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CONTRACT FOR THE  
PURCHASE OF CAPACITY AND ENERGY  
BETWEEN

SOUTHERN COMPANY SERVICES, INC.

AND

FLORIDA POWER CORPORATION D/B/A  
PROGRESS ENERGY FLORIDA, INC.

FROM

PLANT FRANKLIN UNIT NO. 1

DATED AS OF NOVEMBER 24, 2004

*ALL 12-1-06 (entered DN)*  
**DECLASSIFIED**  
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*(Part 1 of 3)*  
DOCUMENT NUMBER: DATE

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CAPACITY AND ENERGY  
BETWEEN  
SOUTHERN COMPANY SERVICES, INC.  
AND  
FLORIDA POWER CORPORATION D/B/A  
PROGRESS ENERGY FLORIDA, INC.**

This **CONTRACT FOR THE PURCHASE OF CAPACITY AND ENERGY** is made and entered into as of this 24th day of November, 2004 (“Effective Date”), between **SOUTHERN COMPANY SERVICES, INC.**, an Alabama corporation having its principal office and place of business at 600 North 18<sup>th</sup> Street, Birmingham, Alabama 35203, acting as agent (in such capacity hereinafter referred to as “SCS”) for Southern Power Company, a Delaware corporation having its principal office and place of business at 600 North 18<sup>th</sup> Street, Birmingham, Alabama 35203 (hereinafter referred to as “Southern Power” or “Seller”) and **FLORIDA POWER CORPORATION**, doing business as Progress Energy Florida, Inc. (hereinafter referred to as “Buyer”), a Florida corporation having its principal office and place of business at 100 Central Avenue, St. Petersburg, Florida 33701. Seller and Buyer are hereafter referred to individually and collectively as a “Party” or the “Parties,” respectively.

**RECITALS:**

Buyer desires to purchase and Seller desires to sell, capacity and energy in accordance with this Agreement.

Subject to the terms and conditions of this Agreement, Seller will provide and sell to Buyer, and Buyer will accept and purchase from Seller, capacity and energy from the Facility or from other resources as provided in this Agreement.

NOW THEREFORE, in consideration of the foregoing recitals and the mutual covenants and agreements hereinafter set forth, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

## ARTICLE 1

### DEFINITIONS

The following terms shall have the respective meanings set forth below.

“**Affiliate**” means, with respect to a corporation, partnership or other entity, each such other corporation, partnership or other entity that directly or indirectly (through one or more intermediaries) controls, is controlled by, or is under common control with, such corporation, partnership, or other entity. A voting interest of 10 percent or more creates a rebuttable presumption of control.

“**After-Tax Basis**” means, with respect to any payment under Section 14.2 to any Person, the amount of such payment (“Base Payment”) supplemented by a further payment (“Additional Payment”) to that Person so that the sum of the Base Payment plus the Additional Payment shall, after deduction of the amount of all Federal, state and local income taxes required to be paid by such Person in respect of the receipt or accrual of the Base Payment and the Additional Payment (taking into account the net present value of any reduction in such income taxes resulting from tax benefits realized by the recipient as a result of the payment or the event giving rise to the payment), be equal to the amount required to be received. Such calculations shall be made on the basis of the highest generally applicable Federal, state and local income tax rates applicable to the Person for whom the calculation is being made for all relevant periods, and shall take into account the deductibility of state and local income taxes for Federal income tax purposes.

“Agreement” means this Contract for the Purchase of Capacity and Energy, including, to the extent applicable, any appendices hereto and any amendments that the Parties may execute now or at any time in the future.

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“Alternate Delivery Point(s)” means, when Seller designates an Alternate Resource(s) pursuant to Section 5.5 or Section 5.6 (including a Replacement Resource), the applicable point(s) of delivery connected to the Southern Company Transmission System designated by Seller.

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“Alternate Resource(s)” means any resource or resources other than the Facility (whether such other resources are owned, purchased or otherwise controlled by Seller, or that are otherwise available to Seller) that Seller designates pursuant to Section 5.5 or Section 5.6.

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“Available Capacity” means, at any given time, the Contract Capacity less the sum of: (i) the Force Majeure Capacity at such time; and (ii) the Outage Capacity at such time.

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“Billing Month” means each Month during the Term beginning with the second Month of the first Contract Year and includes the Month immediately following the expiration or early termination of this Agreement.

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“Block 1 Mode” means any time a Schedule requests energy for any hour in an amount equal to 50 MW or, in hours for which Seller has informed Buyer that the amount of capacity Seller will make available to Buyer is less than 50 MW, any time a Schedule requests energy in an amount equal to the maximum amount of capacity Seller will make available.

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“Block 2 Mode” means any time a Schedule requests energy for any hour in an amount equal to 100 MW or, in hours for which Seller has informed Buyer that the amount of capacity Seller will make available to Buyer is less than 100 MW but greater than 50 MW, any time a

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Schedule requests energy in an amount equal to the maximum amount of capacity Seller will make available.

