured as the quantities scheduled for interchange to PEF by the entity delivering Firm Capacity and Energy to PEF.

For the purpose of this Schedule, the on-peak hours shall be those hours occurring April 1 through October 31, from 11:00 a.m. to 10:00 p.m., and November 1 through March 31, from 6:00 a.m. to 12:00 noon and 5:00 p.m. to 10:00 p.m. prevailing Eastern time. PEF shall have the right to change such On-Peak Hours by providing the QF a minimum of thirty calendar days' advance written notice.

BILLING OPTIONS

A QF, upon entering into a Standard Offer Contract for the sale of firm capacity and energy or prior to delivery of as-available energy, may elect to make either simultaneous purchases from and sales to PEF, or net sales to PEF; provided, however, that no such arrangement shall cause the QF to sell more than the Facility's net output. A decision on billing methods may only be changed: 1) when a QF selling as-available energy enters into a Standard Offer Contract for the sale of firm capacity and energy; 2) when a Standard Offer Contact expires or is lawfully terminated by either the QF or PEF; 3) when the QF is selling as-available energy and has not changed billing methods within the last twelve months; 4) when the election to change billing methods will not contravene the provisions of rule 25-17.0832 or a contract between the QF and PEF.

If a QF elects to change billing methods, such changes shall be subject to the following: 1) upon at least thirty days advance written note to PEF; 2) the installation by PEF of any additional metering equipment reasonably required to effect the change in billing and upon payment by the QF for such metering equipment and its installation; and 3) upon completion and approval by PEF of any alteration(s) to the interconnection reasonably required to effect the change in billing and upon payment by the QF for such alteration(s).

Payments due a QF will be made monthly and normally by the twentieth business day following the end of the billing period. The kilowatt-hours sold by the QF and the applicable avoided energy rates at which payment are being made shall accompany the payment to the QF.

CHARGES TO QUALIFYING FACILITY

The QF shall be responsible for all applicable charges as currently approved or as they may be approved by the Florida Public Service Commission, including, but not limited to:

A. Retail Service Charges

The QF shall be responsible for all FPSC approved charges for any retail service that may be provided by PEF. The QF shall be billed $74.42 monthly for the costs of meter reading, billing, and other administrative costs.

B. Interconnection Charge for Non-Variable Utility Expenses

The QF shall bear the cost required for interconnection, including the metering. The QF shall have the option of (i) payment in full for the interconnection costs including the time value of money during the construction of the interconnection facilities and providing a surety bond, letter of credit or comparable assurance of payment acceptable to PEF adequate to cover the interconnection cost estimates, (ii) payment of monthly invoices from PEF for actual costs progressively incurred by PEF in installing the interconnection facilities, or (iii) upon a showing of credit worthiness, making equal monthly installment payments over a period no longer than twelve (12) months toward the full cost of interconnection. In the latter case, PEF shall assess interest at a rate equal to the thirty(30) day highest grade commercial paper rate as published in the Wall Street Journal on the first business day of each month. Such interest shall be compounded monthly.

C. Interconnection Charge for Variable Utility Expenses

The QF shall be billed monthly for the variable utility expenses associated with the operation, maintenance and repair of the interconnection facilities. These include (a) PEF's inspections of the interconnection facilities and (b) maintenance of any equipment beyond that which would be required to provide normal electric service to the QF if no sales to PEF were involved.

The QF may pay a monthly charge equal to 0.50% of the installed cost of the interconnection facilities. This monthly rate shall be adjusted periodically.

D. Interconnection Charge for QF Locating North of Central Florida Substation

For a QF with a Facility located north of the latitude of PEF's Central Florida Substation, PEF shall perform a study, at QF's expense, to determine the extent to which the amount of power PEF can import over the Florida-Southern Interface is diminished by the location of the Facility north of the Central Florida Substation. QF shall reimburse PEF for the costs of acquiring import capability to replace that amount of capability lost as a result of the location of the Facility.

TERMS OF SERVICE

A. It shall be the QF's responsibility to inform PEF of any change in its electric generation capability.

B. Any electric service delivered by PEF to a QF located in PEF's service area shall be subject to the following terms and conditions:

(1) A QF shall be metered separately and billed under the applicable retail rate schedule(s), whose terms and conditions shall pertain.

(2) A security deposit will be required in accordance with FPSC Rules 25-17.082(5) and 25-6.097, F.A.C., and the following:

(i) In the first year of operation, the security deposit should be based upon the singular month in which the QF's projected purchases from PEF exceed, by the greatest amount, PEF's estimated purchases from the QF. The security deposit should be equal to twice the amount of the difference estimated for that month. The deposit is required upon interconnection.

(ii) For each year thereafter, a review of the actual sales and purchases between the QF and PEF will be conducted to determine the actual month of maximum difference. The security deposit should be adjusted to equal twice the greatest amount by which the actual monthly purchases by the QF exceed the actual sales in PEF in that month.

(3) PEF shall specify the point of interconnection and voltage level.

(4) The QF must enter into an interconnection to PEF's system. Specific features of the QF and its interconnection to PEF's facilities will be considered by PEF in preparing the interconnection agreement.

C. Service under this rate schedule is subject to the rules and regulations of the FPSC.

SCHEDULE 1
TO RATE SCHEDULE COG-2

CALCULATION OF VALUE OF DEFERRAL PAYMENTS

APPLICABILITY

Schedule 1 provides a detailed description of the methodology used by PEF to calculate the monthly values of deferring or avoiding PEF's Avoided Unit identified in Schedule COG-2. When used in conjunction with the current FPSC-approved cost parameters associated with PEF's Avoided Unit contained in Schedule 2, a QF may determine the applicable value of deferral capacity payment rate associated with the timing and operation of its particular facility should the QF enter into a Standard Offer Contract with PEF.

Also contained in Schedule 1 is the discussion of the types and forms of surety bond requirements or equivalent assurance for payment of the Termination Fee acceptable to PEF in the event of contractual default by a QF.

CALCULATION OF VALUE OF DEFERRAL OPTION A

FPSC Rule 25-17.0832(5) specifies that avoided capacity costs, in dollars per kilowatt per month, associated with capacity sold to a utility by a QF pursuant to PEF's Standard Offer Contract shall be defined as the year-by-year value of deferral of PEF's Avoided Unit. The year-by-year value of deferral shall be the difference in revenue requirements associated with deferring PEF's Avoided Unit one year, and shall be calculated as follows:

$$VAC_m = 1/12\ [KI_n\ (1 - R) / (1 - R^L) + O_n]$$

Where, for a one year deferral:

VAC_m = utility's monthly value of avoided capacity, in dollars per kilowatt per month, for each month of year n;

K = present value of carrying charges for one dollar of investment over L years with carrying charges computed using average annual rate base and assumed to be paid at the middle of each year and present valued to the middle of the first year;

R = $(1 + i_p)/ (1 + r)$;

I_n = total direct and indirect cost, in mid-year dollars per kilowatt including AFUDC but excluding CWIP, of PEF's Avoided Unit with an in-service date of year n, including all identifiable and quantifiable costs relating to the construction for PEF's Avoided Unit which would have been paid had the Unit been constructed;

O_n = total fixed operation and maintenance expense for the year n, in mid-year dollars per kilowatt per year, of PEF's Avoided Unit;

i_p = annual escalation rate associated with the plant cost of PEF's Avoided Unit(s);

i_o = annual escalation rate associated with the operation and maintenance expense of PEF's Avoided Unit(s);

r = annual discount rate, defined as the utility's incremental after-tax cost of capital;

L = expected life of PEF's Avoided Unit(s); and

n = year for which PEF's Avoided Unit(s) (are) deferred starting with its (their) original anticipated in-service date(s) and ending with the termination of PEF's Standard Offer Contract.

CALCULATION OF FIXED VALUE OF DEFERRAL PAYMENTS - EARLY CAPACITY-OPTION B

Under the fixed value of deferral Option A, payments for firm capacity shall not commence until the in-service date of PEF's Avoided unit(s). At the option of the QF, however, PEF may begin making payments for capacity consisting of the capital cost component of the value of a year-by-year deferral of PEF's Avoided Unit starting as early as three years prior to the anticipated in-service date of PEF's Avoided Unit. When such payments for capacity are elected, the avoided capital cost component of capacity payments shall be paid monthly commencing no earlier than the Capacity Delivery Date of the QF, and shall be calculated as follows:

$$A_M = [A_c\,(1 + i_p)^{(m-1)} + A_o\,(1 + i_o)^{(m-1)}] / 12 \qquad \text{for } m = 1 \text{ to } t$$

Where:

A_M = monthly payments to be made to the QF for each month of the contract year n, in dollars per kilowatt per month in which QF delivers capacity pursuant to the early capacity option;

i_p = annual escalation rate associated with the plant cost of PEF's' Avoided Unit(s);

i_o = annual escalation rate associated with the operation and maintenance expense of PEF's Avoided Unit(s);

m = year for which the fixed value of deferral payments under the early capacity option are made to a QF, starting in year one and ending in the year t;

t = the term, in years, of the Standard Offer Contract:

A_c = $F\,[\,(1 - R) / (1 - R^t)\,]$

Where:

F = the cumulative present value, in the year that the contractual payments will begin, of the avoided capital cost component of capacity payments which would have been made had capacity payments commenced with the anticipated in-service date of PEF's Avoided Unit(s);

R = $(1 + i_p)/(1 + r)$

r = annual discount rate, defined as PEF's incremental after-tax cost of capital; and

A_o = $G\,[\,(1 - R) / (1 - R^t)\,]$

Where:

G = The cumulative present value, in the year that the contractual payments will begin, of the avoided fixed operation and maintenance expense component of capacity payments which would have been made had capacity payments commenced with the anticipated in-service date of PEF's Avoided Unit(a).

R = $(1 + i_o)/ (1 + r)$

The currently approved parameters applicable to the formulas above are found in Schedule 2.

CALCULATION OF FIXED VALUE OF DEFERRAL PAYMENTS - LEVELIZED AND EARLY LEVELIZED CAPACITY - OPTION C & OPTION D, RESPECTIVELY

Monthly fixed value of deferral payments for levelized and early levelized capacity shall be calculated as follows:

$$P_L = (F / 12) \cdot [r / 1 - (1 + r)^{-t}] + O$$

Where:

P_L	=	the monthly levelized capacity payment, starting on or prior to the in-service date of PEF's Avoided Unit(s):
F	=	the cumulative present value, in the year that the contractual payments will begin, of the avoided capital cost component of the capacity payments which would have been made had the capacity payments not been levelized;
r	=	the annual discount rate, defined as PEF's incremental after-tax cost of capital;
t	=	the term, in years of the Standard Offer Contract
O	=	the monthly fixed operation and maintenance component of the capacity payments, calculated in accordance with calculation of the fixed value of deferral payments for the levelized capacity or the early levelized capacity options.

RISK-RELATED GUARANTEES

With the exception of governmental solid waste facilities covered by FPSC Rule 25-17.091, FPSC Rule 25-17.0832 paragraph (4)(e)10 requires that, when fixed value or deferral payments - early capacity, levelized capacity, or early levelized capacity are elected, the QF must provide a surety bond or equivalent assurance of securing the payment of a Termination Fee in the event the QF is unable to meet the terms and conditions of its Standard Offer Contract. Depending on the nature of the QF's operation, financial health and solvency, and its ability to meet the terms and conditions of PEF's Standard Offer contract, one of the following may constitute an equivalent assurance of payment:

(1) Bond;
(2) Cash deposit(s) with PEF;
(3) Unconditional, irrevocable, direct pay letter of credit;
(4) Unsecured promise by a municipal, county or state government to repay payment for early or levelized capacity in the event of default, in conjunction with a legally binding commitment from such government allowing the utility to levy a surcharge on either the electric bills of the government's electricity consuming facilities or the constituent electric customers of such government to assure that payments for early or levelized capacity are repaid;
(5) Unsecured promise by a privately-owned QF to repay payments for early or levelized capacity in the event of default, in conjunction with a legally binding commitment from the owner(s) of the QF, parent company, and/or subsidiary companies located in Florida to assure that payments for early, levelized or early levelized capacity are repaid; or
(6) Other guarantees acceptable to PEF.

PEF will cooperate with each QF applying for fixed value of deferral payments under the early, levelized or early levelized capacity options to determine the exact form of an "equivalent assurance" for payment of the Termination Fee to be required based on the particular aspects of the QF. PEF will endeavor to accommodate an equivalent assurance of repayment which is in the best interests of both the QF and PEF's ratepayers.

SCHEDULE 2
TO RATE SCHEDULE COG-2
CAPACITY OPTION PARAMETERS

FIXED VALUE OF DEFERRAL PAYMENTS -
NORMAL CAPACITY OPTION PARAMETERS

Where, for one year deferral:

			Value
VAC_m	=	PEF's value of avoided capacity and O&M, in dollars per kilowatt per month, during month m;	\$4.54
K	=	present value of carrying charges for one dollar of investment over L years with carrying charges computed using average annual rate base and assumed to be paid at the middle of each year and present valued to the middle of the first year;	1.430
I_n	=	total direct and indirect cost, in mid-year dollars per kilowatt including AFUDC but excluding CWIP, of PEF's Avoided Unit with an in-service date of year n;	\$516.23
O_n	=	total fixed operation and maintenance expense, for the year n, in mid-year dollars per kilowatt per year, of PEF's Avoided Unit:	\$3.34
i_p	=	annual escalation rate associated with the plant cost of PEF's Avoided Unit;	2.5%
i_o	=	annual escalation rate associated with the operation and maintenance expense of PEF's Avoided Unit;	2.5%
r	=	annual discount rate, defined as PEF's incremental after-tax cost of capital;	7.92%
L	=	expected life of PEF's Avoided Unit;	25
n	=	year for which PEF's Avoided Unit is deferred starting with its original anticipated in-service date and ending with the termination of the Standard Offer Contract.	2008

FIXED VALUE OF DEFERRAL PAYMENTS -
EARLY CAPACITY OPTION PARAMETERS

A_m	=	monthly avoided capital cost component of capacity payments to be made to the QF starting as early as four years prior to the anticipated in-service date of PEF's Avoided Unit, in dollars per kilowatt per month;	\$2.05

i_p	=	annual escalation rate associated with the plant cost of PEF's Avoided Unit;	2.5%
n	=	year for which early capacity payments to a QF are to begin;	2004
F	=	the cumulative present value of the avoided capital cost component of capacity payments which would have been made had capacity payments commenced with the anticipated in-service date of PEF's Avoided Unit and continued for a period of 5 years;	$158.15
r	=	annual discount rate, defined as PEF's incremental after-tax cost of capital;	7.92%
t	=	the term, in years, of the Standard Offer Contract for the purchase of firm capacity commencing prior to the in-service date of PEF's Avoided Unit;	9
G	=	the cumulative present value of the avoided fixed operation and maintenance expense component of capacity payments which would have been made had capacity payments commenced with the anticipated in-service date of PEF's Avoided Unit and continued for a period of 5 years.	$10.31

APPENDIX B
TO
PROGRESS ENERGY FLORIDA'S STANDARD OFFER CONTRACT

PAY FOR PERFORMANCE PROVISIONS
MONTHLY CAPACITY PAYMENT CALCULATION

1. Monthly Capacity Payments (MCP) for each Monthly Billing Period shall be computed according to the following:

   A. In the event that the Annual Capacity Billing Factor ("ACBF"), as defined below, is less than 80%, then no Monthly capacity Payment shall be due. That is:

   MCP = 0

   B. In the event that the ACBF is equal to or greater than 80% but less than 90%, then the Monthly Capacity Payment shall be calculated by using the following formula:

   MCP = BCP [5x (ACBF - .7)] x CC

   C. In the event that the ACBF is equal to or greater than 90%, then the Monthly Capacity Payment shall be calculated by using the following formula:

   MCP = BCP x CC

   Where:

MCP	=	Monthly Capacity Payment in dollars.
BCP	=	Base Capacity Payment in $/kW/Month as specified in PEF's Rate Schedule COG-2.
CC	=	Committed Capacity in kW.
ACBF	=	Annual Capacity Billing Factor. This factor is calculated using the 12 month, rolling average of the Monthly Capacity Factor. This 12 month rolling average shall be defined as the electric energy actually received by PEF for the 12 consecutive months preceding the date of calculation, divided by the product of the Committed Capacity and the number of hours in the 12 consecutive months preceding the date of calculation. During the first 12 consecutive Monthly Billing Periods commencing with the first Monthly Billing Period in which Capacity payments are to be made, the calculation of 12-month rolling

average Annual Capacity Billing Factor shall be performed as follows (a) during the first Monthly Billing Period, the Annual Capacity Billing Factor shall be equal to the Monthly Capacity Factor; (b) thereafter, the calculation of the Annual Capacity Billing Factor shall be computed by electric energy actually received by PEF for the number of full consecutive months preceding the date of calculation, divided by the product of the Committed Capacity and the number of hours in the number of full consecutive months preceding the date of calculation. This calculation shall be performed at the end of each Monthly Billing Period until enough Monthly Billing Periods have elapsed to calculate a true 12-month rolling average Annual Capacity Billing Factor.

MCF	=	Monthly Capacity Factor. The total energy received during the Monthly Billing Period for which the calculation is made, divided by the product of Committed Capacity times the total hours during the Monthly Billing Period.
Monthly Billing Period	=	The period beginning on the first calendar day of each calendar month, except that the initial Monthly Billing Period shall consist of the period beginning 12:01 a.m., on the Capacity Delivery Date and ending with the last calendar day of such month.

APPENDIX C
TO
PROGRESS ENERGY FLORIDA'S STANDARD OFFER CONTRACT

TERMINATION FEE

The Termination Fee shall be the sum of the values for each month beginning with the month in which the Capacity Delivery Date occurs through the month of termination (or month of calculation, as the case may be) computed according to the following formula:

$$\sum_{i=1}^{n} (MCP_i - MCPC_i) \cdot t^{(n-i)}$$

with: MCPC = 0 for all periods prior to the in-service date of PEF's Avoided Unit:

where

i	=	number of Monthly Billing Period commencing with the Capacity Delivery Date (i.e., the month in which Capacity Delivery date occurs = 1; the month following this month in which Capacity Delivery Date occurs = 2 etc.)
n	=	the number of Monthly Billing Periods which have elapsed from the month in which the Capacity Delivery Date occurs through the month of termination (or month of calculation, as the case may be)
t	=	the future value of an amount factor necessary to compound a sum monthly so the annual percentage rate derived will equal PEF's incremental after-tax avoided cost of capital (defined as r in COG-2). For any Monthly Billing Period in which MCPC is greater than MCP, i shall equal t.
MCP_i	=	Monthly Capacity Payment paid to QF corresponding to the Monthly Billing Period i, calculated in accordance with Appendix B.
$MCPC_i$	=	Monthly Capacity Payment for Option A corresponding to the Monthly Billing Period i, calculated in accordance with COG-2.

In the event that for any Monthly Billing Period, the computation of the value of the Termination Fee for such Monthly Billing Period (as set forth above) yields a value equal to or greater than zero, the amount of the Termination Fee shall be increased by the amount of such value.