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“Block 3 Mode” means any time a Schedule requests energy for any hour in an amount equal to 150 MW or, in hours for which Seller has informed Buyer that the amount of capacity Seller will make available to Buyer is less than 150 MW but greater than 100 MW, any time a Schedule requests energy in an amount equal to the maximum amount of capacity Seller will make available.

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“Block 4 Mode” means any time a Schedule requests energy for any hour in an amount equal to 200 MW or, in hours for which Seller has informed Buyer that the amount of capacity Seller will make available to Buyer is less than 200 MW but greater than 150 MW, any time a Schedule requests energy in an amount equal to the maximum amount of capacity Seller will make available.

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“Block 5 Mode” means any time a Schedule requests energy for any hour in an amount equal to 250 MW or, in hours for which Seller has informed Buyer that the amount of capacity Seller will make available to Buyer is less than 250 MW but greater than 200 MW, any time a Schedule requests energy in an amount equal to the maximum amount of capacity Seller will make available.

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“Block 6 Mode” means any time a Schedule requests energy for any hour in an amount equal to 300 MW or, in hours for which Seller has informed Buyer that the amount of capacity Seller will make available to Buyer is less than 300 MW but greater than 250 MW, any time a Schedule requests energy in an amount equal to the maximum amount of capacity Seller will make available.

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“Block 7 Mode” means any time a Schedule requests energy for any hour in an amount equal to the full amount of Contract Capacity and such capacity is greater than 300 MW or, in hours for which Seller has informed Buyer that the amount of capacity Seller will make available to Buyer is less than the Contract Capacity but greater than 300 MW, any time a Schedule requests energy in an amount equal to the maximum amount of capacity Seller will make available.

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“Block Mode” means either Block 1 Mode, Block 2 Mode, Block 3 Mode, Block 4 Mode, Block 5 Mode, Block 6 Mode, or Block 7 Mode.

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“Btu” means British Thermal Units.

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“Business Day” means any Day on which Federal Reserve Member Banks in New York, New York are open for business. A Business Day shall begin at 0800 CPT and end at 1700 CPT.

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“Buyer” has the meaning set forth in the introductory paragraph hereof.

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“Buyer Delivery Point(s)” means, for any hour of any Delivery Day, the point(s) on the Southern Company Transmission System to which Buyer intends to transmit energy delivered by Seller under this Agreement.

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“Buyer Percentage” means 64.8 percent.

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“Central Prevailing Time” or “CPT” means the local time at any point in Birmingham, Alabama.

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“Change in Law” means the adoption, enactment, promulgation or issuance of, a change in, or a new or changed interpretation by a Government Agency of, any Law after February 6, 2004.

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“**Commercially Reasonable**” or “**Commercially Reasonable Efforts**” means, with respect to any purchase, sale, decision, or other action made, attempted or taken by a Party, such efforts as a reasonably prudent business would undertake for the protection of its own interest under the conditions affecting such purchase, sale, decision, or other action, including without limitation, electric system reliability and stability, the amount of notice of the need to take such action, the duration and type of the purchase or sale or other action, and the commercial environment in which such purchase, sale, decision, or other action occurs.

“**Comparable Service**” means transmission service that replaces transmission service previously procured by Buyer (i.e., redirected transmission service) from the Facility Delivery Point that has the same or a higher level of firmness as the replaced transmission service and that does not have a total transmission cost (including any additional congestion costs that Buyer must incur to obtain the replacement service) that is greater than the cost of the replaced transmission service.

“**Contemporaneous Agreements**” means: (i) this Agreement; and (ii) the Contract for the Purchase of Capacity and Energy from Plant Scherer Unit No. 3 dated as of November 24, 2004 between Southern Company Services, Inc. (as agent for Georgia Power Company and Gulf Power Company) and Buyer.

“**Contest**” means with respect to any Person, a contest of any Governmental Approval or Law, acts or omissions by any Government Agency, a requirement of any Government Agency, or any related matters, so long as the contesting Party could not reasonably be expected to be prevented from performing its material obligations under this Agreement pending the outcome of such contest.

“**Contract Capacity**” means the lesser of: (i) 350 MW; or (ii) the Total Facility Capacity multiplied by the Buyer Percentage, rounded down to the nearest whole MW, or such other amount as expressly provided in this Agreement.

“**Contract Year**” means: (i) for the first Contract Year, the Service Commencement Date through the next date that is May 31; and (ii) for each Contract Year thereafter, each 12 Month period beginning June 1 and ending May 31; provided, however, the last Contract Year shall end on the date that this Agreement terminates or expires.

“**Day**” means the period of time beginning at hour ending 0100 CPT and ending at hour ending 2400 CPT.

“**Delivery Day**” means any Day for which Buyer Schedules energy to be delivered in accordance with this Agreement.

“**Delivered Energy**” means, for any hour, the amount of energy (expressed in MWh) delivered by Seller in accordance with this Agreement and shall equal the sum of: (i) energy delivered by Seller to the Delivery Point pursuant to Buyer’s Schedule; and (ii) any energy provided and/or procured by Seller to resolve energy imbalances at the Delivery Point.