In the event that for any Monthly Billing Period, the computation of the value of the Termination Fee for such Monthly Billing Period (as set forth above) yields a value less than zero, the amount of the Termination Fee shall be decreased by the amount of such value expressed as a positive number (the "Initial Reduction Value"); provided, however, that such Initial Reduction Value shall be subject to the following adjustments (the Initial Reduction Value, as adjusted, the "Reduction Value"):

a. In the event that in the applicable Monthly Billing Period the Annual Capacity Billing Factor (ACBF), as defined in Appendix B is less than 80%, then the Initial Reduction Value shall be adjusted to equal zero (Reduction Value = 0), and the Termination Fee shall not be reduced for the applicable Monthly Billing Period.

b. In the event that in the applicable Monthly Billing Period the Annual Capacity Billing Factor (ACBF), as defined in Appendix B, is equal to or greater than 80% but less than 90%, than the Reduction Value shall be determined as follows:

   Reduction Value = Initial Reduction Value x (5 x (ACBF - .78)]

   For the applicable Monthly Billing period, the Termination Fee shall be reduced by the amount of such Reduction Value.

c. In the event that in the applicable Monthly Billing Period the Annual Capacity Billing Factor (ACBF), as defined in Appendix B, is equal to or greater than 90%, then the Initial Reduction Value shall not be adjusted (Reduction Value = Initial Reduction Value), and the Termination Fee shall be reduced for the applicable Monthly Billing period by the amount of the Initial Reduction Value.

In no event shall PEF be liable to the QF at any time for any amount by which the Termination Fee, adjusted in accordance with the foregoing, is less than zero (0).

APPENDIX D
TO
PROGRESS ENERGY FLORIDA'S STANDARD OFFER CONTRACT

DETAILED PROJECT INFORMATION

Each eligible Contract received by PEF will be evaluated to determine if the underlying QF project is financially and technically viable. The QF shall, to the extent available, provide PEF with a detailed project proposal which addresses the information requested below:

I. FACILITY DESCRIPTION

- Project Name
- Project Location

* Street Address
* Size Plot Plan
* Legal Description of Site

- Generating Technology
- Facility Classification (Cogenerator or Small Power Producer)
- Primary Fuel
- Alternate Fuel (if applicable)
- Committed Capacity
- Expected In-Service Date
- Steam Host (for cogeneration facilities)

* Street Address
* Legal Description of Steam Host
* Host's annual steam requirements (lbs./yr.)

- Contact Person

* Individual's Name and Title
* Company Name
* Address
* Telephone Number
* Fax Number

II. PROJECT PARTICIPANTS

- Indicate the entities responsible for the following project management activities and provide a detailed description of the experience and capabilities of the entities:

- * Project Development
- * Siting and Licensing the Facility
- * Designing the Facility
- * Constructing the Facility
- * Securing the Fuel Supply
- * Operating the Facility

- Provide details on all electrical facilities which are currently under construction or operational which were developed by the QF.

- Describe the financing structure for the projects identified above, including the type of financing used, the permanent financing term, the major lenders and the percentage of equity invested at financial closing.

III. FUEL SUPPLY

- Describe all fuels to be used to generate electricity at the Facility. Indicate the specific physical and chemical characteristics of each fuel type (*e.g.* Btu content, sulfur content, ash content, etc.). Identify special considerations regarding fuel supply origin, source and handling, storage and processing requirements.

- Provide annual fuel requirements (AFR) necessary to support planned levels of generation and list the assumptions used to determine these quantities.

- Provide a summary of the status of the fuel supply arrangements in place to meet the AFR, in each year of the proposed operating life of the Facility. Use the categories below to describe the current arrangement for securing the AFR.

Category	Description of Fuel Supply Arrangement
owned =	fuel is from a fully developed source owned by one or more of the project participants
contract =	fully executed firm fuel contract exists between the developer(s) and fuel supplier(s)
LOI =	a letter of intent for fuel supply exists between developer(s) and fuel supplier(s)
SPP =	small power production facility will burn biomass, waste, or another renewable resource
spot =	fuel supply will be purchased on the spot market
none =	no firm fuel supply arrangement currently in place
other =	fuel supply arrangement which does not fit any of the above categories (please describe)

- Indicate the percentage of the Facility's AFR which is covered by the above fuel supply arrangement(s) for each proposed operating year. The percent of AFR covered for each operating year must total 100%. For fuel supply arrangements identified as owned, contract, or LOI, provide documentation to support this category and explain the fuel price mechanism of the arrangement. In addition, indicate whether or not the fuel price includes deliver and, if so, to what location.

- Describe fuel transportation networks available for delivering all primary and secondary fuel to the Facility site. Indicate the mode, route and distance of each segment of the journey, from fuel source to the Facility site. Discuss the current status and pertinent factors impacting future availability of the transportation network.

- Provide annual fuel transportation requirements (AFTR) necessary to support planned levels of generation and list the assumptions used to determine these quantities.

- Provide a summary of the status of the fuel transportation arrangements in place to meet the AFTR in each year of the proposed operating life of the Facility. Use the categories below to describe the current arrangement for securing the AFTR.

owned =	fuel transport via a fully developed system owned by one or more of the project participants
contract =	fully executed firm transportation contract exists between the developer(s) and fuel transporter(s)
LOI =	a letter of intent for fuel transport exists between developer(s) and fuel transporter(s)
spot =	fuel transportation will be purchased on the spot market
none =	no firm fuel transportation arrangement currently in place
other =	fuel transportation arrangement which does not fit any of the above categories (please describe)

- Provide the maximum, minimum and average fuel inventory levels to be maintained for primary and secondary fuels at the Facility site. List the assumptions used in determining the inventory levels.

- Provide information regarding QF's plans to maintain sufficient on site fuel to deliver capacity and energy for an uninterrupted seventy-two (72) hour period.

IV. PLANT DISPATCHABILITY/CONTROLLABILITY

- Provide the following operating characteristics and a detailed explanation supporting the performance capabilities indicated:

    * Ramp Rate (MW/minute)
    * Peak Capability (% above Committed Capacity)
    * Minimum power level (% of Committed Capacity)

- * Facility Turnaround Time, Hot to Hot (hours)
- * Start-up Time from Cold Shutdown (hours)
- * Unit Cycling (# cycles/yr.)
- * MW and MVAR Control (ACC, Manual, Other (please explain))

V. SITING AND LICENSING

- Provide a licensing/permitting milestone schedule, which lists all permits, licenses and variances, required to site the Facility. The milestone schedule shall also identify key milestone dates for baseline monitoring, application preparation, agency review, certification and licensing/siting board approval, and agency permit issuance.

- Provide a licensing/permitting plan that addresses the issues of air emission, water use, wastewater discharge, wetlands, endangered species, protected properties, solid waste, surrounding land use, zoning for the Facility, associated linear facilities and support of and opposition to the Facility.

- List the emission/effluent discharge limits the Facility will meet and describe in detail the pollution control equipment to be used to meet these limits.

VI. FACILITY DEVELOPMENT AND PERFORMANCE

- Submit a detailed engineering, procurement, construction, startup and commercial operation schedule. The schedule shall include milestones for site acquisition, engineering phases, selection of the major equipment vendors, architect engineer, PEF contractor and Facility operator, steam host integration and delivery of major equipment. A discussion of the current status of each milestone should also be included where applicable.

- Attach a diagram of the power block arrangement. Provide a list of the major equipment vendors and the name and model number of the major equipment to be installed.

- Provide a detailed description of the proposed environmental control technology for the Facility and describe the capabilities of the proposed technology.

- Attach preliminary flow diagrams for the steam system, water system, and fuel system, and a main electrical one line diagram for the Facility.

- State the expected heat rate (HHV) at 75 degrees Fahrenheit for loads of 100%, 75% and 50%. In addition, attach a preliminary heat balance for the Facility.

- If the Facility will be a cogenerator under FPSC Rule 25-17.080, provide a detailed description of the power plant/steam host interrelationship. Indicate the host's annual steam requirements and the length of time the Facility can operate without the host. Calculate the Facility's expected PURPA operating standard and efficiency standard and list the assumptions used to make the calculations.

VII. FINANCIAL

- Provide PEF with assurances that the proposed QF project is financially viable in accordance with FPSC Rule 25-17.0832(4)(c) by attaching a detailed pro-forma cash flow analysis. The pro-forma must include, at a minimum, the following assumptions for each year of the project.

- Annual Project Revenues

    * Capacity Payments ($ and $/kW/Mo.)
    * Variable O&M ($ and $/MWh)
    * Energy ($ and $/MWh)
    * Steam Revenues ($ and %/lb.)
    * Tipping Fees ($ and $/ton)
    * Interest Income
    * Other Revenues
    * Variable O&M Escalation (%/yr.)
    * Energy Escalation (%/yr.)
    * Steam Escalation (%/yr.)
    * Tipping Fee Escalation (%/yr.)

- Annual Project Expense

    * Fixed O&M ($ and $/kW/Mo.)
    * Variable O&M ($ and $/MWh)
    * Energy ($ and $/MWh)
    * Property Taxes ($)
    * Insurance ($)
    * Emission Compliance ($ and $/MWh)
    * Depreciation ($ and %/yr.)
    * Other Expenses ($)
    * Fixed O&M Escalation (%/yr.)
    * Variable O&M Escalation (%/yr.)
    * Energy Escalation (%/yr.)

- Other Project Information

  * Installed Cost of the Facility ($ and $/kW)
  * Committed Capacity (kW)
  * Average Heat Rate - HHV (MBTU/kWh)
  * Federal Income Tax Rate (%)
  * Facility Capacity Factor (%)
  * Energy Sold to PEF (MWh)

- Permanent Financing

  * Permanent Financing Term (yr.)
  * Project Capital Structure (percentage of long-term debt, subordinated debt, tax exempt debt and equity)
  * Financing Costs (cost of long-term debt, subordinated debt, tax exempt debt and equity)
  * Annual Interest Expense
  * Annual Debt Service ($)
  * Amortization Schedule (beginning balance, interest expense, principal reduction, ending balance)

- Provide details of the financing plan for the project and indicate whether the project will be non-recourse project financed. If it will not be project financed please explain the alternative financing arrangement.

- Submit financial statements for the last two years on the principals of the project, and provide an illustration of the project ownership structure.

APPENDIX E

PARALLEL OPERATING PROCEDURES

1.0 Purpose

This appendix provides general operating, testing, and inspection procedures intended to promote the safe parallel operation of the Facility with the Company's system. All requirements contained herein shall apply in addition to and not in lieu of the provisions of the Standard Offer Contract.

2.0 Schematic Diagram

Exhibit E-1, attached hereto and made a part hereof, is a schematic diagram showing the major circuit components connecting the Facility and PEF's [substation] and showing the Point of Delivery and the Point of Metering and/or Point of Ownership, if different. All switch number designations initially left blank on Exhibit E-1 will be inserted by PEF on or before the date on which the Facility first operates in parallel with PEF's system.

3.0 Operating Standards

3.1 The QF and PEF will independently provide for the safe operation of their respective facilities, including periods during which the other Party's facilities are unexpectedly energized or de-energized.

3.2 The QF shall reduce, curtail, or interrupt electrical generation or take other appropriate action for so long as it is reasonably necessary, which in the judgment of the QF or PEF may be necessary to operate and maintain a part of either Party's system, to address, if applicable, an emergency on either Party's system.

3.3 As provided in the Agreement, the QF shall not operate the Facility's electric generation equipment in parallel with PEF's system without prior written consent of PEF. Such consent shall not be given until the QF has satisfied all criteria under the Agreement and has:

(i) submitted to and received consent from PEF of its as-built electrical specifications;

(ii) demonstrated to PEF's satisfaction that the Facility is in compliance with the insurance requirements of the Standard Offer Contract; and

(iii) demonstrated to PEF's satisfaction that the Facility is in compliance with all regulations, rules, orders, or decisions of any governmental or regulatory authority having jurisdiction over the Facility's generating equipment or the operation of such equipment.

3.4 After any approved Facility modifications are completed, the QF shall not resume parallel operation with PEF's system until the QF has demonstrated that it is in compliance with all the requirements of section 3.3 hereof.

3.5 The QF shall be responsible for coordination and synchronization of the Facility's equipment with PEF's electrical system, and assumes all responsibility for damage that may occur from improper coordination or synchronization of the generator with the utility's system.

3.6 PEF shall have the right to open and lock, with a PEF padlock, manual disconnect switch number(s) __________ and isolate the Facility's generation system without prior notice to the QF. To the extent practicable, however, prior notice shall be given. Any of the following conditions shall be cause for disconnection:

1. PEF system emergencies and/or maintenance repair and construction requirements;

2. hazardous conditions existing on the Facility's generating or protective equipment as determined by PEF;

3. adverse effects of the Facility's generation to PEF's other electric consumers and/or system as determined by PEF;

4. failure of the QF to maintain any required insurance; or

5. failure of the QF to comply with any existing or future regulations, rules, orders or decisions of any governmental or regulatory authority having jurisdiction over the Facility's electric generating equipment or the operation of such equipment.

3.7 The Facility's electric generation equipment shall not be operated in parallel with PEF's system when auxiliary power is being provided from a source other than the Facility's electric generation equipment.

3.8 Neither Party shall operate switching devices owned by the other Party, except that PEF may open the manual disconnect switch number(s)______ owned by the QF pursuant to section 3.6 hereof.

3.9 Should one Party desire to change the operating position of a switching device owned by the other Party, the following procedures shall be followed:

(i) The Party requesting the switching change shall orally agree with an authorized representative of the other Party regarding which switch or switches are to be operated, the requested position of each switching device, and when each switch is to be operated.

(ii) The Party performing the requested switching shall notify the requesting Party when the requested switching change has been completed.

(iii) Neither Party shall rely solely on the other party's switching device to provide electrical isolation necessary for personnel safety. Each Party will perform work on its side of the Point of Ownership as if its facilities are energized or test for voltage and install grounds prior to beginning work.

(iv) Each Party shall be responsible for returning its facilities to approved operating conditions, including removal of grounds, prior to PEF authorizing the restoration of parallel operation.

(v) The Company shall install one or more red tags similar to the red tag shown in Exhibit E-2 attached hereto and made a part hereof, on all open switches. **Only PEF personnel on PEF's switching and tagging list shall remove and/or close any switch bearing a PEF red tag under any circumstances**

3.10 Should any essential protective equipment fail or be removed from service for maintenance or construction requirements, the Facility's electric generation equipment shall be disconnected from PEF's system. To accomplish this disconnection, the QF shall either (i) open the generator breaker number(s)______; or (ii) open the manual disconnect switch number(s)..

3.10.1 If the QF elects option (i), the breaker assembly shall be opened and drawn out by QF personnel. As promptly as practicable, PEF personnel shall install a PEF padlock and a red tag on the breaker enclosure door.

3.10.2 If the QF elects option (ii), the switch shall be opened by QF personnel or by PEF personnel and, as promptly as practicable, PEF personnel will install a PEF padlock and a red tag.

4.0 Inspection and Testing

4.1 The inspection and testing of all electrical relays governing the operation of the generator's circuit breaker shall be performed in accordance with manufacturer's recommendations, but in no case less than once every twelve (12) months. This inspection and testing shall include, but not be limited to, the following:

(i) electrical checks on all relays and verification of settings electrically;

(ii) cleaning of all contacts;

(iii) complete testing of tripping mechanisms for correct operating sequence and proper time intervals; and

(iv) visual inspection of the general condition of the relays.

4.2 In the event that any essential relay or protective equipment is found to be inoperative or in need of repair, the QF shall notify PEF of the problem and cease parallel operation of the generator until repairs or replacements have been made. The QF shall be responsible for maintaining records of all inspections and repairs and shall make said records available to PEF upon request.

4.3 PEF shall have the right to operate and test any of the Facility's protective equipment to assure accuracy and proper operation. This testing shall not relieve the QF of the responsibility to assure proper operation of its equipment and to perform routine maintenance and testing.

5.0 Notification

5.1 Communications made for emergency or operational reasons may be made to the following persons and shall thereafter be confirmed promptly in writing:

To PEF: System Dispatcher on Duty
Title: System Dispatcher
Telephone: 727-866-5888
Telecopier: 727-384-7865

To The QF: Name ____________________
Title: ____________________
Telephone: ____________________
Telecopier: ____________________

5.2 Each Party shall provide as much notification as practicable to the other Party regarding planned outages of equipment that may affect the other Party's operation.

APPENDIX F

INTERCONNECTION SCHEDULING AND COST RESPONSIBILITY

1.0 Purpose

This appendix provides the procedures for the scheduling of construction for PEF's Interconnection Facilities as well as the cost responsibility of the QF for the payment of Interconnection Costs. This appendix applies to all QF's, whether or not their Facility will be directly interconnected with PEF's system. All requirements contained herein shall apply in addition to and not in lieu of the provisions of the Standard Offer Contract.

2.0 Submission of Plans and Development of Interconnection Schedules and Cost Estimates

2.1 No later than sixty (60) days after the Execution Date, the QF shall specify the date it desires PEF's Interconnection Facilities to be available for receipt of the electric energy and shall provide a preliminary written description of the Facility and, if applicable, the QF's anticipated arrangements with the Transmission Service Utility, including without limitation, a one-line diagram, anticipated Facility site data and any additional facilities anticipated to be needed by the Transmission Service Utility. Based upon the information provided, PEF shall develop preliminary written Interconnection Costs and scheduling estimates for the Company's Interconnection Facilities within sixty (60) days after the information is provided. The schedule developed hereunder will indicate when the QF's final electrical plans must be submitted to the Company pursuant to section 2.2 hereof.

2.2 The QF shall submit the Facility's final electrical plans and all revisions to the information previously submitted under section 2.1 hereof to PEF no later than the date specified under section 2.1 hereof, unless such date is modified in PEF's reasonable discretion. Based upon the information provided and within sixty (60) days after the information is provided, PEF shall update its written Interconnection Costs and schedule estimates, provide the estimated time period required for construction of PEF's Interconnection Facilities, and specify the date by which PEF must receive notice from the QF to initiate construction, which date shall, to the extent practical, be consistent with the QF's schedule for delivery of energy into PEF's system. The final electrical plans shall include the following information, unless all or a portion of such information is waived by PEF in its discretion:

a. Physical layout drawings, including dimensions;

b. All associated equipment specifications and characteristics including technical parameters, ratings, basic impulse levels, electrical main one-line diagrams, schematic diagrams, system protections, frequency, voltage, current and interconnection distance;

c. Functional and logic diagrams, control and meter diagrams, conductor sizes and length, and any other relevant data which might be necessary to understand the Facility's proposed system and to be able to make a coordinated system;

d. Power requirements in watts and vars;

e. Expected radio-noise, harmonic generation and telephone interference factor;

f. Synchronizing methods;

g. Facility operating/instruction manuals; and

h. If applicable, a detailed description of the facilities to be utilized by the Transmission Service Utility to deliver energy to the Point of Delivery.

2.3 Any subsequent change in the final electrical plans shall be submitted to PEF and it is understood and agreed that any such changes may affect PEF's schedules and Interconnection Costs as previously estimated.