“**Delivered Energy Credit**” means, for any hour, to the extent such difference is positive, the difference of: (i) Delivered Energy for such hour; less (ii) Available Capacity plus the portion of Delivered Energy provided from an Alternate Resource(s) designated for such hour pursuant to Section 5.5.1 in response to a Force Majeure Event.

“**Delivery Excuse**” means: (i) an Event of Default by Buyer; (ii) the interruption of transmission service procured by Buyer or the unavailability to Buyer of transmission service beyond the Delivery Point(s); (iii) any directive from the applicable transmission provider and/or the control area operator to cease deliveries of energy from the Facility; (iv) SNG’s

failure to schedule or to deliver scheduled quantities of Gas to the Facility; or (v) a circumstance described in Section 9.2.7 and/or Section 9.3.2.

“**Delivery Point**” means the Facility Delivery Point when Seller designates the Facility as the source of Delivered Energy and/or the Alternate Delivery Point(s) (as applicable) to which Seller shall deliver energy to Buyer hereunder.

“**Effective Date**” has the meaning set forth in the introductory paragraph hereof.

“**Electric Metering Equipment**” means electric meters and associated equipment, including metering transformers and back-up meters.

“**EFMH**” or “**Equivalent Force Majeure Hour**” shall occur in any hour (or portion of an hour) in which a Force Majeure Event affecting the Facility or the electric facilities prior to the Facility Delivery Point is occurring or is continuing. During such an hour, EFMH shall equal the ratio of: (A)(i) Force Majeure Capacity for such hour; less (ii) the amount of electric capacity associated with an Alternate Resource(s), whether available or unavailable, that has been designated for such hour pursuant to Section 5.5.1 in response to the Force Majeure Event causing the Force Majeure Capacity to exist; to (B) the Contract Capacity.

“**EUH**” or “**Equivalent Unavailable Hour**” shall occur in any hour (or portion of an hour) in which there is Unavailable Capacity. For such an hour, EUH shall equal the ratio of: (i) Unavailable Capacity for such hour; to (ii) the Contract Capacity for such hour.

“**Event of Default**” has the meaning set forth in Section 16.1.

“**Facility**” means Seller’s Gas fired combined cycle electric generating unit known as Plant Franklin Unit No. 1 (as may be modified) and all appurtenant facilities, located near Smiths, Alabama which directly interconnects to the Georgia Integrated Transmission System, or such other resource designated as the Facility pursuant to Section 3.3.

“**Facility Delivery Point**” means the substation where the Facility interconnects to the Georgia Integrated Transmission System (or other applicable transmission system) at the transmission system voltage.

“**FERC**” means the Federal Energy Regulatory Commission, or any successor to its functions.

“**Florida Interface**” means the transmission interface between the Southeastern Electric Reliability Council (or its successor) region and the Florida Reliability Coordinating Council (or its successor) region as such regions exist on the Effective Date.

“**Force Majeure Capacity**” means, for any hour in which a Force Majeure Event affecting the Facility or the electric facilities prior to the Facility Delivery Point occurs or is continuing, the portion of the Contract Capacity that is not available from the Facility as a result of such Force Majeure Event. Force Majeure Capacity shall be calculated as follows:

$$\text{Force Majeure Capacity} = \text{Contract Capacity} - \text{Unaffected Contract Capacity}$$

Where:

$$\text{Unaffected Contract Capacity} = \text{Buyer Percentage} * \text{Adjusted Total Unaffected Capacity}$$

$$\text{Adjusted Total Unaffected Capacity} = \text{the lesser of TCUFM or 540 MW}$$

$$\text{TCUFM} = \text{Total Capacity Unaffected by Force Majeure} = \text{Total Facility Capacity} - \text{TAC}$$

TAC = Total Affected Capacity = the total amount of capacity that is not available from the Facility as a result of the Force Majeure Event.

“**Force Majeure Event**” has the meaning set forth in Section 15.1.

“**Gas**” means natural gas.

“**Georgia Integrated Transmission System**” or “**GITS**” means the electric transmission systems owned individually by Georgia Power Company, Georgia Transmission

Corporation, the Municipal Electric Authority of Georgia and the City of Dalton, Georgia, and operated as an integrated transmission system, as well as any successor transmission system.

“Government Agency” means any federal, state, local, territorial or municipal government and any department, commission, board, court, bureau, agency, instrumentality, judicial or administrative body thereof.

“Governmental Approval” means any authorization, consent, approval, license, ruling, permit, exemption, variance, order, judgment, decree, declarations of or regulation of any Government Agency relating to the Facility or to the execution, delivery or performance of this Agreement.

“Guarantor” has the meaning set forth in Section 16.1.

“Guaranty” means a guaranty or other instrument guaranteeing a Party’s obligations under this Agreement as contemplated under Article 20.

“Imaged Agreement” has the meaning set forth in Section 21.17.