2.4 The QF shall pay the actual costs incurred by PEF to develop all estimates pursuant to section 2.1 and 2.2 hereof and to evaluate any changes proposed by the QF under section 2.3 hereof, as such costs are billed pursuant to the Standard Offer Contract. At PEF's option, advance payment for these cost estimates may be required, in which event PEF will issue an adjusted bill reflecting actual costs following completion of the cost estimates.

2.5 The Parties agree that any cost or scheduling estimates provided by PEF hereunder shall be prepared in good faith but shall not be binding. PEF may modify such schedules as necessary to accommodate contingencies that affect PEF's ability to initiate or complete PEF's Interconnection Facilities and actual costs will be used as the basis for all final charges hereunder.

3.0 Payment Obligations for Interconnection Costs

3.1 PEF shall have no obligation to initiate construction of PEF's Interconnection Facilities prior to a written notice from the QF agreeing to PEF's interconnection design requirements and notifying PEF to initiate its activities to construct PEF's Interconnection Facilities; **provided**, however, that such notice shall be received not later than the date specified by PEF under section 2.2 hereof. The QF shall be liable for and agrees to pay all Interconnection Costs incurred by PEF on or after the specified date for initiation of construction.

3.2 The QF agrees to pay all of PEF's actual Interconnection Costs as such costs are incurred and billed in accordance with the Standard Offer Contract. Such amounts shall be billed pursuant to section 3.2.1 if the QF elects the payment option permitted by FPSC Rule 25-17.087(4). Otherwise the QF shall be billed pursuant to section 3.2.2.

3.2.1 Upon a showing of credit worthiness, the QF shall have the option of making monthly installment payments for Interconnection Costs over a period no longer than thirty-six (36) months. The period selected is _____ months. Principal payments will be based on the estimated Interconnection Costs less the Interconnection Costs Offset, divided by the repayment period in months to determine the monthly principal payment. Interconnection Costs shall be defined as the actual costs incurred by PEF for PEF's Interconnection Facilities, including, without limitation, the cost of equipment, engineering, communication and administrative activities and Interconnection Costs Offset shall be defined as the estimated costs included in the Interconnection Costs that PEF would have incurred if it were not purchasing capacity and electric energy but instead itself generated or purchased from other sources an equivalent amount of capacity and electric energy and provided normal service to the Facility as if it were a non-generating customer. Payments will be invoiced in the first month following first incurrence of Interconnection Costs by PEF. Invoices to the QF will include principal payments plus interest on the unpaid balance, if any, calculated at a rate equal to the thirty (30) day highest grade commercial paper rate as published in the *Wall Street Journal* on the first business day of each month. The final payment or payments will be adjusted to cause the sum of principal payments to equal the actual Interconnection Costs including any accrued interest.

3.2.2 When Interconnection Costs are incurred by PEF, such costs will be billed to the QF to the extent that they exceed the Interconnection Costs Offset.

3.3 If the QF notifies PEF in writing to interrupt or cease interconnection work at any time and for any reason, the QF shall nonetheless be obligated to pay PEF for all costs incurred in connection with PEF's Interconnection Facilities through the date of such notification and for all additional costs for which PEF is responsible pursuant to binding contracts with third parties.

4.0 Payment Obligations for Operation, Maintenance and Repair of PEF's Interconnection Facilities

The QF also agrees to pay monthly through the Term of the Agreement for all costs associated with the operation, maintenance and repair of the Company's Interconnection Facilities, based on a percentage of the total Interconnection Costs net of the Interconnection Costs Offset, as set forth in PEF's COG-1 As-Available Tariff as may be amended from time to time.

APPENDIX E
FPSC RULES 25-17.080 THROUGH 25-17.091
ARE PROVIDED IN SECTION VIII
ON THIS TARIFF BOOK

EXHIBIT B

PROGRESS ENERGY FLORIDA'S PROPOSED STANDARD OFFER CONTRACT AND ACCOMPANYING RATE SCHEDULE COG-2 (LEGISLATIVE FORMAT)

Progress Energy

STANDARD OFFER CONTRACT FOR THE PURCHASE OF FIRM CAPACITY AND ENERGY FROM A SMALL POWER PRODUCER OR OTHER QUALIFYING FACILITY USING RENEWABLE OR NON-FOSSIL FUEL, A QUALIFYING FACILITY WITH A DESIGN CAPACITY OF 100 KW OR LESS, OR A SOLID WASTE FACILITY

TABLE OF CONTENTS

Progress Energy

STANDARD OFFER CONTRACT FOR THE PURCHASE OF FIRM CAPACITY AND ENERGY FROM A SMALL POWER PRODUCER OR OTHER QUALIFYING FACILITY USING RENEWABLE OR NON-FOSSIL FUEL, A QUALIFYING FACILITY WITH A DESIGN CAPACITY OF 100 KW OR LESS, OR A SOLID WASTE FACILITY

between

____

and

~~FLORIDA POWER CORPORATION~~PROGRESS ENERGY FLORIDA, INC.

Progress Energy

TABLE OF CONTENTS

i

Progress Energy

TABLE OF CONTENTS

Progress Energy

STANDARD OFFER CONTRACT FOR THE PURCHASE OF FIRM CAPACITY AND ENERGY FROM A SMALL POWER PRODUCER OR OTHER QUALIFYING FACILITY USING RENEWABLE OR NON-FOSSIL FUEL, A QUALIFYING FACILITY WITH A DESIGN CAPACITY OF 100 KW OR LESS, OR A SOLID WASTE FACILITY

THIS CONTRACT is made and entered this ___ day of _________, _____ , by and between ______________________________ (hereinafter "the QF"), and ~~Florida Power Corporation~~ Progress Energy Florida, Inc. (hereinafter "~~FPC~~PEF"), a private utility corporation organized and existing under the laws of the State of Florida. The QF and ~~FPC~~PEF shall be identified herein as the "Parties". This Contract contains five Appendices which are incorporated into and made part of this agreement: Appendix A~~:~~,- Rate Schedule COG-2; Appendix B~~:~~,- Pay for Performance Provisions, Monthly Capacity Payment Calculation; Appendix C~~:~~,- Termination Fee; Appendix-_D~~:~~, Detailed Project Information; Appendix E~~:~~, Parallel Operating Prodcedures; Appendix F~~:~~, Interconnection Scheduling and Cost Responsibility; and Appendix-_~~E~~G, Florida Public Service Commission ("FPSC") Rules 25-17.080 through 25-17.091, F.A.C.

WITNESSETH:

WHEREAS, the QF desires to sell, and ~~FPC~~PEF desires to purchase electricity to be generated by the QF consistent with FPSC Rules 25-17.080 through 25-17.091 F.A.C.; and

WHEREAS, the QF has ~~signed an interconnection agreement with FPC ("Interconnection Agreement")~~ agreed to the terms in Appendices E and F, or has signed an interconnection/transmission service ("wheeling") agreement with the utility in whose service territory the Facility is to be located, pursuant to which the QF assumes contractual responsibility to make any and all wheeling-related arrangements (including control area services) between the QF and the wheeling utility for delivery of the Facility's firm capacity and energy to ~~FPC~~PEF; and

WHEREAS, the FPSC has approved this Standard Offer Contract for the Purchase of Firm Capacity and Energy from a Small Power Producer or other Qualifying Facility using renewable or non-fossil fuel, a Qualifying Facility with a design capacity of 100-_KW or less, or a Solid Waste Facility; and

WHEREAS, the QF guarantees that the Facility is capable of delivering firm capacity and energy to ~~FPC~~PEF for the term of this Contract in a manner consistent with the provision of this Contract;

NOW, THEREFORE, for mutual consideration the Parties agree as follows:

1. Facility; Qualifying Status

The QF contemplates installing and operating a ____________________ KVA ______________ generator located at ____ (hereinafter called the "Facility"). The generator is designed to produce a maximum of _______________ kilowatts (kW) of electric power at a 90% lagging to 90% leading power factor. The facility's location and generation capabilities are as described in the table below.

TECHNOLOGY AND GENERATOR CAPABILITIES	
Location: Specific legal description (e.g., metes and bounds or other legal description with street address required)	City: County:
Generator Type (Induction or Synchronous)	
Type of Facility (Cogeneration, Small Power Production, MSW)	
Technology	
Fuel Type and Source	
Generator Rating (KVA)	
Maximum Capability (kW)	
Net Output (kW)	
Power Factor (%)	
Operating Voltage (kV)	
Peak Internal Load kW	

The QF's failure to complete the foregoing table in its entirety shall render this Contract null and void and of no further effect.

The Facility has been certified or has self-certified as a "qualifying facility" pursuant to the regulations of the Federal Energy Regulatory Commission ("FERC"). The QF shall maintain the "qualifying" status of the Facility throughout the term of this Contract. Any information provided to FERC regarding the QF's qualifying status shall at the same time be provided to ~~FPC~~PEF. The QF shall at all times keep ~~FPC~~PEF informed of any material changes in its business which affect its qualifying status. ~~FPC~~PEF shall have the right at all times to inspect the Facility and to examine any books, records, or other documents of the QF that ~~FPC~~PEF deems necessary to verify the Facility's qualifying status. On or before March-_31 of each year during the term of this Contract, the QF shall provide to ~~FPC~~PEF a certificate signed by an officer of the QF certifying that the QF continuously maintained qualifying status during the prior calendar year.

2. Term of Contract

Except as otherwise provided herein, this Contract shall become effective immediately upon its execution by the Parties and shall ~~end at 12:01 a.m., November 30~~ extend through and including December 31, ~~2010~~2012, unless terminated earlier in accordance with the provisions hereof.

Notwithstanding the foregoing, if the Capacity Delivery Date of the Facility is not accomplished by the QF on or before ~~December~~ January 1, ~~2005~~ 2008 ~~(or such later date as may be permitted by FPC pursuant to Section 5)~~, ~~FPC~~PEF's obligations under this Contract shall be rendered of no force and effect.

3. Minimum Specifications

As required by FPSC Rule 25-17.0832(a), below are the minimum specifications pertaining to this Contract:

3.1 The avoided unit ("Avoided Unit") on which this Contract is based is a 20 MW portion of a ~~530~~540 MW combined cycle unit.

3.2 The total Committed Capacity needed to fully subscribe the Avoided Unit is 20-MW (the "Subscription Limit").

3.3 This offer shall expire on the earlier of (i) the date of the subscription limit is fully subscribed or (ii) 2 weeks after approval of this standard offer by the Florida Public Service Commission.

3.4 The date by which firm capacity and energy deliveries from the QF to ~~FPC~~PEF shall commence is ~~December~~ January 1, ~~2005~~ 2008 unless the Facility chooses capacity payments under Options B, C, or D, pursuant to the terms of this Contract.

3.5 The period of time over which firm capacity and energy shall be delivered from the QF to ~~FPC~~PEF is the five- (5) year period beginning on ~~December~~ January1, ~~2005~~2008.

3.6 The following are the minimum performance standards for the delivery of firm capacity and energy by the QF to qualify for full capacity payments under this Contract:

	On Peak*	Off Peak
Availability:	90%	90%

* QF Performance and On Peak hours shall be as measured and/or described in ~~FPC~~PEF's Rate Schedule COG-2 attached hereto as Appendix B.

4. Sale of Electricity by the QF

~~4.1 Purchase by FPC~~

4.1 Consistent with the terms hereof, the QF shall sell to ~~FPC~~PEF and ~~FPC~~PEF shall purchase from the QF electric power generated by the Facility. The purchase and sale of electricity pursuant to this Contract shall be a ~~( )~~ net billing arrangement or ~~( )~~ simultaneous purchase and sale arrangement; provided, however, that no such arrangement shall cause the QF to sell more than the Facility's net output. The billing methodology may be changed at the option of the QF, subject to the provisions of ~~FPC~~PEF Rate Schedule COG-2.

4.2 PEF shall own and be entitled to the benefits of ~~A~~any environmental attributes associated with the QF or the Facility, ~~such as~~ including but not limited to Renewable Energy Credits (REQs), Green tags, or credits toward a Renewable Portfolio Standard (RPS) ~~generated by the QF shall belong to PEF~~ during the term of this Contract.

4.3~~2~~ The QF shall not rely on interruptible standby service for the start up requirements (initial or otherwise) of the Facility.

5. Committed Capacity/Capacity Delivery Date

5.1 The QF commits to sell capacity to ~~FPC~~PEF, the amount of which shall be determined in accordance with this Section 5 and Appendix A (the "Committed Capacity"). Subject to Section 5.3, the Committed Capacity is set at _______ kW, with an expected Capacity Delivery Date of ~~December~~ January 1, ~~2005~~2008.

5.2 Testing of the capacity of the Facility (each such test a "Committed Capacity Test") shall be performed in accordance with the procedures set forth in Section 6. The Demonstration Period for the first Committed Capacity Test shall commence no earlier than ~~December~~ January- 1, ~~2002~~ 2004 and testing must be completed by 11:59 p.m., ~~November 30~~December 31, ~~2004~~2007. The first Committed Capacity Test shall not be successfully completed unless the Facility demonstrates a Capacity of at least one hundred -percent (100%) -of the Committed Capacity set forth in Section 5.1. Subject to Section 6.1, the QF may schedule and perform up to three (3) Committed Capacity Tests to satisfy the requirements of the Contract with respect to the first Committed Capacity Test.

5.3 In addition to the first Committed Capacity Test, ~~FPC~~PEF shall have the right to require the QF, by notice thereto, to validate the Committed Capacity by means of a Committed Capacity Test at any time, up to six (6) times per year, the results of which shall be provided to ~~FPC~~PEF within seven (7) calendar days of the conclusion of such test. On and after the date of such requested Committed Capacity Test, and until the completion of a subsequent Committed Capacity Test, the Committed Capacity shall be set at the lower of the Capacity tested or the Committed Capacity as set forth in Section 5.1.

5.4 Notwithstanding anything to the contrary herein, the Committed Capacity may not exceed the amount set forth in Section 5.1 without the consent of ~~FPC~~PEF to be granted in ~~FPC~~PEF's sole discretion.

5.5 The "Capacity Delivery Date" shall be defined as the first calendar day immediately following the date of the Facility's successful completion of the first Committed Capacity Test.

5.6 In no event shall ~~FPC~~PEF make capacity payments to the QF prior to the Capacity Delivery Date.

5.7 The QF shall be entitled to receive capacity payments beginning on the Capacity Delivery Date, provided the Capacity Delivery Date occurs on or after January 1, ~~2003~~ 2004 and on or before ~~December~~ January 1, ~~2005~~ 2008 ~~(or such later date permitted by FPC pursuant to the following sentence). If the Capacity Delivery Date does not occur on or before December 1, 2005, FPC shall immediately be entitled to draw down the Completion/Performance security in full~~.

6. Testing Procedures

6.1 The Committed Capacity Test must be completed successfully within a sixty-hour period (the "Demonstration Period"), which period, including the approximate start time of the Committed Capacity Test, shall be selected and scheduled by the QF by means of a written notice to ~~FPC~~PEF delivered at least thirty (30) calendar days prior to the start of such period. The provisions of the foregoing sentence shall not apply to any Committed Capacity Test ordered by ~~FPC~~PEF under any of the provisions of this Contract. ~~FPC~~PEF shall have the right to be present onsite to monitor firsthand any Committed Capacity Test required or permitted under this Contract.

6.2 The Committed Capacity Test results shall be based on a test period of twenty-four (24) consecutive hours (the "Committed Capacity Test Period") at the highest sustained net kW rating at which the Facility can operate without exceeding the design operating conditions, temperature, pressures, and other parameters defined by the applicable manufacturer(s) for steady state operations at the Facility. The Committed Capacity Test Period shall commence at the time designated by the QF pursuant to Section 6.1 or at such time requested by ~~FPC~~PEF pursuant to Section 5.3; provided, however, that the Committed Capacity Test Period may commence earlier than such time in the event that ~~FPC~~PEF is notified of, and consents to, such earlier time.

6.3 Normal station service use of unit auxiliaries, including, without limitation, cooling towers, heat exchangers, and other equipment required by law, shall be in service during the Committed Capacity Test Period. Normal deliveries of the contracted quantity and quality of cogenerated steam to the steam host, if any, shall be required during the Committed Capacity Test Period.

6.4 The Capacity of the Facility (the "Capacity") shall be the minimum average hourly net capacity (generator output minus auxiliary) measured over the Committed Capacity Test Period.

6.5 The Committed Capacity Test shall be performed according to standard industry testing procedures for the appropriate technology of the QF.

6.6 The results of any Committed Capacity Test, including all data related to facility operation and performance during testing, shall be submitted to ~~FPC~~PEF by the

QF within seven (7) calendar days of the conclusion of the Committed Capacity Test. The QF shall certify that all such data is accurate and complete.

7. Payment for Electricity Produced by the Facility

7.1 Energy

~~FPC~~PEF agrees to pay the QF for energy produced by the Facility and delivered to ~~FPC~~PEF in accordance with the rates and procedures contained in ~~FPC~~PEF's approved Rate Schedule COG-2, attached hereto as Appendix A, as it may be amended from time to time. The Parties agree that this Contract shall be subject to all of the provisions contained in Rate Schedule COG-2 as approved and on file with the FPSC.

PEF may, at its option, limit the delivery~~ies~~ of energy under this ~~Standard Offer~~ Contract to 110% of the Committed Capacity as ~~set~~ established in Section 5~~,~~. ~~I~~in ~~the~~ which event ~~that~~ PEF ~~chooses to limit deliveries~~ shall pay the QF for any energy delivered in excess of 110% of the Committed Capacity ~~will be paid for~~ at the rates ~~defined~~ contained in PEF's Rate Schedule COG-1 ~~As-Available Tariff~~ as approved and on file with the FPSC, and any such excess energy shall not be included in the calculations ~~in~~ made pursuant to Appendix B hereto.

7.2 Capacity

~~FPC~~PEF agrees to pay the QF for the capacity described in Section 5 in accordance with the rates and procedures contained in Rate Schedule COG-2, as it may be amended and approved from time to time by the FPSC, and pursuant to the election of Option __________ of Rate Schedule COG-2. The QF understands and agrees that Capacity payments will only be made under Option B, Option C, or Option D if the QF has achieved the Capacity Delivery Date and is delivering firm capacity and energy to ~~FPC~~PEF. Once so selected, this option cannot be changed for the life of this Contract.

7.3 Payments

Payments due the QF will be made monthly, and normally by the twentieth business day following the end of the billing period. The kilowatt-hours sold by the QF and the applicable avoided energy rate at which payments are being made shall accompany the payment to the QF.

8. Electricity Production and Plant Maintenance Schedule

8.1 No later than sixty (60) calendar days prior to the Capacity Delivery Date, and prior to October~~-~~ 1 of each calendar year thereafter during the term of this Contract, the QF shall submit to ~~FPC~~PEF in writing a detailed plan of the amount of electricity to be generated by the Facility and delivered to ~~FPC~~PEF for each month of the following calendar year, including the time, duration and magnitude of any scheduled maintenance period(s) or reductions in capacity.