“Increased Generation Costs” means the additional costs and expenses associated with the Facility and/or the electricity generated by the Facility that result from complying with or recognizing a Change in Law, including costs and expenses associated with the Plant that are incurred as a result of a Change in Law and benefit the Facility (e.g., the installation of equipment at one unit of the Plant that would be intended to benefit another unit(s) at the Plant or eliminate or delay the need to install equipment at such other unit(s)). Examples of Increased Generation Costs shall include costs and expenses resulting from: (i) compliance with environmental Laws changing existing emissions limits (e.g., NO<sub>x</sub>) or establishing limits for currently uncontrolled substances (e.g., CO<sub>2</sub> and mercury); (ii) increases in Taxes (except for income taxes); (iii) compliance with health and safety Laws; and (iv) the imposition of or

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increase in Taxes on power and Gas sales. For purposes of calculating the Increased Generation  
Costs associated with capitalized additions or modifications or other capital expenditures  
(determined in accordance with Generally Accepted Accounting Principles), the Parties will at  
that time establish an appropriate annual fixed charge rate for application to the original capital  
cost (less depreciation) of such additions, modifications, or other capital expenditures. Such  
fixed charge rate shall incorporate: (i) Seller's cost of debt; (ii) Seller's cost of preferred stocks  
(if applicable); and (iii) Seller's cost of equity, each as reasonably determined by Seller. This  
calculation will represent the total cost associated with the identified addition, modifications, or  
other capital expenditures including depreciation, useful life, carrying costs, and any other cost  
or expense item related to capital investments. Once initially established, any fixed charge rate  
hereunder for a particular addition, modification, or expenditure shall not be subject to change  
with regard to such addition, modification or expenditure. Any costs and/or expenses not  
otherwise reflected in a fixed charge rate calculation shall be treated as Increased Generation  
Costs as incurred. If Buyer disagrees in good faith with Seller's determination of Increased  
Generation Costs, such disagreement shall be resolved pursuant to the procedure in Section  
13.2.

“kW” means kilowatt(s).

“kWh” means kilowatt hour(s).

“Law” means any act; statute; law; requirement; ordinance; order; ruling or rule;  
regulation; standards and/or criteria contained in any permit, license or other approval;  
legislative or administrative action; or a decree, judgment or order of any Government Agency  
imposed, whether in effect now or at any time in the future.

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“**Long Term Firm Transmission Service**” means firm point-to-point (or other equivalent) transmission service for a term of one year or more.

“**Maintenance Outage**” has the meaning set forth in Section 4.2.

“**Major Maintenance**” means the performance of a hot gas path inspection for the combustion turbines at the Facility.

“**Major Maintenance Off-Peak Performance Period**” means any Off-Peak Performance Period in which Major Maintenance occurs.

“**MMBtu**” means one million Btu.

“**Month**” means a calendar month.

“**Monthly Capacity Payment**” means the payment for Contract Capacity to be made by Buyer to Seller pursuant to Section 6.1.

“**Monthly Energy Payment**” means the payment for Delivered Energy to be made by Buyer to Seller pursuant to Section 6.2.

“**Monthly Fuel Transportation Payment**” means the payment for fuel transportation to be made by Buyer to Seller pursuant to Section 6.4.

“**Monthly Start Payment**” means the payment for Successful Starts to be made by Buyer to Seller pursuant to Section 6.3.

“**Moody’s**” has the meaning set forth in Section 19.1.

“**MW**” means megawatt(s).

“**MWh**” means megawatt hour(s).

“**NERC**” means the North American Electric Reliability Council, or any successor to its functions.

“**Normal Off-Peak Performance Period**” means any Off-Peak Performance Period in which Major Maintenance does not occur.

“**OATT**” means the Open Access Transmission Tariff of Southern Companies or a successor tariff governing transmission on the Southern Company Transmission System, as the same may be changed or amended from time to time.

“**Off-Peak Performance Period**” means the period of time consisting of all hours during the Months of October, November, December, January, February, March and April in succession. If this Agreement terminates or expires during such period on a Day other than the last Day of such period, such Off-Peak Performance Period shall be deemed to end on the Day of such termination or expiration. If the Service Commencement Date occurs during such period on a Day other than the first Day of such period, such Off-Peak Performance Period shall be deemed to begin on the Service Commencement Date.

“**Operating Committee**” has the meaning set forth in Section 4.5.

“**Operating Procedures**” has the meaning set forth in Section 4.4.

“**Outage**” means any condition or circumstance in which the generating capability of the Facility is eliminated or reduced (in whole or in part) for any reason, including an actual or threatened component failure and during Scheduled Outages and Maintenance Outages. An Outage does not include those times that the Facility’s capability is reduced (in whole or in part) due to a Force Majeure Event or a Delivery Excuse.

“**Outage Capacity**” means, for any hour in which an Outage occurs or is continuing, the portion of the Contract Capacity that is not available from the Facility as a result of such Outage. Outage Capacity shall be calculated as follows:

Outage Capacity = Contract Capacity – Unaffected Contract Capacity

Where:

Unaffected Contract Capacity = Buyer Percentage \* Adjusted Total Unaffected Capacity

Adjusted Total Unaffected Capacity = the lesser of TCUO or 540 MW

TCUO = Total Capacity Unaffected by Outage = [the sum of: (A) the lesser of: (i) Total Facility Capacity; or (ii) 540 MW; and (B) Unused Excess Capacity] – TAC

Unused Excess Capacity = to the extent it is positive, the difference of TCUFM as determined under the definition of “Force Majeure Capacity” hereunder, less 540 MW

TAC = Total Affected Capacity = the total amount of capacity that is not available from the Facility as a result of the Outage.

“**Peak Performance Period**” means the period of time consisting of all hours during the Months of May, June, July, August and September in succession. If this Agreement terminates or expires during such period on a Day other than the last Day of such period, such Peak Performance Period shall be deemed to end on the Day of such termination or expiration. If the Service Commencement Date occurs during such period on a Day other than the first Day of such period, such Peak Performance Period shall be deemed to begin on the Service Commencement Date.

“**Performance Period**” shall mean either a Peak Performance Period or an Off-Peak Performance Period.

“**Person**” means any individual, corporation, limited liability corporation, partnership, joint venture, trust, unincorporated organization, Government Agency or other entity.

“**Plant**” means Seller’s Plant Franklin located near Smiths, Alabama, which currently consists of the Facility and a combined cycle electric generating unit known as Plant Franklin Unit No. 2 and all appurtenant facilities, as such plant and facilities may be modified and/or expanded from time to time (including the addition of generating units).

“**Prior Business Day**” means the Business Day immediately prior to a Delivery Day.

“**Prime Rate**” means, for any Day on which the calculation of an interest amount begins under this Agreement, the “Prime Rate” specified for such Day (or, if such Day is not a Business Day, on the first Business Day following such Day) under the “Money Rate” table of the *Wall Street Journal*. In the event that the *Wall Street Journal* ceases to report a Prime Rate, the Prime Rate shall be the prime rate (or its functional equivalent) charged by the Federal Reserve Bank of Atlanta, Georgia.

“**Prudent Industry Practices**” means any of the practices, methods, standards and acts (including the practices, methods and acts engaged in or approved by a significant portion of the electric power industry in the United States) that, at a particular time, in the exercise of reasonable judgment in light of the facts known or that should reasonably have been known at the time a decision was made, could have been expected to accomplish the desired result consistent with good business practices, reliability, economy, safety and expedition, and which practices, methods, standards and acts generally conform to operation and maintenance standards recommended by equipment suppliers and manufacturers, applicable design limits and applicable Governmental Approvals and Laws.

“**S&P**” has the meaning set forth in Section 19.1.

“**SNG**” means Southern Natural Gas Company.

“**Schedule**” means the right of Buyer to request the delivery of Scheduled Energy in accordance with this Agreement. Any form of the term Schedule (e.g., “Scheduled,” “Schedules” or “Scheduling”) shall refer to the exercise of such right by Buyer.

“**Schedule Shut-Down**” means any time Buyer goes from having some energy Scheduled to having no energy Scheduled.

“**Schedule Start**” means each time that Buyer goes from not having any energy Scheduled to having some amount of energy Scheduled (in any Block Mode).

“**Scheduled Energy**” means the amounts of energy, expressed in whole MWh, Scheduled by Buyer to be delivered by Seller in accordance with this Agreement.

“**Scheduled Outage**” means maintenance and/or outages conducted and/or taken by Seller pursuant to Section 4.1.

“**Scheduling Parameters**” has the meaning set forth in Appendix D.

“**SEARUC**” means the Southeastern Association of Regulatory Utility Commissioners.

“**Seller**” has the meaning set forth in the introductory paragraph hereof.

“**Service Commencement Date**” means June 1, 2010; provided, however, that such date may be extended by Seller due to a Force Majeure Event for a period equal to the period of delay caused by said Force Majeure Event.

“**Southern Company**” means the Southern Company, a publicly held corporation, organized and existing under the laws of the State of Delaware and having its principal place of business in Atlanta, Georgia.

“**Southern Company Transmission**” means the functional transmission division of Southern Company and its affiliates, as well as any successor transmission service provider.

“**Southern Company Transmission System**” means the integrated transmission systems of the electric operating companies of Southern Company, as such systems may be modified or expanded from time-to-time, as well as any successor transmission system(s).

“**Southern Power**” has the meaning set forth in the introductory paragraph.

“**Taxes**” means any or all ad valorem, property, occupational, severance, emissions, generation, first use, conservation, energy, transmission, utility, gross receipts, privilege, sales,

use, excise and other taxes, governmental charges, licenses, fees, permits and assessments, and taxes based on net income or net worth.

“**Term**” has the meaning set forth in Section 2.1.

“**Total Facility Capacity**” means, for each Contract Year, the generating capability of the Facility as declared by Seller under Article 8.