8.2 By October~~-~~ 31 of each calendar year, ~~FPC~~PEF shall notify the QF in writing whether the requested scheduled maintenance periods in the detailed plan are acceptable. If ~~FPC~~PEF does not accept any of the requested scheduled maintenance periods, ~~FPC~~PEF shall advise the QF of the time period closest to the requested period(s) when the outage(s) can be scheduled. The QF shall only schedule outages during periods approved by ~~FPC~~PEF, and such approval shall not be unreasonably withheld. Once the schedule for the detailed plan has been established and approved, either Party requesting a subsequent change in such schedule, except when such change is due to Force Majeure, must obtain approval for such change from the other Party. Such approval shall not be unreasonably withheld or delayed. Scheduled maintenance outage days shall be limited to twenty-one (21) days per calendar year. In no event shall maintenance periods be scheduled during the following periods: June~~-~~ 1 through September~~-~~ 15 and December~~-~~ 1 through and including February~~-~~ 28 (or 29th as the case may be).

8.3 The QF shall comply with reasonable requests by ~~FPC~~PEF regarding day-to-day and hour-by-hour communication between the Parties relative to electricity production and maintenance scheduling.

8.4 Dispatch and Control

8.4.1 Power supplied by the QF hereunder shall be in the form of three-phase 60 Hertz alternating current, at a nominal operating voltage of ______ volts (_______ kV) and power factor dispatchable and controllable in the range of 90% lagging to 90% leading as measured at the interconnection point to maintain system operating parameters, including power factor, as specified from time to time by ~~FPC~~PEF.

8.4.2 The QF shall operate the Facility with all system protective equipment in service whenever the Facility is connected to, or is operated in parallel with, ~~FPC~~PEF's system, except for normal testing and repair in accordance with good engineering and operating practices as agreed by the Parties. The QF shall provide adequate system protection and control devices to ensure safe and protected operation of all energized equipment during normal testing and repair. All QF ~~facilities~~ equipment shall meet IEEE and industry standards. The QF shall have independent, third party qualified personnel test, calibrate and certify in writing all protective equipment at least once every twelve (12) months in accordance with good engineering and operating practices. A unit functional trip test shall be performed after each overhaul of the Facility's turbine, generator or boilers and results provided to ~~FPC~~PEF in writing prior to returning the equipment to service. The specifics of the unit functional trip test will be consistent with good engineering and operating practices as agreed by the Parties.

8.4.3 If the Facility is separated from the ~~FPC~~PEF system for any reason, under no circumstances shall the QF reconnect the Facility to ~~FPC~~PEF's system without first obtaining ~~FPC~~PEF~~'S~~s specific approval.

8.4.4 During the term of this Contract, the QF shall employ qualified personnel for managing, operating and maintaining the Facility and for coordinating such with ~~FPC~~PEF. The QF shall ensure that operating personnel are on duty at all times, twenty-four (24) hours a calendar day and seven (7) calendar days a week. Additionally, during the term of this Contract, the QF shall operate and maintain the Facility in such a manner as to ensure compliance with its obligations hereunder and in accordance with applicable law and prudent utility practices.

8.4.5 ~~FPC~~PEF shall not be obligated to purchase, and may require curtailed or reduced deliveries of energy to the extent allowed under FPSC Rule 25-17.086 and under any curtailment plan which ~~FPC~~PEF may have on file with the FPSC from time to time.

8.4.6 During the term of this Contract, the QF shall maintain sufficient fuel on the site of the Facility to deliver the capacity and energy associated with the Committed Capacity for an uninterrupted seventy-two- (72) hour period. At ~~FPC~~PEF's request, the QF shall demonstrate this capability to ~~FPC~~PEF's reasonable satisfaction. During the term of this Contract, the QF's output shall remain within a band of plus or minus ten percent (10%) of the daily output level or levels specified by the plant operator, in ninety percent (90%) of all operating hours under normal operating conditions. This calculation will be adjusted to exclude forced outage periods and periods during which the QF's output is affected by a Force Majeure event.

9. Completion/Performance Security

9.1 As security for the achievement of the Capacity Delivery Date and satisfactory performance of its obligations hereunder, the QF shall provide ~~FPC~~PEF either: (a)-_an unconditional, irrevocable, direct-pay letter(s) of credit in effect through the first (1st) anniversary of the Capacity Delivery Date (or the next business day thereafter), issued by a financial institution(s) having an investment grade credit rating, in form and substance acceptable to ~~FPC~~PEF (including provisions (i)-permitting partial and full draws and (ii)-_permitting ~~FPC~~PEF to draw in full if such letter of credit is not renewed or replaced as required by the terms hereof at least ten (10) business days prior to its expiration date); (b)-_a cash deposit(s) with ~~FPC~~PEF; or (c) a bond issued by a financially sound company in form and substance acceptable to ~~FPC~~PEF. Such letter(s) of credit, cash deposit(s) or bond shall be provided in the amount and by the date listed below:

9.1.1 $30.00 per kW (as set forth in Section 5.1) within thirty (30) calendar days of the execution of this Contract by the Parties hereto.

The specific security instrument provided for purposes of this Contract is:
(-) Unconditional, irrevocable, direct-pay letter(s) of credit.
(-) Bond.
(-) Cash deposit(s) with ~~FPC~~PEF.

9.2 ~~FPC~~PEF shall have the right and the QF shall be required to monitor the financial condition of the issuer(s) in the event any letter of credit is provided by the QF. In the event the senior debt rating of any issuer(s) has——_deteriorated to a level below investment grade, ~~FPC~~PEF may require the QF to replace the letter(s) of credit. Replacement letter(s) of credit must be issued by a financial institution(s) with an investment grade credit rating, and meet the requirements of Section 9.1, within thirty (30) calendar days following written notification to the QF of the requirement to replace. Failure by the QF to comply with the requirements of this

Section 9.3 shall be grounds for ~~FPC~~PEF to draw in full on the existing letter of credit and to exercise any other remedies it may have hereunder.

9.3 Notwithstanding the foregoing provisions of this Section 9, pursuant to FPSC Rule 25-17.091(4), F.A.C., a QF qualifying as a "Solid Waste Facility" pursuant to Section 377.709(3) or (5), Fla. Stat., respectively, may use an unsecured promise to pay by the local government which owns the Facility or on whose behalf the QF operates the Facility, to secure its obligation to achieve on a timely basis the Capacity Delivery Date and the satisfactory performance of its obligations hereunder. Within one year of execution of this agreement and annually thereafter, QF shall supply to ~~FPC~~PEF an audited, comprehensive financial statement of such local government which shall demonstrate that the local government continues its promise to pay and continues to possess the financial wherewithal to honor such promise.

9.4 If an Event of Default under Section 12 occurs, ~~FPC~~PEF shall be entitled immediately to receive, draw upon, or retain, as the case may be, one-hundred percent (100%) of the then-applicable Completion/Performance Security.

9.5 If an Event of Default has not occurred and the QF fails to achieve the Capacity Delivery Date on or before ~~December~~ January 1, ~~2005~~2008, ~~FPC~~PEF shall be entitled immediately to receive, draw upon, or retain, as the case may be, one-hundred percent (100%) of the Completion/Performance Security. The Parties acknowledge that the injury that ~~FPC~~PEF will suffer as a result of delayed availability of Committed Capacity and energy is difficult to ascertain and that ~~FPC~~PEF may accept such sums as liquidated damages or resort to any other remedies which may be available to it under law or in equity. If the Capacity Delivery Date is achieved on or before ~~November~~ January 1, ~~2005~~2008, then the QF shall be entitled to reduce the amount of the Completion/Performance Security to an amount equal to $15.00 per kW (for the number of kW set forth in Section 5.1).

9.6 In the event that ~~FPC~~PEF requires the QF to perform one or more Committed Capacity Test(s) at any time pursuant to Section 5.3 and, in connection with any such Committed Capacity Test(s), the QF fails to demonstrate a Capacity of at least one-hundred percent (100%) of the Committed Capacity set forth in Section 5.1, ~~FPC~~PEF shall be entitled immediately to receive, draw upon, or retain, as the case may be, one-hundred percent (100%) of the then-remaining amount of the Completion/Performance Security.

10. Termination Fee

10.1 In the event that the QF receives capacity payments pursuant to Option B, Option C, or Option D, then upon the termination of this Contract, the QF shall owe and be liable to ~~FPC~~PEF for a termination fee calculated in accordance with Appendix C (the "Termination Fee"). The -Termination Fee is in the nature of liquidated damages due as a consequence of terminating this Contract. The QF's obligation to pay the Termination Fee shall survive the termination of this Contract. ~~FPC~~PEF shall provide the QF, on a monthly basis, a calculation of the Termination Fee.

10.1.1 The Termination Fee shall be secured (with the exception of governmental solid waste facilities covered by FPSC Rule 25-17.091) by the QF by~~:~~ (i)- an unconditional, irrevocable, direct pay letter(s) of credit issued by a financial institution(s) with an investment grade credit rating in form and substance acceptable to ~~FPC~~PEF (including provisions (a)-_permitting partial and full draws and (b)-_permitting ~~FPC~~PEF to draw upon such letter of credit, in full, if such letter of credit is not renewed or replaced at least ten (10) business days prior to its expiration date)~~;~~, (ii)-_a bond issued by a financially sound company in form and substance acceptable to ~~FPC~~PEF; or (iii)-_a cash deposit with ~~FPC~~PEF (any of (i), (ii), or (iii), the "Termination Security"). If~~n the case of~~ the QF is operating as a solid waste facility pursuant to ~~s~~Section 9.4 of this agreement, the Termination Fee shall be secured by an unsecured promise to pay, by the local government which owns the Facility or on whose behalf the QF operates the Facility, to secure its obligation to pay on a timely basis the Termination Fee. Within one year of execution of this ~~agreement~~ Contract and annually thereafter, QF shall supply to ~~FPC~~PEF an audited, comprehensive financial statement of such local government which shall demonstrate that the local government continues its promise to pay the Termination Fee and continues to possess the financial wherewithal to honor such promise. The specific security instrument selected by the QF for purposes of this Contract is:

( ) Unconditional, irrevocable, direct pay letter(s) of credit.
(-_) Bond.
(-_) Cash deposit(s) with ~~FPC~~PEF.

10.1.2 ~~FPC~~PEF shall have the right and the QF shall be required to monitor the financial condition of (i)-_the issuer(s) in the case of any letter of credit and (ii)-_the insurer(s), in the case of any bond. In the event the senior debt rating of any issuer(s) or insurer(s) has deteriorated to a level below investment grade, ~~FPC~~PEF may require the QF to replace the letter(s) of credit or the bond, as applicable. In the event that ~~FPC~~PEF notifies the QF that it requires such a replacement, the replacement letter(s) of credit or bond, as applicable, must be issued by a financial institution(s) or insurer(s) with an investment grade credit rating, and meet the requirements of Section 10.1.1 within thirty (30) calendar days following such notification. Failure by the QF to comply with the requirements of this Section 10.1.2 shall be grounds for ~~FPC~~PEF to draw in full on any existing letter of credit or bond and to exercise any other remedies it may have hereunder.

10.1.3 After the close of each calendar quarter (March-_31, June-_30, September-30, and December-_31) occurring subsequent to the Capacity Delivery Date, upon ~~FPC~~PEF's issuance of the Termination Fee calculation as described in Section 10.1, the QF must provide ~~FPC~~PEF, within ten calendar (10) days, written assurance and documentation (the "Security Documentation"), in form and substance acceptable to ~~FPC~~PEF, that the amount of the Termination Security is sufficient to cover the balance of the Termination Fee. In addition to the foregoing, at any time during the term of this Contract, ~~FPC~~PEF shall have the right to request and the QF shall be obligated to deliver within five (5) calendar days of such request, such Security Documentation. Failure by the QF to comply with the requirements of this Section 10.1.3 shall be grounds for ~~FPC~~PEF to draw in full on any existing letter of credit or bond or to retain any cash deposit, and to exercise any other remedies it may have hereunder.

10.1.4 Upon any termination of this Contract following the Capacity Delivery Date, ~~FPC~~PEF shall be entitled to receive (and in the case of the letter(s) of credit or bond, draw upon such letter(s) of credit or bond) and retain one hundred percent (100%) of the Termination Security.

11. Performance Factor

~~FPC~~PEF desires to provide an incentive to the QF to operate the Facility during on-peak and off-peak periods in a manner that approximates the projected performance of ~~FPC~~PEF's Avoided Unit. A formula to achieve this objective is attached as Appendix B.

12. Default

Notwithstanding the occurrence of any Force Majeure as described in Section 16, each of the following shall constitute an Event of Default:

(a) The QF fails to maintain the "qualifying" status of the Facility specified in Section 1 of this Contract;

(b) The QF changes or modifies the Facility from that provided in Section 1 with respect to its type, location, technology or fuel source, without prior written approval from ~~FPC~~PEF;

(c) After the Capacity Delivery Date, the Facility fails for twelve (12) consecutive months to maintain an Annual Capacity Billing Factor, as described in Appendix B, of at least eighty percent (80%);

(d) The QF fails to satisfy its obligations under Section 8.4.6 hereof;

(e) The QF fails to comply with any of the provisions of Section 9 hereof;

(f) The QF fails to comply with any of the provisions of Section 10 hereof;

(g) The QF, or the entity which owns or controls the QF, ceases the conduct of active business; or if proceedings under the federal bankruptcy law or insolvency laws shall be instituted by or for or against the QF or the entity which owns or controls the QF; or if a receiver shall be appointed for the QF or any of its assets or properties, or for the entity which owns or controls the QF; or if any part of the QF's assets shall be attached, levied upon, encumbered, pledged, seized or taken under any judicial process, and such proceedings shall not be vacated or fully stayed within thirty (30) calendar days thereof; or if the QF shall make an assignment for the benefit of creditors, or admit in writing its inability to pay its debts as they become due;

(h) The QF fails to give proper assurance of adequate performance as specified under this Contract within thirty (30) calendar days after ~~FPC~~PEF, with reasonable grounds for insecurity, has requested in writing such assurance;

(i) The QF materially fails to perform as specified under this Contract, including but not limited to, the QF's obligations under Sections 8, 9, 10, and 14-18;

(j) The QF fails to achieve licensing, certification, and all federal, state and local governmental, environmental, and licensing approvals required to initiate construction of the Facility by no later than ~~December~~ January 1, ~~2004~~2007;

(k) The QF fails to comply with any of the provisions of Section 18.3 hereof;

(l) Any of the representations or warranties made by the QF in this Contract is false or misleading in any material respect as of the time made;

~~(m)The occurrence of an event of default by the QF under the Interconnection Agreement;~~

~~(n)~~(m) If, at any time after the Capacity Delivery Date, the QF reduces the Committed Capacity due to an event of Force Majeure and fails to repair the Facility and reset the Committed Capacity to the level set forth in Section 5.1 (as such level may be reduced by Section 5.3) within twelve (12) months following the occurrence of such event of Force Majeure;

~~(o)~~(n) The QF breaches any material provision of this Contract not specifically mentioned in this Section 12.

13. ~~FPC~~PEF's Rights in the Event of Default

13.1 Upon the occurrence of any of the Events of Default in Section 12, ~~FPC~~PEF may, at its option:

13.1.1 Terminate this Contract, without penalty or further obligation, except as set forth in Section 13.2, by written notice to the QF, and offset against any payment(s) due from ~~FPC~~PEF to the QF, any monies otherwise due from the QF to ~~FPC~~PEF;

13.1.2 Enforce the provisions of the Termination Security requirement pursuant to Section 10 hereof;

13.1.3 Exercise any other remedy(ies) which may be available to ~~FPC~~PEF at law or in equity.

13.2 Termination shall not affect the liability of either Party for obligations arising prior to such termination or for damages, if any, resulting from any breach of this Contract.

14. Indemnification

14.1 ~~FPC~~PEF and the QF shall each be responsible for its own facilities. ~~FPC~~PEF and the QF shall each be responsible for ensuring adequate safeguards for other ~~FPC~~PEF customers, ~~FPC~~PEF's and the QF's personnel and equipment, and for the protection of its own generating system. Each Party (the "Indemnifying Party") agrees, to the extent permitted by applicable law, to indemnify, pay, defend, and hold harmless the other Party (the "Indemnifying Party") and its officers, directors, employees, agents and contractors (hereinafter called respectively, "~~FPC~~PEF Entities" and "QF Entities") from and against any and all claims, demands, costs or expenses for loss, damage, or injury to persons or property of the Indemnified Party (or to third parties) caused by, arising out of, or resulting from:

(a) a breach by the Indemnifying Party of its covenants, representations, and warranties or obligations hereunder;

(b) any act or omission by the Indemnifying Party or its contractors, agents, servants or employees in connection with the installation or operation of its generation system or the operation thereof in connection with the other Party's system;

(c) any defect in, failure of, or fault related to, the Indemnifying Party's generation system;

(d) the negligence or willful misconduct of the Indemnifying Party or its contractors, agents, servants or employees; or

(e) any other event or act that is the result of, or proximately caused by, the Indemnifying Party or its contractors, agents, servants or employees.

14.2 Payment by an Indemnified Party to a third party shall not be a condition precedent to the obligations of the Indemnifying Party under Section 14. No Indemnified Party under Section 14 shall settle any claim for which it claims indemnification hereunder without first allowing the Indemnifying Party the right to defend such a claim. The Indemnifying Party shall have no obligations under Section 14 in the event of a breach of the foregoing sentence by the Indemnified Party. Section~~-~~ 14 shall survive termination of this Agreement.

15 Insurance

15.1 The QF shall procure or cause to be procured and shall maintain throughout the entire term of this Contract, a policy or policies of liability insurance issued by an insurer acceptable to ~~FPC~~PEF on a standard "Insurance Services Office" commercial general liability form (such policy or policies, collectively, the "QF Insurance"). A certificate of insurance shall be delivered to ~~FPC~~PEF at least fifteen (15) calendar days prior to the start of any interconnection work. At a minimum, the QF Insurance shall contain (a)~~-~~ an endorsement providing coverage, including products liability/completed operations coverage for the term of this Contract, and (b)~~-~~ a broad form contractual liability endorsement covering liabilities (i)~~-~~ which might arise under, or in the performance or nonperformance of, this Contract and the Interconnection Agreement, or (ii)~~-~~ caused by operation of the Facility or any of the QF's equipment or by the QF's failure to maintain the Facility or the QF's equipment in satisfactory and safe operating condition. Effective at least fifteen (15) calendar days prior to the synchronization of the Facility with ~~FPC~~PEF's system, the QF Insurance shall be amended to include coverage for interruption or curtailment of power supply in accordance with industry standards. Without limiting the foregoing, the QF Insurance must be reasonably acceptable to ~~FPC~~PEF. Any premium assessment or deductible shall be for the account of the QF and not ~~FPC~~PEF.

15.2 The QF Insurance shall have a minimum limit of One Million Dollars ($1,000,000.00) per occurrence, combined single limit, for bodily injury (including death) or property damage.