“**Unavailable Capacity**” means, for any hour: (i) Outage Capacity for such hour; less (ii) the Delivered Energy Credit; less (iii) if positive, the difference of the available portion of capacity associated with an Alternate Resource(s) that has been designated for such hour pursuant to Section 5.5.1 in response to the Outage causing Outage Capacity to exist, less the Delivered Energy Credit; plus (iv) the unavailable portion of capacity associated with an Alternate Resource(s) designated for such hour pursuant to Section 5.5.1 in response to a Force Majeure Event.

## ARTICLE 2

### TERM OF AGREEMENT

**2.1 Term.** Subject to the survival provisions herein, this Agreement shall continue in full force and effect from the Effective Date until the end of the Service Term, or on such earlier date on which this Agreement is terminated in accordance with its terms (“Term”).

**2.2 Service Term.** Subject to early termination of this Agreement as provided hereunder, Seller’s obligation to provide and sell and Buyer’s obligation to accept and purchase Contract Capacity and Scheduled Energy shall extend from the Service Commencement Date through December 31, 2015 (“Service Term”). Provided, however, the Service Term shall be extended through December 31, 2017 if: (i) Buyer provides Seller with written notice of its desire to extend the Service Term in this manner on or before January 31, 2010 (“Extension

Notice”); and (ii) the Parties are able to mutually agree upon Replacement Transportation Arrangements and a related amendment to this Agreement by December 31, 2010 pursuant to Section 9.2.6. If Buyer timely provides Seller the Extension Notice but the Parties are unable to agree on such Replacement Transportation Arrangements and/or a related amendment by December 31, 2010, the Service Term shall be extended through May 31, 2017.

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**2.3 Survival.** All provisions of this Agreement that expressly or by implication come into or continue in force and effect following the expiration or termination of this Agreement shall remain in effect and be enforceable following such expiration or termination.

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**2.4 Effect of Termination.** Subject to the exercise of a non-defaulting Party’s rights under Section 16.2, in the event that this Agreement is terminated, the rights and obligations of the Parties hereunder shall continue unaffected until the termination is effective in accordance with the terms and conditions thereof. Any termination of this Agreement shall not relieve Buyer of its obligation to pay any unpaid invoices for any Contract Capacity made available and Delivered Energy prior to the effective date of such termination, relieve Seller of its obligation to provide Contract Capacity and to deliver Scheduled Energy prior to the effective date of such termination, or relieve either Party of any of its other liabilities or obligations accruing prior to termination.

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**ARTICLE 3**

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**SALE AND PURCHASE OF CAPACITY AND ENERGY**

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**3.1 Sale and Purchase of Capacity.** Subject to the terms and conditions of this Agreement, beginning on the Service Commencement Date and until the end of the Service Term, Seller shall make available and sell to Buyer, and Buyer shall accept and purchase, the Contract Capacity.

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3.2 **Sale and Purchase of Energy.** Subject to the terms and conditions of this Agreement, beginning on the Service Commencement Date and until the end of the Service Term, Seller shall deliver and sell to Buyer, and Buyer shall accept and purchase from Seller, energy up to the Contract Capacity as and when Scheduled by Buyer.

3.3 **Change of the Facility.** At any time during the Term, Seller may provide notice to Buyer that it desires to change the generating resource that constitutes the Facility under this Agreement; provided, however, such resource shall be a Gas-fired resource. Provided further, the Facility shall not be changed under this Section 3.3 more often than once every 12 Months. With any such notice, Seller shall identify the generating resource that will be the proposed new Facility, the date that Seller desires for such change to be effective ("Desired Date of Facility Change"), and the anticipated time during which such resource shall provide Contract Capacity and associated energy under this Agreement ("Facility Term"). Seller shall provide Buyer such notice no later than 3 Months prior to the Desired Date of Facility Change. Within 15 Days after receipt of Seller's notice, Buyer and Seller shall confer to discuss the proposed Facility change and any amendment(s) to this Agreement that may be necessary to effect such change. Seller and Buyer agree that any such Facility change(s) shall be subject to the mutual consent of the Parties; provided, however, Buyer shall not unreasonably withhold its consent to a proposed Facility change(s) or reasonable amendment(s) necessary to effect such change. For purposes hereof, it shall be unreasonable for Buyer to withhold its consent to a proposed Facility change by Seller (or associated amendment) if such change and/or amendment would not be expected to result in: (i) an increase in Buyer's costs during the Facility Term as compared to the then current Facility; or (ii) a decrease in Facility reliability during the Facility Term as compared to the then current Facility. Provided, however, if Buyer has procured Long Term Firm

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Transmission Service from the then current Facility Delivery Point to a point(s) of delivery on the Southern Company Transmission System during a period that includes the Desired Date of Facility Change, any such change in the Facility shall be expressly conditioned upon Buyer's ability to obtain Comparable Service to such point(s) from the new Facility Delivery Point; provided that Buyer shall afford Seller reasonable opportunity to offset any higher cost associated with replacement transmission service so that such service will qualify as Comparable Service.