15.3 To the extent -that the QF -Insurance is on a "-claims made-" basis, the -retroactive date of the policy(ies) shall be the effective date of this Contract or such other date as may be agreed upon to protect the interests of the ~~FPC~~PEF Entities and the QF Entities. Furthermore, to the extent the QF Insurance is on a "claims made" basis, the QF's duty to provide insurance coverage shall survive the termination of this Contract until the expiration of the maximum statutory period of limitations in the State of Florida for actions based in contract or in tort. To the extent the QF Insurance is on an "occurrence" basis, such insurance shall be maintained in effect at all times by the QF during the term of this Contract.

15.4 The QF Insurance shall provide that it may not be cancelled or materially altered without at least thirty (30) calendar days' written notice to ~~FPC~~PEF. The QF shall provide ~~FPC~~PEF with a copy of any material communication or notice related to the QF Insurance within ten (10) business days of the QF's receipt or issuance thereof.

15.5 The QF shall be designated as the named insured and ~~FPC~~PEF shall be designated as an additional named insured under the QF Insurance. The QF Insurance shall be endorsed to be primary to any coverage maintained by ~~FPC~~PEF.

16. Force Majeure

Force Majeure is defined as an event or circumstance that is not reasonably foreseeable, is beyond the reasonable control of and is not caused by the negligence or lack of due diligence of the affected Party or its contractors or suppliers. Such events or circumstances may include, but are not limited to, actions or inactions of civil or military authority (including courts and governmental or administrative agencies), acts of God, war, riot or insurrection, blockades, embargoes, sabotage, epidemics, explosions and fires not originating in the Facility or caused by its operation, hurricanes, floods, strikes, lockouts or other labor disputes or difficulties (not caused by the failure of the affected party to comply with the terms of a collective bargaining agreement). QF equipment breakdown or inability to use equipment caused by its design, construction, operation, maintenance or inability to meet regulatory standards, or otherwise caused by an event originating in the Facility, or a QF failure to obtain on a timely basis and maintain a necessary permit or other regulatory approval, shall not be considered an event of Force Majeure, unless the QF can conclusively demonstrate, to the reasonable satisfaction of ~~FPC~~PEF, that the event was not reasonably foreseeable, was beyond the QF's reasonable control and was not caused by the negligence or lack of due diligence of the QF or its agents, contractors or suppliers.

16.1 Except as otherwise provided in this Contract, each Party shall be excused from performance when its nonperformance was caused, directly or indirectly by an event of Force Majeure.

16.2 In the event of any delay or nonperformance resulting from an event of Force Majeure, the Party claiming Force Majeure shall notify the other Party in writing within five (5) business days of the occurrence of the event of Force Majeure, of the nature cause, date of commencement thereof and the anticipated extent of such delay, and shall indicate whether any deadlines or date(s), imposed hereunder may be affected thereby. The suspension of performance shall be of no greater scope and of no greater duration than the cure for the Force Majeure requires. A Party claiming Force Majeure shall not be entitled to any relief therefor unless and until conforming notice is provided. The Party claiming Force Majeure shall notify the other Party of the cessation of the event of Force Majeure or of the conclusion of the affected Party's cure for the event of Force Majeure in either case within two (2) business days thereof.

16.3 The Party claiming Force Majeure shall use its best efforts to cure the cause(s) preventing its performance of this Contract; provided, however, the settlement of strikes, lockouts and other labor disputes shall be entirely within the discretion of the affected Party and such Party shall not be required to settle such strikes, lockouts or other labor disputes by acceding to demands which such Party deems to be unfavorable.

16.4 If the QF suffers an occurrence of an event of Force Majeure that reduces the generating capability of the Facility below the Committed Capacity, the QF may, upon notice to ~~FPC~~PEF temporarily adjust the Committed Capacity as provided in Sections 16.5 and 16.6. Such adjustment shall be effective the first calendar day immediately following ~~FPC~~PEF's receipt of the notice or such later date as may be specified by the QF. Furthermore, such adjustment shall be the minimum amount necessitated by the event of Force Majeure.

16.5 If the Facility is rendered completely inoperative as a result of Force Majeure, the QF shall temporarily set the Committed Capacity equal to 0 kW until such time as the Facility can partially or fully operate at the Committed Capacity that existed prior to the Force Majeure. If the Committed Capacity is 0 kW, ~~FPC~~PEF shall have no obligation to make capacity payments hereunder.

16.6 If, at any time during the occurrence of an event of Force Majeure or during its cure, the Facility can partially or fully operate, then the QF shall temporarily set the Committed Capacity at the maximum capability that the Facility can reasonably be expected to operate.

16.7 Upon the cessation of the event of Force Majeure or the conclusion of the cure for the event of Force Majeure, the Committed Capacity shall be restored to the Committed Capacity that existed immediately prior to the Force Majeure. Notwithstanding any other provisions of this Contract, upon such cessation or cure, ~~FPC~~PEF shall have right to require a Committed Capacity Test to demonstrate the Facility's compliance with the requirements of this section 16.7. Any Committed Capacity Test required by ~~FPC~~PEF under this Section shall be additional to any Committed Capacity Test under Section 5.3.

16.8 During the occurrence of an event of Force Majeure and a reduction in Committed Capacity under Section 16.4 all Monthly Capacity Payments shall reflect, pro rata, the reduction in Committed Capacity, and the Monthly Capacity Payments will continue to be calculated in accordance with the pay-for-performance provisions in Appendix B.

16.9 The QF agrees to be responsible for and pay the costs necessary to reactivate the Facility and/or the interconnection with ~~FPC~~PEF's system if the same is (are) rendered inoperable due to actions of the QF, its agents, or Force Majeure events affecting the QF, the Facility or the interconnection with ~~FPC~~PEF. ~~FPC~~PEF agrees to reactivate, at is own cost, the interconnection with the Facility in circumstances where any interruptions to such interconnections are caused by ~~FPC~~PEF or its agents.

17. Representations, Warranties, and Covenants of QF

The QF represents and warrants that as of the Effective Date:

17.1 Organization, Standing and Qualification

The QF is a ___________ (corporation, partnership, or other, as applicable) duly organized and validly existing in good standing under the laws of ___________ and has all necessary power and authority to carry on its business as presently conducted to own or hold under lease its properties and to enter into and perform its obligations under this Contract and all other related documents and agreements to which it is or shall be a Party. The QF is duly qualified or licensed to do business in the State of Florida and in all other jurisdictions wherein the nature of its business and operations or the character of the properties owned or leased by it makes such qualification or licensing necessary and where the failure to be so qualified or licensed would impair its ability to perform its obligations under this Contract or would result in a material liability to or would have a material adverse effect on ~~FPC~~PEF.

17.2 Due Authorization, No Approvals, No Defaults

Each of the execution, delivery and performance by the QF of this Contract has been duly authorized by all necessary action on the part of the QF, does not require any approval, except as has been heretofore obtained, of the ____________ (shareholders, partners, or others, as applicable) of the QF or any consent of or approval from any trustee, lessor or holder of any indebtedness or other obligation of the QF, except for such as have been duly obtained, and does not contravene or constitute a default under any law, the ______________ (articles of incorporation, bylaws, or other as applicable) of the QF, or any agreement, judgement, injunction, order, decree or other instrument binding upon the QF, or subject the Facility or any component part thereof to any lien other than as contemplated or permitted by this Contract.

17.3 Compliance with Laws

The QF has knowledge of all laws and business practices that must be followed in performing its obligations under this Contract. The QF is in compliance with all laws, except to the extent that failure to comply therewith would not, in the aggregate, have a material adverse effect on the QF or ~~FPC~~PEF.

17.4 Governmental Approvals

Except as expressly contemplated herein, neither the execution and delivery by the QF of this Contract, nor the consummation by the QF of any of the transaction contemplated thereby, requires the consent or approval of, the giving of notice to, the registration with, the recording or filing of any document with, or the taking of any other action in respect of governmental authority, except in respect of permits (a) which have already been obtained and are in full force and effect or (b) are not yet required (and with respect to which the QF has no reason to believe that the same will not be readily obtainable in the ordinary course of business upon due application therefor).

17.5 No Suits, Proceedings

There are no actions, suits, proceedings or investigations pending or, to the knowledge of the QF, threatened against it at law or in equity before any court or tribunal of the United States or any other jurisdiction which individually or in the aggregate could result in any materially adverse effect on the QF's business, properties, or assets or its condition, financial or otherwise, or in any impairment of its ability to perform its obligations under this Contract. The QF has no knowledge of a violation or default with respect to any law which could result in any such materially adverse effect or impairment.

17.6 Environmental Matters

To the best of its knowledge after diligent inquiry, the QF knows of no (a)- existing violations of any environmental laws at the Facility, including those governing hazardous materials or (b)-_pending, ongoing, or unresolved administrative or enforcement investigations, compliance orders, claims, demands, actions, or other litigation brought by governmental authorities or other third parties alleging violations of any environmental law or permit which would materially and adversely affect the operation of the Facility as contemplated by this Contract.

18. General Provisions

18.1 Project Viability

To assist ~~FPC~~PEF in assessing the QF's financial and technical viability, the QF shall provide the information and documents requested in Appendix-_D or substantially similar documents, to the extent the documents apply to the type of Facility covered by this Contract and to the extent the documents are available. All documents to be considered by ~~FPC~~PEF must be submitted at the time this Contract is presented to ~~FPC~~PEF. Failure to provide the following such documents may result in a determination of non-viability by ~~FPC~~PEF.

18.2 Permits

The QF hereby agrees to obtain and maintain any and all permits, certifications, licenses, consents or approvals of any governmental authority which the QF is required to obtain as a prerequisite to engaging in the activities specified in this Contract.

18.3 Project Management

If requested by ~~FPC~~PEF, the QF shall submit to ~~FPC~~PEF its integrated project schedule for ~~FPC~~PEF's review within sixty (60) calendar days from the execution of this Contract, and a start-up and test schedule for the Facility at least sixty (60) calendar days prior to start-up and testing of the Facility. These schedules shall identify key licensing, permitting, construction and operating milestone dates and activities. If requested by ~~FPC~~PEF, the QF shall submit progress reports in a form satisfactory to ~~FPC~~PEF every calendar month until the Capacity Delivery Date and shall notify ~~FPC~~PEF of any changes in such schedules within ten (10) calendar days after such changes are determined. ~~FPC~~PEF shall have the right to monitor the construction, start-up and testing of the Facility, either on-site or off-site. ~~FPC~~PEF's technical review and inspections of the Facility and resulting requests, if any, shall not be construed as endorsing the design thereof or as any warranty as to the safety, durability or reliability of the Facility.

The QF shall provide ~~FPC~~PEF with the final designer's/manufacturer's generator capability curves, protective relay types, proposed protective relay settings, main one-line diagrams, protective relay functional diagrams, and alternating current and direct elementary diagrams for review and inspection at ~~FPC~~PEF no later than one hundred eighty (180) calendar days prior to the initial synchronization date.

18.4 Assignment

The QF may not assign this Contract, without ~~FPC~~PEF's prior written approval, which approval may be withheld at ~~FPC~~PEF's sole discretion.

18.5 Disclaimer

In executing this Contract, ~~FPC~~PEF does not, nor should it be construed, to extend its credit or financial support for benefit of any third parties lending money to or having other transactions with the QF or any assigns of this Contract.

18.6 Notification

All formal notices relating to this Contract shall be deemed duly given when delivered in person, or sent by registered or certified mail, or sent by fax if followed immediately with a copy sent by registered or certified mail, to the individuals designated below. The Parties designate the following individuals to be notified or to whom payment shall be sent until such time as either Party furnishes the other Party written instructions to contact another individual:

For the QF:	For ~~FPC~~PEF:
	Progress Energy Florida, Inc. ~~Power Corporation~~
____________________	Cogeneration Manager ~~BT-9G~~
____________________	~~200~~ 100 Central Avenue
____________________	St. Petersburg, FL 33701
____________________	

Progress Energy

This signed Contract and all related documents may be presented no earlier than 8:00 a.m. on the effective date of the Standard Offer Contract, as determined by the FPSC. Contracts and related documents may be mailed to the address below or delivered during normal business hours (8:00 a.m. to 4:45 p.m.) to the visitors' entrance at the address below:

Progress Energy Florida, Inc. ~~Power Corporation~~
~~200~~ 100 Central Avenue
St. Petersburg, FL 33701

Attention: Cogeneration Manager ~~BT 9G~~

18.7 Applicable Law

This Contract shall be construed in accordance with and governed by, and the rights of the parties shall be construed in accordance with the laws of the State of Florida.

18.8 Taxation

In the event that ~~FPC~~PEF becomes liable for additional taxes, including interest and/or penalties arising from an Internal Revenue Services determination, through audit, ruling or other authority, that ~~FPC~~PEF's payments to the QF for capacity under Options B, C, or D are not fully deductible when paid (additional tax liability), ~~FPC~~PEF may bill the QF monthly for the costs, including carrying charges, interest and/or penalties, associated with the fact that all or a portion of these capacity payments are not currently deductible for federal and/or state income tax purposes. ~~FPC~~PEF at its option, may offset these costs against amounts due the QF hereunder. These costs would be calculated so as to place ~~FPC~~PEF in the same economic position in which it would have been if the entire capacity payments had been deductible in the period in which the payments were made. If ~~FPC~~PEF decides to appeal the Internal Revenue Service's determination, the decision as to whether the appeal should be made through the administrative or judicial process or both, and all subsequent decisions pertaining to the appeal (both substantive and procedural), shall rest exclusively with ~~FPC~~PEF.

18.9 Severability

If any part of this Contract, for any reason, is declared invalid or unenforceable by a public authority of appropriate jurisdiction, then such decision shall not affect the validity of the remainder of the Contract, which remainder shall remain in force and effect as if this Contract had been executed without the invalid or unenforceable portion.

18.10 Complete Agreement and Amendments

All previous communications or agreements between the Parties, whether verbal or written, with reference to the subject matter of this Contract are hereby abrogated. No amendment or modification to this Contract shall be binding unless it shall be set forth in writing and duly executed by both Parties. This Contract constitutes the entire agreement between the Parties.

18.11 Survival of Contract

This Contract, as it may be amended from time to time, shall be binding upon, and inure to the benefit of, the Parties' respective successors-in-interest and legal representatives.

18.12 Record Retention

The QF agrees to remain for a period of five (5) years from the date of termination hereof all records relating to the performance of its obligations hereunder, and to cause all QF Entities to retain for the same period all such records.

18.13 No Waiver

No waiver of any of the terms and conditions of this Contract shall be effective unless in writing and signed by the Party against whom such waiver is sought to be enforced. Any wavier of the terms hereof shall be effective only in the specific instance and for the specific purpose given. The failure of a Party to insist, in any instance, on the strict performance of any of the terms and conditions hereof shall not be construed as a waiver of such Party's right in the future to insist on such strict performance.

18.14 Set-Off

~~FPC~~PEF may at any time, but shall be under no obligation to, set off any and all sums due from the QF against sums due to the QF hereunder.

IN WITNESS WHEREOF, the QF and ~~FPC~~PEF ~~executed~~ have caused this Contract ~~on~~ to be executed effective as of the later of the dates set forth below.

______________________	~~FLORIDA POWER CORPORATION~~
Print name of QF	PROGRESS ENERGY FLORIDA, INC.
By ______________________	By ______________________
Signature	Signature
______________________	______________________
Print Name	Print Name
______________________	______________________
Title	Title
______________________	______________________
Date	Date

APPENDIX A
TO
~~FLORIDA POWER CORPORATION~~ PROGRESS ENERGY FLORIDA STANDARD OFFER CONTRACT
RATE SCHEDULE COG-2

SCHEDULE

COG-2, Firm Capacity and Energy

AVAILABLE

~~FPC~~PEF will, under the provisions of this Schedule and ~~FPC~~PEF's Standard Offer Contract for the Purchase of Firm Capacity and Energy from a Small Power Producer or Other Qualifying Facility ("Standard Offer Contract") to which this Appendix is attached and incorporated into by reference, purchase firm capacity and energy offered by a Qualifying Facility pursuant to FPSC Rule 25-17.0832 (4). ~~FPC~~PEF's obligation to contract to purchase firm capacity from such QFs by means of this schedule and the Standard Offer Contract will continue only as long as, and the extent that, the 20 MW subscription limit is not exceeded and, in any event, no later than 2 weeks after approval of this standard offer by the Florida Public Service Commission. ~~FPC~~PEF's obligation to purchase firm capacity by means of this rate schedule and the Standard Offer Contract from QFs locating north of the latitude of ~~FPC~~PEF's Central Florida Substation is conditioned upon ~~FPC~~PEF being able to acquire import capability to replace that amount of Florida-Southern Interface import capability lost as a result of the location of the Facility.

APPLICABLE

To Qualifying Facilities as specified in FPSC Rule 25-17.0832 (4) producing capacity and energy for sale to ~~FPC~~PEF on a firm basis pursuant to the terms and conditions of this schedule and ~~FPC~~PEF's Standard Offer Contract. Firm Capacity and Energy are described by FPSC Rule 25-17.0832, F.A.C., and are capacity and energy produced and sold by a QF pursuant to the Standard Offer Contract provisions addressing (among other things) quantity, time and reliability of delivery.

CHARACTER OF SERVICE

Purchases within the territory served by ~~FPC~~PEF shall be, at the option of ~~FPC~~PEF, single or three phase, 60-hertz alternating current at any available standard ~~FPC~~PEF voltage. Purchases from outside the territory served by ~~FPC~~PEF shall be three phase, 60-hertz alternating current at the voltage level available at the interchange point between ~~FPC~~PEF and the entry delivering the Firm Energy and Capacity from the QF.

LIMITATION

Purchases under this schedule are subject to FPSC Rules 25-17.080 through 25-17.091, F.A.C., and are limited to those Qualifying Facilities which:

A. Are Specified in FPSC Rule 25-17.0832 (4);

B. Execute a Standard Offer Contract;

C. Provide capacity which would not result in the 20 MW capacity subscription limit for ~~FPC~~PEF to be exceeded.

RATES FOR PURCHASES BY ~~FPC~~PEF

Firm Capacity and Energy are purchased at unit cost, in dollars per kilowatt per month and cents per kilowatt-hour, respectively, based on the value of deferring additional capacity required by ~~FPC~~PEF. For the purpose of this Schedule, an Avoided Unit has been designated by ~~FPC~~PEF. ~~FPC~~PEF's next Avoided Unit has been identified as a 20 MW portion of a ~~530~~540 MW combined cycle unit with an in-service date of ~~December 2005~~ January 2008, Schedule 1 to this Appendix describes the methodology used to calculate payment schedules, general terms, and conditions applicable to ~~FPC~~PEF's Standard Offer Contract filed and approved pursuant to FPSC Rules 25-17.080 through 25-17.091, F.A.C.

A. Firm Capacity Rates

Four options, A through D, as set forth below, are available for payments of firm capacity that is produced by a QF and delivered to ~~FPC~~PEF. Once selected, an option shall remain in effect for the term of the Standard Offer Contract with ~~FPC~~PEF. Exemplary payment schedules, shown below, contain the monthly rate per kilowatt of Firm Capacity which the QF has contractually committed to deliver to ~~FPC~~PEF and are based on a contract term which extends through December 31, ~~2009~~ 2012. Payment schedules for other contract terms will be made available to any QF upon request and may be calculated based on the methodologies described in Schedule 1. The currently approved parameters used to calculate the following schedule of payments are found in Schedule 2 to this Appendix.

Option A - Fixed Value of Deferral Payments - Normal Capacity

Payment schedules under this option are based on the value of a year-by-year deferral of ~~FPC~~PEF's Avoided Unit with an in-service date of ~~December 1~~January 1, ~~2005~~2008, calculated in accordance with FPSC Rule 25-17.0832, F.A.C., as described in Schedule 1. Once this option is selected, the current schedule of payments shall remain fixed and in effect throughout the term of the Standard Offer Contract. The payment schedule for this option follows the description of Option D.

Option B - First Value of Deferral Payments - Early Capacity

Payment schedules under this option are based upon the early capital cost component of the value of a year-by-year deferral of ~~FPC~~PEF's Avoided Unit. The term "early" with respect to Option B means that these payments can start as early as ~~three~~ four years prior to the anticipated in-service date of ~~FPC~~PEF's Avoided Unit; provided, however, that under no circumstances may payments begin before this QF is delivering firm capacity and energy to ~~FPC~~PEF pursuant to the terms of the Standard Offer Contract. When this option is selected, the capacity payments shall be made monthly commencing no earlier than the Capacity Delivery Date of the QF and calculated as shown on Schedule 1. Capacity Payments under Option B do not result in a prepayment or create a future benefit.

The QF shall select the month and year in which the deliveries of firm capacity and energy to ~~FPC~~PEF are to commence and capacity payments are to start. ~~FPC~~PEF will provide the QF with a schedule of capacity payment rates based on the month and year in which the deliveries of firm capacity and energy are to commence and the term of the Standard Offer Contract. The exemplary payment schedule following Option D is based on a contract term that begins on December 1, 2003.

Option C - Fixed Value of Deferral Payment - Levelized Capacity

Payment schedules under this option are based upon the levelized capital cost component of the value of a year-by-year deferral of ~~FPC~~PEF's Avoided Unit. The capital portion of capacity payments under this option shall consist of equal monthly payments over the term of the Standard Offer Contract, calculated as shown on Schedule 1. The fixed operation and maintenance portion of capacity payments shall be equal to the value of the year-by-year deferral of fixed operation and maintenance expense associated with ~~FPC~~PEF's Avoided Unit. These calculations are shown in Schedule 1. The payment schedule for this option follows Option D. Capacity Payments under Option C do not result in a prepayment or create a future benefit.

Option D - Fixed Value of Deferral Payment - Early Levelized Capacity

Payment schedules under this option are based upon the early levelized capital cost component of the value of a year-by-year deferral of ~~FPC~~PEF's Avoided Unit. The capital portion of capacity payments under this option shall consist of equal monthly payments over the term of the Standard Offer Contract, calculated as shown on Schedule 1. The fixed operation and maintenance expense shall be calculated as shown in Schedule 1. At the option of the QF, payments for early levelized capacity shall commence at any time after the specified early capacity date and before the anticipated in-service date of ~~FPC~~PEF's Avoided Unit, provided that the QF is delivering firm capacity and energy to ~~FPC~~PEF pursuant to the terms of the Standard Offer Contract. The term "early" with respect to Option D means that capacity payments may begin earlier than the anticipated in-service date of ~~FPC~~PEF's avoided unit. Capacity payments under Option D do not result in a prepayment or create a future benefit.

EXAMPLE MONTHLY CAPACITY PAYMENT IN $kW/MONTH
~~FPC~~PEF'S 2005 COMBINED CYCLE AVOIDED UNIT (20 MW)
STANDARD OFFER CONTRACT AVOIDED CAPACITY PAYMENTS
($/kW/MONTH)

Contract Year	Option A Normal Capacity Payment Starting 01/01/~~2005~~2008	Option B Early Capacity Payment Starting 01/01/~~2003~~2004	Option C Levelized Capacity Payment Starting 01/01/~~2005~~2008	Option D Early Levelized Capacity Payment Starting 01/01/~~2003~~2004
~~2003~~2004	-	~~2.95~~2.05	-	~~3.10~~2.23
~~2004~~2005	-	~~3.00~~2.10	-	~~3.11~~2.23
~~2005~~2006	~~4.58~~	~~3.06~~2.15	~~4.74~~	~~3.11~~2.23
~~2006~~2007	~~4.67~~	~~3.13~~2.21	~~4.75~~	~~3.11~~2.24
~~2007~~2008	~~4.76~~4.54	~~3.19~~2.26	~~4.75~~4.75	~~3.11~~2.24
~~2008~~2009	~~4.86~~4.66	~~3.25~~2.32	~~4.75~~4.75	~~3.11~~2.24
~~2009~~2010	~~4.95~~4.77	~~3.32~~2.38	~~4.75~~4.76	~~3.11~~2.25
2011	4.89	2.44	4.77	2.25
2012	5.02	2.50	4.77	2.26

B. Energy Rates

Payments Prior to January 1, ~~2005~~2008

The energy rate, in cents per kilowatt-hour (¢/kWh), shall be based on ~~FPC~~PEF's actual hourly avoided energy costs which are calculated by ~~FPC~~PEF in accordance with FPSC Rule 25-17.0825, F.A.C.

The calculation of payments to the QF shall be based on the sum over all hours of the billing period, of the product of each hour's avoided energy cost times the amount of energy (kWh) delivered to ~~FPC~~PEF from the Facility for that hour. All purchases shall be adjusted for losses from the point of metering to the point of interconnection.

Payments Starting on January 1, ~~2005~~2008

The calculation of payments to the QF for energy delivered to ~~FPC~~PEF on and after ~~December~~ January 1, ~~2005~~ 2008 shall be the sum, over all hours of the Monthly Billing Period, of the product of (a) each hour's Firm Energy Rate (¢/kWh); and (b) the amount of energy (kWh) delivered to ~~FPC~~PEF from the Facility during that hour.

The firm energy rate shall be, on an hour-by-hour basis, ~~FPC~~PEF's Avoided Unit Energy Cost. For any other period during which energy is delivered by the QF to ~~FPC~~PEF, the Firm Energy Rate in cents per kilowatt hour (¢/kWh) shall be the following on an hour-by-hour basis: the lesser of (a) the as-available energy rate calculated by ~~FPC~~PEF in accordance with FPSC Rule 25-17.0825, F.A.C., and ~~FPC~~PEF's Rate Schedule COG-1, as they may each be amended from time to time and (b) ~~FPC~~PEF's Avoided Unit Energy Cost. ~~FPC~~PEF's Avoided Unit Energy Cost, in cents per kilowatt -

hour (¢/kWh) shall be defined as the product of (a) the Avoided Unit Gas Cost and (b) an average annual heat rate of ~~7,100~~7,046 BTU per kilowatt hour; plus (c) an additional ~~0.271~~0.234¢ per kilowatt hour in mid-~~2005~~ 2003 dollars for variable operation and maintenance expenses which will be escalated ~~based on CPI-U~~ at 2% per year.

~~For the purposes of this agreement, the Avoided Unit Gas Cost shall mean the lesser of the Gas Daily Zone Price and the Gas Daily City Gate Price. Gas Daily Zone Price means the average monthly fuel price in $ per MMBtu as determined from gas prices for Florida Gas Transmission ("FGT") supply zone 3 as published in the "Daily Price Survey" listed under the column "Common" under the heading "Louisiana Onshore South", plus FGT's applicable 100% load factor FTS-2 rate. Gas Daily City Gate Price means the average monthly fuel price in $ per MMBtu as determined from gas prices for Florida gates via FGT as published in the "Daily Price Survey" listed under the heading City gate, Pooling Point prices. In addition, CPI-U means the Annual Consumer Price Index figure shown for all items in the Consumer Price Index for All Urban Consumers South Urban (Not Seasonally Adjusted), Series I. D. CUUR0300SA0 as published by the United States Department of Labor, Bureau of Labor Statistics. All purchases shall be adjusted for losses from the point of metering to the point of interconnection.~~ For the purposes of this agreement, the Avoided Unit Gas Cost shall be determined from gas prices published in Platts Inside FERC, Gas Market Report, first of the month posting for Florida Gas Transmission Zone 3, plus Gulfstream Natural Gas System's applicable Usage-2 rate (Reservation Charge of $0.55), Usage-1 rate (Commodity Charge of $0.02) and the applicable Gulfstream Natural Gas System's Use percentage (not to exceed 2.5%) in accordance with the terms and conditions of Gulfstream Natural Gas System's tariff, as all such charges, surcharges and percentages are in effect from time to time for service under Gulfstream Natural Gas System's Rate Schedule FTS.

ESTIMATED AS-AVAILABLE ENERGY COST

For informational purposes only, the estimated incremental avoided energy costs for the next four semi-annual periods are as follows. The following estimates include variable operation and maintenance expenses.

Applicable Period	On-Peak ¢/KWH	Off-Peak ¢/KWH	Average ¢/KWH
~~April 1, 2002 - September 30, 2002~~	~~3.9~~	~~2.6~~	~~3.2~~
October 1, ~~2002~~ 2003 - March 31, ~~2003~~2004	~~3.1~~4.1	~~2.7~~3.3	~~2.8~~3.5
April 1, ~~2003~~ 2004 - September 30, ~~2003~~2004	~~3.6~~5.0	~~2.5~~3.0	~~3.0~~3.6
October 1, ~~2003~~ 2004 - March 31, ~~2004~~2005	~~2.6~~3.7	~~2.4~~3.1	~~2.5~~3.3
April 1, 2005 – September 30, 2005	5.1	3.3	3.9

ESTIMATED UNIT FUEL COST

The estimated unit fuel costs listed below are associated with ~~FPC~~PEF's Avoided Unit and are based on current estimates of the price of natural gas.

$/MMBTU

~~2004~~	~~2005~~	~~2006~~	~~2007~~	~~2008~~	~~2009~~
~~3.50~~	~~3.00~~	~~3.00~~	~~3.03~~	~~3.06~~	~~3.09~~

2004	2005	2006	2007	2008	2009	2010	2011	2012
5.97	5.56	5.11	4.03	3.60	3.74	3.98	4.05	4.17

DELIVERY VOLTAGE ADJUSTMENT

Energy payments to the QFs within ~~FPC~~PEF's service territory shall be adjusted according to the delivery voltage by the following multipliers:

Delivery Voltage	Adjustment Factor
Transmission Voltage Delivery	~~1.0209~~1.0252
Primary Voltage Delivery	~~1.0335~~1.0358
Secondary Voltage Delivery	~~1.0624~~1.0686

PERFORMANCE CRITERIA

Payments for Firm Capacity are conditioned on the QF's ability to maintain the following performance criteria:

A. Capacity Delivery Date

The Capacity Delivery Date shall be no later than the projected in-service date of ~~FPC~~PEF's Avoided Unit (i.e., ~~December 1~~January 1, ~~2005~~2008.)

B. Availability and Capacity Factor

The Facility's availability and capacity factor are used in the determination of firm capacity payments through a performance based calculation as detailed in Appendix B to ~~FPC~~PEF's Standard Offer Contract.

METERING REQUIREMENTS

The QFs within the territory served by ~~FPC~~PEF shall be required to purchase from ~~FPC~~PEF hourly recording meters to measure their energy deliveries to ~~FPC~~PEF. Energy purchases from the QFs outside the Territory of ~~FPC~~PEF shall be measured as the quantities scheduled for interchange to ~~FPC~~PEF by the entity delivering Firm Capacity and Energy to ~~FPC~~PEF.

For the purpose of this Schedule, the on-peak hours shall be those hours occurring April 1 through October 31, from 11:00 a.m. to 10:00 p.m., and November 1 through March 31, from 6:00 a.m. to 12:00 noon and 5:00 p.m. to 10:00 p.m. prevailing Eastern time. ~~FPC~~PEF shall have the right to change such On-Peak Hours by providing the QF a minimum of thirty calendar days' advance written notice.

BILLING OPTIONS

A QF, upon entering into a Standard Offer Contract for the sale of firm capacity and energy or prior to delivery of as-available energy, may elect to make either simultaneous purchases from and sales to ~~FPC~~PEF, or net sales to ~~FPC~~PEF; provided, however, that no such arrangement shall cause the QF to sell more than the Facility's net output. A decision on billing methods may only be changed: 1) when a QF selling as-available energy enters into a Standard Offer Contract for the sale of firm capacity and energy; 2) when a Standard Offer Contact expires or is lawfully terminated by either the QF or ~~FPC~~PEF; 3) when the QF is selling as-available energy and has not changed billing methods within the last twelve months; 4) when the election to change billing methods will not contravene the provisions of rule 25-17.0832 or a contract between the QF and ~~FPC~~PEF.

If a QF elects to change billing methods, such changes shall be subject to the following: 1) upon at least thirty days advance written note to ~~FPC~~PEF; 2) the installation by ~~FPC~~PEF of any additional metering equipment reasonably required to effect the change in billing and upon payment by the QF for such metering equipment and its installation; and 3) upon completion and approval by ~~FPC~~PEF of any alteration(s) to the interconnection reasonably required to effect the change in billing and upon payment by the QF for such alteration(s).

Payments due a QF will be made monthly and normally by the twentieth business day following the end of the billing period. The kilowatt-hours sold by the QF and the applicable avoided energy rates at which payment are being made shall accompany the payment to the QF.

CHARGES TO QUALIFYING FACILITY

The QF shall be responsible for all applicable charges as currently approved or as they may be approved by the Florida Public Service Commission, including, but not limited to:

A. Retail Service Charges

The QF shall be responsible for all FPSC approved charges for any retail service that may be provided by ~~FPC~~PEF. The QF shall be billed ~~$82.00~~$74.42 monthly for the costs of meter reading, billing, and other administrative costs.

B. Interconnection Charge for Non-Variable Utility Expenses

The QF shall bear the cost required for interconnection, including the metering. The QF shall have the option of (i) payment in full for the interconnection costs including the time value of money during the construction of the interconnection facilities and providing a surety bond, letter of credit or comparable assurance of payment acceptable to ~~FPC~~PEF adequate to cover the interconnection cost estimates, (ii) payment of monthly invoices from ~~FPC~~PEF for actual costs progressively incurred by ~~FPC~~PEF in installing the interconnection facilities, or (iii) upon a showing of credit worthiness, making equal monthly installment payments over a period no longer than twelve (12) months toward the full cost of interconnection. In the latter case, ~~FPC~~PEF shall assess interest at a rate equal to the thirty(30) day highest grade commercial paper rate as published in the Wall Street Journal on the first business day of each month. Such interest shall be compounded monthly.

C. Interconnection Charge for Variable Utility Expenses

The QF shall be billed monthly for the variable utility expenses associated with the operation, maintenance and repair of the interconnection facilities. These include (a) ~~FPC~~PEF's inspections of the interconnection facilities and (b) maintenance of any equipment beyond that which would be required to provide normal electric service to the QF if no sales to ~~FPC~~PEF were involved.

The QF may pay a monthly charge equal to 0.50% of the installed cost of the interconnection facilities. This monthly rate shall be adjusted periodically.

D. Interconnection Charge for QF Locating North of Central Florida Substation

For a QF with a Facility located north of the latitude of ~~FPC~~PEF's Central Florida Substation, ~~FPC~~PEF shall perform a study, at QF's expense, to determine the extent to which the amount of power ~~FPC~~PEF can import over the Florida-Southern Interface is diminished by the location of the Facility north of the Central Florida Substation. QF shall reimburse ~~FPC~~PEF for the costs of acquiring import capability to replace that amount of capability lost as a result of the location of the Facility.

TERMS OF SERVICE

A. It shall be the QF's responsibility to inform ~~FPC~~PEF of any change in its electric generation capability.

B. Any electric service delivered by ~~FPC~~PEF to a QF located in ~~FPC~~PEF's service area shall be subject to the following terms and conditions:

(1) A QF shall be metered separately and billed under the applicable retail rate schedule(s), whose terms and conditions shall pertain.

(2) A security deposit will be required in accordance with FPSC Rules 25-17.082(5) and 25-6.097, F.A.C., and the following:

(i) In the first year of operation, the security deposit should be based upon the singular month in which the QF's projected purchases from ~~FPC~~PEF exceed, by the greatest amount, ~~FPC~~PEF's estimated purchases from the QF. The security deposit should be equal to twice the amount of the difference estimated for that month. The deposit is required upon interconnection.

(ii) For each year thereafter, a review of the actual sales and purchases between the QF and ~~FPC~~PEF will be conducted to determine the actual month of maximum difference. The security deposit should be adjusted to equal twice the greatest amount by which the actual monthly purchases by the QF exceed the actual sales in ~~FPC~~PEF in that month.

(3) ~~FPC~~PEF shall specify the point of interconnection and voltage level.

(4) The QF must enter into an interconnection to ~~FPC~~PEF's system. Specific features of the QF and its interconnection to ~~FPC~~PEF's facilities will be considered by ~~FPC~~PEF in preparing the interconnection agreement.

C. Service under this rate schedule is subject to the rules and regulations of the FPSC.

SCHEDULE 1
TO RATE SCHEDULE COG-2

CALCULATION OF VALUE OF DEFERRAL PAYMENTS

APPLICABILITY

Schedule 1 provides a detailed description of the methodology used by ~~FPC~~PEF to calculate the monthly values of deferring or avoiding ~~FPC~~PEF's Avoided Unit identified in Schedule COG-2. When used in conjunction with the current FPSC-approved cost parameters associated with ~~FPC~~PEF's Avoided Unit contained in Schedule 2, a QF may determine the applicable value of deferral capacity payment rate associated with the timing and operation of its particular facility should the QF enter into a Standard Offer Contract with ~~FPC~~PEF.

Also contained in Schedule 1 is the discussion of the types and forms of surety bond requirements or equivalent assurance for payment of the Termination Fee acceptable to ~~FPC~~PEF in the event of contractual default by a QF.

CALCULATION OF VALUE OF DEFERRAL OPTION A

FPSC Rule 25-17.0832(5) specifies that avoided capacity costs, in dollars per kilowatt per month, associated with capacity sold to a utility by a QF pursuant to ~~FPC~~PEF's Standard Offer Contract shall be defined as the year-by-year value of deferral of ~~FPC~~PEF's Avoided Unit. The year-by-year value of deferral shall be the difference in revenue requirements associated with deferring ~~FPC~~PEF's Avoided Unit one year, and shall be calculated as follows:

$$VAC_m = 1/12\ [KI_n\ (1 - R) / (1 - R^L) + O_n]$$

Where, for a one year deferral:

VAC_m	=	utility's monthly value of avoided capacity, in dollars per kilowatt per month, for each month of year n;
K	=	present value of carrying charges for one dollar of investment over L years with carrying charges computed using average annual rate base and assumed to be paid at the middle of each year and present valued to the middle of the first year;
R	=	$(1 + i_p)/ (1 + r)$;
I_n	=	total direct and indirect cost, in mid-year dollars per kilowatt including AFUDC but excluding CWIP, of ~~FPC~~PEF's Avoided Unit with an in-service date of year n, including all identifiable and quantifiable costs relating to the construction for ~~FPC~~PEF's Avoided Unit which would have been paid had the Unit been constructed;

O_n = total fixed operation and maintenance expense for the year n, in mid-year dollars per kilowatt per year, of ~~FPC~~PEF's Avoided Unit;

i_p = annual escalation rate associated with the plant cost of ~~FPC~~PEF's Avoided Unit(s);

i_o = annual escalation rate associated with the operation and maintenance expense of ~~FPC~~PEF's Avoided Unit(s);

r = annual discount rate, defined as the utility's incremental after-tax cost of capital;

L = expected life of ~~FPC~~PEF's Avoided Unit(s); and

n = year for which ~~FPC~~PEF's Avoided Unit(s) (are) deferred starting with its (their) original anticipated in-service date(s) and ending with the termination of ~~FPC~~PEF's Standard Offer Contract.