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ARTICLE 4

FACILITY MAINTENANCE

4.1 **Scheduled Outages.** Commencing in 2010 and each year thereafter, Seller shall submit to Buyer, before February 1, a schedule of Facility outages during which maintenance and/or the installation of equipment required by Law or Prudent Industry Practices will be performed for the next Contract Year ("Scheduled Outages"). Prior to submitting such schedule, Seller shall consult with Buyer regarding any issues that Buyer desires for Seller to consider in planning the schedule; provided, however, Seller shall have sole discretion regarding the schedule for such outages, but Seller shall not perform Scheduled Outages during the period from June 1 through September 15, nor during the Months of December through February. Within 30 Days after receiving Seller's schedule for Scheduled Outages, Buyer may request, in writing, that Seller reschedule any such Scheduled Outages. Following receipt of such request, Seller shall attempt to coordinate among Buyer and other parties purchasing capacity and energy from the Facility in order to reschedule such Scheduled Outages; provided, however, Seller shall have sole discretion to decline to accommodate any request to reschedule Scheduled Outages. Following receipt of Buyer's request, Seller shall inform Buyer as to

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whether it will accommodate Buyer's request and, if so, shall further advise Buyer of the good faith estimated costs that will be incurred by Seller in connection with accommodating the request of Buyer to reschedule the Scheduled Outages. Buyer shall then within 5 Days of the receipt of the estimated costs provided by Seller determine whether Seller should reschedule the Scheduled Outages. Without regard to any prior estimate, Buyer shall reimburse Seller for all Commercially Reasonable costs related to such change in schedule if Seller makes such change. Prior to or during any Contract Year, Seller may reschedule any Scheduled Outages in accordance with Prudent Industry Practices.

**4.2 Maintenance Outages.** In addition to Scheduled Outages under Section 4.1, Seller shall be entitled to take an outage at the Facility at any time in order to perform unscheduled maintenance ("Maintenance Outage"), subject to the following. Prior to taking a Maintenance Outage, Seller shall notify Buyer of the amount of Contract Capacity that will not be available for Scheduling, the start time and duration for the Maintenance Outage, and the reason for the Maintenance Outage. In addition, Seller shall utilize reasonable efforts consistent with Prudent Industry Practices to not schedule a Maintenance Outage during hours for which Buyer has already submitted a Schedule.

**4.3 Permits and Compliance with Laws.**

4.3.1 Subject to the right of Contest, each Party shall acquire and maintain in effect all Governmental Approvals necessary for it to perform its obligations under this Agreement.

4.3.2 Subject to the right of Contest, each Party shall at all times comply with all Laws and Governmental Approvals applicable to such Party that are necessary for such Party to perform its obligations under this Agreement.

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4.4 **Operating Procedures.** Buyer and Seller shall begin to develop written Operating Procedures no later than 6 months before the Service Commencement Date. Such Operating Procedures shall be completed no later than 30 Days before the Service Commencement Date. The Operating Procedures shall establish the protocol under which the Parties shall perform their respective responsibilities under this Agreement, including method of Day-to-Day communications, key personnel lists, and logging and tracking of hours of EUH and EFMH, Scheduled Outages, Maintenance Outages, and hours of Delivery Excuse.

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4.5 **Operating Committee.** The Parties shall form a committee to act in matters relating to the performance of their respective obligations under this Agreement (“Operating Committee”). Each Party shall appoint one representative and one alternate representative to serve on the Operating Committee. The Parties shall notify each other in writing of such appointments and any changes thereto. The Operating Committee shall have no authority to modify the terms or conditions of this Agreement. Beginning in 2009, the Operating Committee shall meet no less than two times per calendar year (which meetings may be by telephone), and all of its decisions must be the unanimous decision of the representatives.

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ARTICLE 5

SCHEDULING AND THE PROVISION OF CAPACITY AND ENERGY

5.1 Scheduling.

5.1.1 On or before 0900 CPT of the Prior Business Day (“Scheduling Deadline”) Buyer shall provide Seller its Schedule for each hour of the applicable Delivery Day. All Schedules must be consistent with the Scheduling Parameters set forth in Appendix D and the terms of this Agreement.

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5.1.2 After the Scheduling Deadline, Buyer shall have the right to change its Schedule for any hour of the applicable Delivery Day by providing notice of such change to Seller at least four hours prior to the beginning of such hour; provided, however, Buyer shall be limited to two occasions for requesting changes to its Schedule for any Delivery Day. Provided further, any requested Schedule change shall be subject to the provisions of Section 9.4 regarding Schedule changes, and Seller shall not be required to honor a requested Schedule change if: (i) Gas is unavailable for any reason to accommodate such change; and/or (ii) Seller (utilizing Commercially Reasonable Efforts) is unable to schedule Gas for delivery on SNG's pipeline to accommodate such Schedule change. Any Schedule as changed must be consistent with the Scheduling Parameters and the other terms of this Agreement. To the extent any Schedule change is made after the Scheduling Deadline, the price for energy delivered to Buyer shall be in accordance with the calculation of the Monthly Energy Payment plus all of Seller's incremental costs incurred in accommodating Buyer's Schedule change ("Incremental Costs"). Regardless of the source of Scheduled Energy, such Incremental Costs shall be determined as if the Facility were being utilized to satisfy Buyer's Schedule and accommodate the requested change. Notwithstanding anything to the contrary in this Agreement, Incremental Costs may include additional Gas transportation charges, imbalance charges, cash-out charges and penalties. Notwithstanding the foregoing, if Buyer has not provided Seller a Schedule requesting the delivery of energy for any Day by the Scheduling Deadline, Buyer shall not be entitled to submit a Schedule for such Day at any time.