CALCULATION OF FIXED VALUE OF DEFERRAL PAYMENTS - EARLY CAPACITY-OPTION B

Under the fixed value of deferral Option A, payments for firm capacity shall not commence until the in-service date of ~~FPC~~PEF's Avoided unit(s). At the option of the QF, however, ~~FPC~~PEF may begin making payments for capacity consisting of the capital cost component of the value of a year-by-year deferral of ~~FPC~~PEF's Avoided Unit starting as early as three years prior to the anticipated in-service date of ~~FPC~~PEF's Avoided Unit. When such payments for capacity are elected, the avoided capital cost component of capacity payments shall be paid monthly commencing no earlier than the Capacity Delivery Date of the QF, and shall be calculated as follows:

$$A_M = [A_c (1 + i_p)^{(m-1)} + A_o (1 + i_o)^{(m-1)}] / 12 \qquad \text{for } m = 1 \text{ to } t$$

Where:

A_M = monthly payments to be made to the QF for each month of the contract year n, in dollars per kilowatt per month in which QF delivers capacity pursuant to the early capacity option;

i_p = annual escalation rate associated with the plant cost of ~~FPC~~PEF's' Avoided Unit(s);

i_o = annual escalation rate associated with the operation and maintenance expense of ~~FPC~~PEF's Avoided Unit(s);

m = year for which the fixed value of deferral payments under the early capacity option are made to a QF, starting in year one and ending in the year t;

t = the term, in years, of the Standard Offer Contract:

A_c = $F\,[\,(1 - R)\,/\,(1 - R^t)\,]$

Where:

F = the cumulative present value, in the year that the contractual payments will begin, of the avoided capital cost component of capacity payments which would have been made had capacity payments commenced with the anticipated in-service date of ~~FPC~~PEF's Avoided Unit(s);

R = $(1 + i_p)/(1 + r)$

r = annual discount rate, defined as ~~FPC~~PEF's incremental after-tax cost of capital; and

A_o = $G\,[\,(1 - R)\,/\,(1 - R^t)\,]$

Where:

G = The cumulative present value, in the year that the contractual payments will begin, of the avoided fixed operation and maintenance expense component of capacity payments which would have been made had capacity payments commenced with the anticipated in-service date of ~~FPC~~PEF's Avoided Unit(a).

R = $(1 + i_o)/\,(1 + r)$

The currently approved parameters applicable to the formulas above are found in Schedule 2.

CALCULATION OF FIXED VALUE OF DEFERRAL PAYMENTS - LEVELIZED AND EARLY LEVELIZED CAPACITY - OPTION C & OPTION D, RESPECTIVELY

Monthly fixed value of deferral payments for levelized and early levelized capacity shall be calculated as follows:

$$P_L = (F\,/\,12) \cdot [r\,/\,1 - (1 + r)^{-t}] + O$$

Where:

P_L = the monthly levelized capacity payment, starting on or prior to the in-service date of ~~FPC~~PEF's Avoided Unit(s):

F = the cumulative present value, in the year that the contractual payments will begin, of the avoided capital cost component of the capacity payments which would have been made had the capacity payments not been levelized;

r = the annual discount rate, defined as ~~FPC~~PEF's incremental after-tax cost of capital;

t = the term, in years of the Standard Offer Contract

O = the monthly fixed operation and maintenance component of the capacity payments, calculated in accordance with calculation of the fixed value of deferral payments for the levelized capacity or the early levelized capacity options.

RISK-RELATED GUARANTEES

With the exception of governmental solid waste facilities covered by FPSC Rule 25-17.091, FPSC Rule 25-17.0832 paragraph (4)(e)10 requires that, when fixed value or deferral payments - early capacity, levelized capacity, or early levelized capacity are elected, the QF must provide a surety bond or equivalent assurance of securing the payment of a Termination Fee in the event the QF is unable to meet the terms and conditions of its Standard Offer Contract. Depending on the nature of the QF's operation, financial health and solvency, and its ability to meet the terms and conditions of ~~FPC~~PEF's Standard Offer contract, one of the following may constitute an equivalent assurance of payment:

(1) Bond;
(2) Cash deposit(s) with ~~FPC~~PEF;
(3) Unconditional, irrevocable, direct pay letter of credit;
(4) Unsecured promise by a municipal, county or state government to repay payment for early or levelized capacity in the event of default, in conjunction with a legally binding commitment from such government allowing the utility to levy a surcharge on either the electric bills of the government's electricity consuming facilities or the constituent electric customers of such government to assure that payments for early or levelized capacity are repaid;
(5) Unsecured promise by a privately-owned QF to repay payments for early or levelized capacity in the event of default, in conjunction with a legally binding commitment from the owner(s) of the QF, parent company, and/or subsidiary companies located in Florida to assure that payments for early, levelized or early levelized capacity are repaid; or
(6) Other guarantees acceptable to ~~FPC~~PEF.

~~FPC~~PEF will cooperate with each QF applying for fixed value of deferral payments under the early, levelized or early levelized capacity options to determine the exact form of an "equivalent assurance" for payment of the Termination Fee to be required based on the particular aspects of the QF. ~~FPC~~PEF will endeavor to accommodate an equivalent assurance of repayment which is in the best interests of both the QF and ~~FPC~~PEF's ratepayers.

SCHEDULE 2
TO RATE SCHEDULE COG-2
CAPACITY OPTION PARAMETERS

FIXED VALUE OF DEFERRAL PAYMENTS - NORMAL CAPACITY OPTION PARAMETERS

Where, for one year deferral:

			Value
VAC_m	=	~~FPC~~PEF's value of avoided capacity and O&M, in dollars per kilowatt per month, during month m;	$~~4.58~~4.54
K	=	present value of carrying charges for one dollar of investment over L years with carrying charges computed using average annual rate base and assumed to be paid at the middle of each year and present valued to the middle of the first year;	~~1.461~~1.430
I_n	=	total direct and indirect cost, in mid-year dollars per kilowatt including AFUDC but excluding CWIP, of ~~FPC~~PEF's Avoided Unit with an in-service date of year n;	$~~483.43~~516.23
O_n	=	total fixed operation and maintenance expense, for the year n, in mid-year dollars per kilowatt per year, of ~~FPC~~PEF's Avoided Unit:	$~~1.60~~3.34
i_p	=	annual escalation rate associated with the plant cost of ~~FPC~~PEF's Avoided Unit;	~~2.0~~2.5%
i_o	=	annual escalation rate associated with the operation and maintenance expense of ~~FPC~~PEF's Avoided Unit;	~~2.0~~2.5%
r	=	annual discount rate, defined as ~~FPC~~PEF's incremental after-tax cost of capital;	~~8.39~~7.92%
L	=	expected life of ~~FPC~~PEF's Avoided Unit;	25
n	=	year for which ~~FPC~~PEF's Avoided Unit is deferred starting with its original anticipated in-service date and ending with the termination of the Standard Offer Contract.	~~2005~~2008

FIXED VALUE OF DEFERRAL PAYMENTS - EARLY CAPACITY OPTION PARAMETERS

A_m	=	monthly avoided capital cost component of capacity payments to be made to the QF starting as early as ~~three~~ four years prior to the anticipated in-service date of ~~FPC~~PEF's Avoided Unit, in dollars per kilowatt per month;	$~~2.95~~2.05

i_p	=	annual escalation rate associated with the plant cost of ~~FPC~~PEF's Avoided Unit;	~~2.0~~2.5%
n	=	year for which early capacity payments to a QF are to begin;	~~2003~~2004
F	=	the cumulative present value of the avoided capital cost component of capacity payments which would have been made had capacity payments commenced with the anticipated in-service date of ~~FPC~~PEF's Avoided Unit and continued for a period of 5 years;	$~~186.05~~158.15
r	=	annual discount rate, defined as ~~FPC~~PEF's incremental after-tax cost of capital;	~~8.39~~7.92%
t	=	the term, in years, of the Standard Offer Contract for the purchase of firm capacity commencing prior to the in-service date of ~~FPC~~PEF's Avoided Unit;	~~7~~9
G	=	the cumulative present value of the avoided fixed operation and maintenance expense component of capacity payments which would have been made had capacity payments commenced with the anticipated in-service date of ~~FPC~~PEF's Avoided Unit and continued for a period of 5 years.	$~~5.59~~10.31

APPENDIX B
TO
PROGRESS ENERGY FLORIDA'S STANDARD OFFER CONTRACT

PAY FOR PERFORMANCE PROVISIONS
MONTHLY CAPACITY PAYMENT CALCULATION

1. Monthly Capacity Payments (MCP) for each Monthly Billing Period shall be computed according to the following:

   A. In the event that the Annual Capacity Billing Factor ("ACBF"), as defined below, is less than 80%, then no Monthly capacity Payment shall be due. That is:

   MCP = 0

   B. In the event that the ACBF is equal to or greater than 80% but less than 90%, then the Monthly Capacity Payment shall be calculated by using the following formula:

   MCP = BCP [5x (ACBF - .7)] x CC

   C. In the event that the ACBF is equal to or greater than 90%, then the Monthly Capacity Payment shall be calculated by using the following formula:

   MCP = BCP x CC

   Where:

MCP	=	Monthly Capacity Payment in dollars.
BCP	=	Base Capacity Payment in $/kW/Month as specified in ~~FPC~~PEF's Rate Schedule COG-2.
CC	=	Committed Capacity in kW.
ACBF	=	Annual Capacity Billing Factor. This factor is calculated using the 12 month, rolling average of the Monthly Capacity Factor. This 12 month rolling average shall be defined as the electric energy actually received by ~~FPC~~PEF for the 12 consecutive months preceding the date of calculation, divided by the product of the Committed Capacity and the number of hours in the 12 consecutive months preceding the date of calculation. During the first 12 consecutive Monthly Billing Periods commencing with the first Monthly Billing Period in which Capacity payments are to be made, the calculation of 12-month rolling

average Annual Capacity Billing Factor shall be performed as follows (a) during the first Monthly Billing Period, the Annual Capacity Billing Factor shall be equal to the Monthly Capacity Factor; (b) thereafter, the calculation of the Annual Capacity Billing Factor shall be computed by electric energy actually received by ~~FPC~~PEF for the number of full consecutive months preceding the date of calculation, divided by the product of the Committed Capacity and the number of hours in the number of full consecutive months preceding the date of calculation. This calculation shall be performed at the end of each Monthly Billing Period until enough Monthly Billing Periods have elapsed to calculate a true 12-month rolling average Annual Capacity Billing Factor.

MCF	=	Monthly Capacity Factor. The total energy received during the Monthly Billing Period for which the calculation is made, divided by the product of Committed Capacity times the total hours during the Monthly Billing Period.
Monthly Billing Period	=	The period beginning on the first calendar day of each calendar month, except that the initial Monthly Billing Period shall consist of the period beginning 12:01 a.m., on the Capacity Delivery Date and ending with the last calendar day of such month.

APPENDIX C
TO
~~FLORIDA POWER CORPORATION~~PROGRESS ENERGY FLORIDA'S STANDARD OFFER CONTRACT

TERMINATION FEE

The Termination Fee shall be the sum of the values for each month beginning with the month in which the Capacity Delivery Date occurs through the month of termination (or month of calculation, as the case may be) computed according to the following formula:

$$\sum_{i=1}^{n} (MCP_i - MCPC_i) \cdot t^{(n-i)}$$

with: MCPC = 0 for all periods prior to the in-service date of ~~FPC~~PEF's Avoided Unit:

where

i	=	number of Monthly Billing Period commencing with the Capacity Delivery Date (i.e., the month in which Capacity Delivery date occurs = 1; the month following this month in which Capacity Delivery Date occurs = 2 etc.)
n	=	the number of Monthly Billing Periods which have elapsed from the month in which the Capacity Delivery Date occurs through the month of termination (or month of calculation, as the case may be)
t	=	the future value of an amount factor necessary to compound a sum monthly so the annual percentage rate derived will equal ~~FPC~~PEF's incremental after-tax avoided cost of capital (defined as r in COG-2). For any Monthly Billing Period in which MCPC is greater than MCP, i shall equal t.
MCP_i	=	Monthly Capacity Payment paid to QF corresponding to the Monthly Billing Period i, calculated in accordance with Appendix B.
$MCPC_i$	=	Monthly Capacity Payment for Option A corresponding to the Monthly Billing Period i, calculated in accordance with COG-2.

In the event that for any Monthly Billing Period, the computation of the value of the Termination Fee for such Monthly Billing Period (as set forth above) yields a value equal to or greater than zero, the amount of the Termination Fee shall be increased by the amount of such value.

In the event that for any Monthly Billing Period, the computation of the value of the Termination Fee for such Monthly Billing Period (as set forth above) yields a value less than zero, the amount of the Termination Fee shall be decreased by the amount of such value expressed as a positive number (the "Initial Reduction Value"); provided, however, that such Initial Reduction Value shall be subject to the following adjustments (the Initial Reduction Value, as adjusted, the "Reduction Value"):

a. In the event that in the applicable Monthly Billing Period the Annual Capacity Billing Factor (ACBF), as defined in Appendix B is less than 80%, then the Initial Reduction Value shall be adjusted to equal zero (Reduction Value = 0), and the Termination Fee shall not be reduced for the applicable Monthly Billing Period.

b. In the event that in the applicable Monthly Billing Period the Annual Capacity Billing Factor (ACBF), as defined in Appendix B, is equal to or greater than 80% but less than 90%, than the Reduction Value shall be determined as follows:

$$\text{Reduction Value} = \text{Initial Reduction Value} \times (5 \times (\text{ACBF} - .78)]$$

For the applicable Monthly Billing period, the Termination Fee shall be reduced by the amount of such Reduction Value.

c. In the event that in the applicable Monthly Billing Period the Annual Capacity Billing Factor (ACBF), as defined in Appendix B, is equal to or greater than 90%, then the Initial Reduction Value shall not be adjusted (Reduction Value = Initial Reduction Value), and the Termination Fee shall be reduced for the applicable Monthly Billing period by the amount of the Initial Reduction Value.

In no event shall ~~FPC~~PEF be liable to the QF at any time for any amount by which the Termination Fee, adjusted in accordance with the foregoing, is less than zero (0).

APPENDIX D
TO
~~FLORIDA POWER CORPORATION~~PROGRESS ENERGY FLORIDA'S STANDARD OFFER CONTRACT

DETAILED PROJECT INFORMATION

Each eligible Contract received by ~~FPC~~PEF will be evaluated to determine if the underlying QF project is financially and technically viable. The QF shall, to the extent available, provide ~~FPC~~PEF with a detailed project proposal which addresses the information requested below:

I. FACILITY DESCRIPTION

- Project Name
- Project Location

* Street Address
* Size Plot Plan
* Legal Description of Site

- Generating Technology
- Facility Classification (Cogenerator or Small Power Producer)
- Primary Fuel
- Alternate Fuel (if applicable)
- Committed Capacity
- Expected In-Service Date
- Steam Host (for cogeneration facilities)

* Street Address
* Legal Description of Steam Host
* Host's annual steam requirements (lbs./yr.)

- Contact Person

* Individual's Name and Title
* Company Name
* Address
* Telephone Number
* Fax Number

II. PROJECT PARTICIPANTS

- Indicate the entities responsible for the following project management activities and provide a detailed description of the experience and capabilities of the entities:

* Project Development
* Siting and Licensing the Facility
* Designing the Facility
* Constructing the Facility
* Securing the Fuel Supply
* Operating the Facility

- Provide details on all electrical facilities which are currently under construction or operational which were developed by the QF.

- Describe the financing structure for the projects identified above, including the type of financing used, the permanent financing term, the major lenders and the percentage of equity invested at financial closing.

III. FUEL SUPPLY

- Describe all fuels to be used to generate electricity at the Facility. Indicate the specific physical and chemical characteristics of each fuel type (*e.g.* Btu content, sulfur content, ash content, etc.). Identify special considerations regarding fuel supply origin, source and handling, storage and processing requirements.

- Provide annual fuel requirements (AFR) necessary to support planned levels of generation and list the assumptions used to determine these quantities.

- Provide a summary of the status of the fuel supply arrangements in place to meet the AFR, in each year of the proposed operating life of the Facility. Use the categories below to describe the current arrangement for securing the AFR.

Category	Description of Fuel Supply Arrangement
owned =	fuel is from a fully developed source owned by one or more of the project participants
contract =	fully executed firm fuel contract exists between the developer(s) and fuel supplier(s)
LOI =	a letter of intent for fuel supply exists between developer(s) and fuel supplier(s)
SPP =	small power production facility will burn biomass, waste, or another renewable resource
spot =	fuel supply will be purchased on the spot market
none =	no firm fuel supply arrangement currently in place
other =	fuel supply arrangement which does not fit any of the above categories (please describe)

- Indicate the percentage of the Facility's AFR which is covered by the above fuel supply arrangement(s) for each proposed operating year. The percent of AFR covered for each operating year must total 100%. For fuel supply arrangements identified as owned, contract, or LOI, provide documentation to support this category and explain the fuel price mechanism of the arrangement. In addition, indicate whether or not the fuel price includes deliver and, if so, to what location.

- Describe fuel transportation networks available for delivering all primary and secondary fuel to the Facility site. Indicate the mode, route and distance of each segment of the journey, from fuel source to the Facility site. Discuss the current status and pertinent factors impacting future availability of the transportation network.

- Provide annual fuel transportation requirements (AFTR) necessary to support planned levels of generation and list the assumptions used to determine these quantities.

- Provide a summary of the status of the fuel transportation arrangements in place to meet the AFTR in each year of the proposed operating life of the Facility. Use the categories below to describe the current arrangement for securing the AFTR.

owned =	fuel transport via a fully developed system owned by one or more of the project participants
contract =	fully executed firm transportation contract exists between the developer(s) and fuel transporter(s)
LOI =	a letter of intent for fuel transport exists between developer(s) and fuel transporter(s)
spot =	fuel transportation will be purchased on the spot market
none =	no firm fuel transportation arrangement currently in place
other =	fuel transportation arrangement which does not fit any of the above categories (please describe)

- Provide the maximum, minimum and average fuel inventory levels to be maintained for primary and secondary fuels at the Facility site. List the assumptions used in determining the inventory levels.

- Provide information regarding QF's plans to maintain sufficient on site fuel to deliver capacity and energy for an uninterrupted seventy-two (72) hour period.

IV. PLANT DISPATCHABILITY/CONTROLLABILITY

- Provide the following operating characteristics and a detailed explanation supporting the performance capabilities indicated:

  * Ramp Rate (MW/minute)
  * Peak Capability (% above Committed Capacity)
  * Minimum power level (% of Committed Capacity)

* Facility Turnaround Time, Hot to Hot (hours)
* Start-up Time from Cold Shutdown (hours)
* Unit Cycling (# cycles/yr.)
* MW and MVAR Control (ACC, Manual, Other (please explain))

V. SITING AND LICENSING

- Provide a licensing/permitting milestone schedule, which lists all permits, licenses and variances, required to site the Facility. The milestone schedule shall also identify key milestone dates for baseline monitoring, application preparation, agency review, certification and licensing/siting board approval, and agency permit issuance.

- Provide a licensing/permitting plan that addresses the issues of air emission, water use, wastewater discharge, wetlands, endangered species, protected properties, solid waste, surrounding land use, zoning for the Facility, associated linear facilities and support of and opposition to the Facility.

- List the emission/effluent discharge limits the Facility will meet and describe in detail the pollution control equipment to be used to meet these limits.

VI. FACILITY DEVELOPMENT AND PERFORMANCE

- Submit a detailed engineering, procurement, construction, startup and commercial operation schedule. The schedule shall include milestones for site acquisition, engineering phases, selection of the major equipment vendors, architect engineer, ~~FPC~~PEF contractor and Facility operator, steam host integration and delivery of major equipment. A discussion of the current status of each milestone should also be included where applicable.

- Attach a diagram of the power block arrangement. Provide a list of the major equipment vendors and the name and model number of the major equipment to be installed.

- Provide a detailed description of the proposed environmental control technology for the Facility and describe the capabilities of the proposed technology.

- Attach preliminary flow diagrams for the steam system, water system, and fuel system, and a main electrical one line diagram for the Facility.

- State the expected heat rate (HHV) at 75 degrees Fahrenheit for loads of 100%, 75% and 50%. In addition, attach a preliminary heat balance for the Facility.

- If the Facility will be a cogenerator under FPSC Rule 25-17.080, provide a detailed description of the power plant/steam host interrelationship. Indicate the host's annual steam requirements and the length of time the Facility can operate without the host. Calculate the Facility's expected PURPA operating standard and efficiency standard and list the assumptions used to make the calculations.

VII. FINANCIAL

- Provide ~~FPC~~PEF with assurances that the proposed QF project is financially viable in accordance with FPSC Rule 25-17.0832(4)(c) by attaching a detailed pro-forma cash flow analysis. The pro-forma must include, at a minimum, the following assumptions for each year of the project.

- Annual Project Revenues

  * Capacity Payments ($ and $/kW/Mo.)
  * Variable O&M ($ and $/MWh)
  * Energy ($ and $/MWh)
  * Steam Revenues ($ and %/lb.)
  * Tipping Fees ($ and $/ton)
  * Interest Income
  * Other Revenues
  * Variable O&M Escalation (%/yr.)
  * Energy Escalation (%/yr.)
  * Steam Escalation (%/yr.)
  * Tipping Fee Escalation (%/yr.)

- Annual Project Expense

  * Fixed O&M ($ and $/kW/Mo.)
  * Variable O&M ($ and $/MWh)
  * Energy ($ and $/MWh)
  * Property Taxes ($)
  * Insurance ($)
  * Emission Compliance ($ and $/MWh)
  * Depreciation ($ and %/yr.)
  * Other Expenses ($)
  * Fixed O&M Escalation (%/yr.)
  * Variable O&M Escalation (%/yr.)
  * Energy Escalation (%/yr.)

- Other Project Information

    * Installed Cost of the Facility ($ and $/kW)
    * Committed Capacity (kW)
    * Average Heat Rate - HHV (MBTU/kWh)
    * Federal Income Tax Rate (%)
    * Facility Capacity Factor (%)
    * Energy Sold to ~~FPC~~PEF (MWh)

- Permanent Financing

    * Permanent Financing Term (yr.)
    * Project Capital Structure (percentage of long-term debt, subordinated debt, tax exempt debt and equity)
    * Financing Costs (cost of long-term debt, subordinated debt, tax exempt debt and equity)
    * Annual Interest Expense
    * Annual Debt Service ($)
    * Amortization Schedule (beginning balance, interest expense, principal reduction, ending balance)

- Provide details of the financing plan for the project and indicate whether the project will be non-recourse project financed. If it will not be project financed please explain the alternative financing arrangement.

- Submit financial statements for the last two years on the principals of the project, and provide an illustration of the project ownership structure.

APPENDIX E

PARALLEL OPERATING PROCEDURES

1.0 Purpose

This appendix provides general operating, testing, and inspection procedures intended to promote the safe parallel operation of the Facility with the Company's system. All requirements contained herein shall apply in addition to and not in lieu of the provisions of the Standard Offer Contract.

2.0 Schematic Diagram

Exhibit E-1, attached hereto and made a part hereof, is a schematic diagram showing the major circuit components connecting the Facility and PEF's [substation] and showing the Point of Delivery and the Point of Metering and/or Point of Ownership, if different. All switch number designations initially left blank on Exhibit E-1 will be inserted by PEF on or before the date on which the Facility first operates in parallel with PEF's system.

3.0 Operating Standards

3.1 The QF and PEF will independently provide for the safe operation of their respective facilities, including periods during which the other Party's facilities are unexpectedly energized or de-energized.

3.2 The QF shall reduce, curtail, or interrupt electrical generation or take other appropriate action for so long as it is reasonably necessary, which in the judgment of the QF or PEF may be necessary to operate and maintain a part of either Party's system, to address, if applicable, an emergency on either Party's system.

3.3 As provided in the Agreement, the QF shall not operate the Facility's electric generation equipment in parallel with PEF's system without prior written consent of PEF. Such consent shall not be given until the QF has satisfied all criteria under the Agreement and has:

(i) submitted to and received consent from PEF of its as-built electrical specifications;

(ii) demonstrated to PEF's satisfaction that the Facility is in compliance with the insurance requirements of the Standard Offer Contract; and

(iii) demonstrated to PEF's satisfaction that the Facility is in compliance with all regulations, rules, orders, or decisions of any governmental or regulatory authority having jurisdiction over the Facility's generating equipment or the operation of such equipment.

3.4 After any approved Facility modifications are completed, the QF shall not resume parallel operation with PEF's system until the QF has demonstrated that it is in compliance with all the requirements of section 3.3 hereof.

3.5 The QF shall be responsible for coordination and synchronization of the Facility's equipment with PEF's electrical system, and assumes all responsibility for damage that may occur from improper coordination or synchronization of the generator with the utility's system.

3.6 PEF shall have the right to open and lock, with a PEF padlock, manual disconnect switch number(s) _________ and isolate the Facility's generation system without prior notice to the QF. To the extent practicable, however, prior notice shall be given. Any of the following conditions shall be cause for disconnection:

1. PEF system emergencies and/or maintenance repair and construction requirements;

2. hazardous conditions existing on the Facility's generating or protective equipment as determined by PEF;

3. adverse effects of the Facility's generation to PEF's other electric consumers and/or system as determined by PEF;

4. failure of the QF to maintain any required insurance; or

5. failure of the QF to comply with any existing or future regulations, rules, orders or decisions of any governmental or regulatory authority having jurisdiction over the Facility's electric generating equipment or the operation of such equipment.

3.7 The Facility's electric generation equipment shall not be operated in parallel with PEF's system when auxiliary power is being provided from a source other than the Facility's electric generation equipment.

3.8 Neither Party shall operate switching devices owned by the other Party, except that PEF may open the manual disconnect switch number(s)______ owned by the QF pursuant to section 3.6 hereof.

3.9 Should one Party desire to change the operating position of a switching device owned by the other Party, the following procedures shall be followed:

(i) The Party requesting the switching change shall orally agree with an authorized representative of the other Party regarding which switch or switches are to be operated, the requested position of each switching device, and when each switch is to be operated.

(ii) The Party performing the requested switching shall notify the requesting Party when the requested switching change has been completed.

(iii) Neither Party shall rely solely on the other party's switching device to provide electrical isolation necessary for personnel safety. Each Party will perform work on its side of the Point of Ownership as if its facilities are energized or test for voltage and install grounds prior to beginning work.

(iv) Each Party shall be responsible for returning its facilities to approved operating conditions, including removal of grounds, prior to PEF authorizing the restoration of parallel operation.

(v) The Company shall install one or more red tags similar to the red tag shown in Exhibit E-2 attached hereto and made a part hereof, on all open switches. **Only PEF personnel on PEF's switching and tagging list shall remove and/or close any switch bearing a PEF red tag under any circumstances**

3.10 Should any essential protective equipment fail or be removed from service for maintenance or construction requirements, the Facility's electric generation equipment shall be disconnected from PEF's system. To accomplish this disconnection, the QF shall either (i) open the generator breaker number(s)______; or (ii) open the manual disconnect switch number(s)..

3.10.1 If the QF elects option (i), the breaker assembly shall be opened and drawn out by QF personnel. As promptly as practicable, PEF personnel shall install a PEF padlock and a red tag on the breaker enclosure door.

3.10.2 If the QF elects option (ii), the switch shall be opened by QF personnel or by PEF personnel and, as promptly as practicable, PEF personnel will install a PEF padlock and a red tag.

4.0 Inspection and Testing

4.1 The inspection and testing of all electrical relays governing the operation of the generator's circuit breaker shall be performed in accordance with manufacturer's recommendations, but in no case less than once every twelve (12) months. This inspection and testing shall include, but not be limited to, the following:

(i) electrical checks on all relays and verification of settings electrically;

(ii) cleaning of all contacts;

(iii) complete testing of tripping mechanisms for correct operating sequence and proper time intervals; and

(iv) visual inspection of the general condition of the relays.

4.2 In the event that any essential relay or protective equipment is found to be inoperative or in need of repair, the QF shall notify PEF of the problem and cease parallel operation of the generator until repairs or replacements have been made. The QF shall be responsible for maintaining records of all inspections and repairs and shall make said records available to PEF upon request.

4.3 PEF shall have the right to operate and test any of the Facility's protective equipment to assure accuracy and proper operation. This testing shall not relieve the QF of the responsibility to assure proper operation of its equipment and to perform routine maintenance and testing.

5.0 Notification

5.1 Communications made for emergency or operational reasons may be made to the following persons and shall thereafter be confirmed promptly in writing:

To PEF: System Dispatcher on Duty
Title: System Dispatcher
Telephone: 727-866-5888
Telecopier: 727-384-7865

To The QF: Name ____________________
Title: ____________________
Telephone: ____________________
Telecopier: ____________________

5.2 Each Party shall provide as much notification as practicable to the other Party regarding planned outages of equipment that may affect the other Party's operation.

APPENDIX F

INTERCONNECTION SCHEDULING AND COST RESPONSIBILITY

1.0 Purpose

This appendix provides the procedures for the scheduling of construction for PEF's Interconnection Facilities as well as the cost responsibility of the QF for the payment of Interconnection Costs. This appendix applies to all QF's, whether or not their Facility will be directly interconnected with PEF's system. All requirements contained herein shall apply in addition to and not in lieu of the provisions of the Standard Offer Contract.

2.0 Submission of Plans and Development of Interconnection Schedules and Cost Estimates

2.1 No later than sixty (60) days after the Execution Date, the QF shall specify the date it desires PEF's Interconnection Facilities to be available for receipt of the electric energy and shall provide a preliminary written description of the Facility and, if applicable, the QF's anticipated arrangements with the Transmission Service Utility, including without limitation, a one-line diagram, anticipated Facility site data and any additional facilities anticipated to be needed by the Transmission Service Utility. Based upon the information provided, PEF shall develop preliminary written Interconnection Costs and scheduling estimates for the Company's Interconnection Facilities within sixty (60) days after the information is provided. The schedule developed hereunder will indicate when the QF's final electrical plans must be submitted to the Company pursuant to section 2.2 hereof.

2.2 The QF shall submit the Facility's final electrical plans and all revisions to the information previously submitted under section 2.1 hereof to PEF no later than the date specified under section 2.1 hereof, unless such date is modified in PEF's reasonable discretion. Based upon the information provided and within sixty (60) days after the information is provided, PEF shall update its written Interconnection Costs and schedule estimates, provide the estimated time period required for construction of PEF's Interconnection Facilities, and specify the date by which PEF must receive notice from the QF to initiate construction, which date shall, to the extent practical, be consistent with the QF's schedule for delivery of energy into PEF's system. The final electrical plans shall include the following information, unless all or a portion of such information is waived by PEF in its discretion:

a. Physical layout drawings, including dimensions;

b. All associated equipment specifications and characteristics including technical parameters, ratings, basic impulse levels, electrical main one-line diagrams, schematic diagrams, system protections, frequency, voltage, current and interconnection distance;

c. Functional and logic diagrams, control and meter diagrams, conductor sizes and length, and any other relevant data which might be necessary to understand the Facility's proposed system and to be able to make a coordinated system;

d. Power requirements in watts and vars;

e. Expected radio-noise, harmonic generation and telephone interference factor;

f. Synchronizing methods;

g. Facility operating/instruction manuals; and

h. If applicable, a detailed description of the facilities to be utilized by the Transmission Service Utility to deliver energy to the Point of Delivery.

2.3 Any subsequent change in the final electrical plans shall be submitted to PEF and it is understood and agreed that any such changes may affect PEF's schedules and Interconnection Costs as previously estimated.

2.4 The QF shall pay the actual costs incurred by PEF to develop all estimates pursuant to section 2.1 and 2.2 hereof and to evaluate any changes proposed by the QF under section 2.3 hereof, as such costs are billed pursuant to the Standard Offer Contract. At PEF's option, advance payment for these cost estimates may be required, in which event PEF will issue an adjusted bill reflecting actual costs following completion of the cost estimates.

2.5 The Parties agree that any cost or scheduling estimates provided by PEF hereunder shall be prepared in good faith but shall not be binding. PEF may modify such schedules as necessary to accommodate contingencies that affect PEF's ability to initiate or complete PEF's Interconnection Facilities and actual costs will be used as the basis for all final charges hereunder.

3.0 Payment Obligations for Interconnection Costs

3.1 PEF shall have no obligation to initiate construction of PEF's Interconnection Facilities prior to a written notice from the QF agreeing to PEF's interconnection design requirements and notifying PEF to initiate its activities to construct PEF's Interconnection Facilities; **provided**, however, that such notice shall be received not later than the date specified by PEF under section 2.2 hereof. The QF shall be liable for and agrees to pay all Interconnection Costs incurred by PEF on or after the specified date for initiation of construction.

3.2 The QF agrees to pay all of PEF's actual Interconnection Costs as such costs are incurred and billed in accordance with the Standard Offer Contract. Such amounts shall be billed pursuant to section 3.2.1 if the QF elects the payment option permitted by FPSC Rule 25-17.087(4). Otherwise the QF shall be billed pursuant to section 3.2.2.

3.2.1 Upon a showing of credit worthiness, the QF shall have the option of making monthly installment payments for Interconnection Costs over a period no longer than thirty-six (36) months. The period selected is _____ months. Principal payments will be based on the estimated Interconnection Costs less the Interconnection Costs Offset, divided by the repayment period in months to determine the monthly principal payment. Interconnection Costs shall be defined as the actual costs incurred by PEF for PEF's Interconnection Facilities, including, without limitation, the cost of equipment, engineering, communication and administrative activities and Interconnection Costs Offset shall be defined as the estimated costs included in the Interconnection Costs that PEF would have incurred if it were not purchasing capacity and electric energy but instead itself generated or purchased from other sources an equivalent amount of capacity and electric energy and provided normal service to the Facility as if it were a non-generating customer. Payments will be invoiced in the first month following first incurrence of Interconnection Costs by PEF. Invoices to the QF will include principal payments plus interest on the unpaid balance, if any, calculated at a rate equal to the thirty (30) day highest grade commercial paper rate as published in the *Wall Street Journal* on the first business day of each month. The final payment or payments will be adjusted to cause the sum of principal payments to equal the actual Interconnection Costs including any accrued interest.

3.2.2 When Interconnection Costs are incurred by PEF, such costs will be billed to the QF to the extent that they exceed the Interconnection Costs Offset.

3.3 If the QF notifies PEF in writing to interrupt or cease interconnection work at any time and for any reason, the QF shall nonetheless be obligated to pay PEF for all costs incurred in connection with PEF's Interconnection Facilities through the date of such notification and for all additional costs for which PEF is responsible pursuant to binding contracts with third parties.

4.0 Payment Obligations for Operation, Maintenance and Repair of PEF's Interconnection Facilities

The QF also agrees to pay monthly through the Term of the Agreement for all costs associated with the operation, maintenance and repair of the Company's Interconnection Facilities, based on a percentage of the total Interconnection Costs net of the Interconnection Costs Offset, as set forth in PEF's COG-1 As-Available Tariff as may be amended from time to time.

APPENDIX E
FPSC RULES 25-17.080 THROUGH 25-17.091
ARE PROVIDED IN SECTION VIII
ON THIS TARIFF BOOK

EXHIBIT C

ECONOMIC AND FINANCIAL ASSUMPTIONS FOR THE COST PARAMETERS AND K FACTOR OF THE AVOIDED UNIT ASSOCIATED WITH THE PROPOSED STANDARD OFFER CONTRACT AND ACCOMPANYING RATE SCHEDULE COG-2

Progress Energy Florida
Standard Offer Contract
Economic Assumptions

AFUDC RATE

7.92%

CAPITALIZATION RATIOS

Debt	48.0%
Preferred	0.0%
Equity	52.0%

RATE OF RETURN

Debt	5.5%
Preferred	0.0%
Equity	12.0%

INCOME TAX RATE

State	1.21%
Federal	35.0%
Effective	36.21%

OTHER TAXES & INS.

2.00%

DISCOUNT RATE

7.92%

BOOK DEPRECIATION LIFE

25 Years

TAX DEPRECIATION LIFE

20 Years

Progress Energy Florida
Standard Offer Contract
Economic Escalation Assumptions

General Inflation	Plant Construction Cost	Fixed O & M Cost	Variable O & M Cost
2.3%	2.5%	2.5%	2.0%

Progress Energy Florida
Standard Offer Contract
Unit Information

PLANT TYPE:	Combined Cycle Unit
NET CAPACITY:	20 MW Portion of a 540 MW Combined Cycle Unit
BOOK LIFE:	25 Years

INSTALLED COST (IN-SERVICE YEAR 2008)

TOTAL INSTALLED COST ($/KW):	516.23
DIRECT CONSTRUCTION COST ($/KW):	464.19
AFUDC AMOUNT ($/KW):	52.04
FIXED O & M ($/KW-YR):	0.86
VARIABLE O & M (¢/KWH)	0.334
ASSUMED CAPACITY FACTOR	50%
K FACTOR	1.430