5.1.3 In addition, in the event that: (i) a Generation Alert arises after the Scheduling Deadline for any Delivery Day; (ii) Buyer is scheduled to receive energy for such Delivery Day pursuant to a Schedule submitted prior to the Scheduling Deadline; and (iii) there

is Remaining Capacity (as defined in Section 5.5.3.3), then Buyer shall be entitled to request Seller to change its Schedule for such Delivery Day under Section 5.1.2 with less than four hours notice; provided, however, Buyer shall have such right to request a Schedule change with less than four hours notice only to the extent that the request is for an increase in the amount of Scheduled Energy up to the amount of Remaining Capacity. After receiving such request, Seller shall utilize Commercially Reasonable Efforts to honor the requested change, provided that all of the provisions of Section 5.1.2 shall apply with respect to such change (including the requirements regarding Incremental Costs and consistency with the Scheduling Parameters). However, notwithstanding the foregoing, to the extent Seller is or would be unable to accommodate such a request by providing energy from the Facility utilizing Commercially Reasonable Efforts, Seller shall not be required to deliver energy or accumulate EUH or EFMH. For purposes hereof, the term "Generation Alert" shall mean any time when Buyer's Reserve Margin is less than the capacity of the largest generating unit available to Buyer on a given Delivery Day. "Reserve Margin" shall mean the difference between the capacity associated with all power resources available to Buyer on a given Delivery Day (including through purchased power arrangements) and Buyer's peak native load for such Day.

**5.2 Transmission and Scheduling Requirements.** Buyer shall be responsible for complying with all transmission reservation, scheduling and tagging requirements associated with energy provided hereunder at and after the Delivery Point.

**5.3 Costs and Expenses.** Except as specifically provided hereunder, all costs and expenses associated with Delivered Energy at and after the Delivery Point shall be the sole responsibility of Buyer. Except as specifically provided hereunder, all costs and expenses associated with Delivered Energy prior to the Delivery Point shall be the responsibility of

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Seller. Any penalties associated with Delivered Energy shall be the responsibility of the Party whose action or inaction caused the penalty to be assessed.

**5.4 Delivery of Energy.** Subject to the terms of this Agreement and the Scheduling Parameters, energy provided by Seller pursuant to Buyer's Schedule shall be deemed to be delivered at the Delivery Point.

**5.5 Alternate Resources.**

5.5.1 If Seller has notified Buyer pursuant to Section 5.10 and/or Section 15.2 that it expects, for any Day, either: (i) an Outage; and/or (ii) a Force Majeure Event affecting the Facility or the facilities prior to the Facility Delivery Point, Seller shall have the right (but shall not be required) to designate an Alternate Resource(s) for such Day from which it will provide Contract Capacity in an amount equal to the Outage Capacity and/or the Force Majeure Capacity. To designate an Alternate Resource(s) for any Day in this manner, Seller shall provide notice to Buyer (either in writing, facsimile, or electronic form) by no later than 0800 CPT of the prior Business Day identifying the particular generation resource(s) comprising the Alternate Resources. Provided, however, if Buyer has procured Long Term Firm Transmission Service for a Day from the Facility Delivery Point to a point(s) of delivery on the Southern Company Transmission System, Seller may not designate a particular generation resource(s) as an Alternate Resource to provide Contract Capacity for such Day unless Seller reasonably believes that Buyer (utilizing Commercially Reasonable Efforts) would be able to obtain Comparable Service to such point(s) of delivery from the Delivery Point for the designated Alternate Resource in an amount equal to the lesser of: (i) the amount of Contract Capacity for which Buyer has procured such Long Term Firm Transmission Service; or (ii) the sum of the Outage Capacity and the Force Majeure Capacity.

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5.5.2 Subject to the provisions of this Section 5.5, Seller may, at any time and in its sole discretion, utilize Alternate Resources to satisfy any portion of Buyer's Schedule, whether the Facility is available or unavailable. If Seller intends to satisfy all or part of Buyer's Schedule for any Delivery Day from an Alternate Resource(s), Seller shall provide Buyer notice to that effect no later than 1100 CPT of the Prior Business Day ("Alternate Resource Notice"). Such notice shall identify the Alternate Resource(s), Alternate Delivery Point(s), and the amount of energy to be delivered each hour of such Delivery Day to such Alternate Delivery Point(s) ("Alternate Energy"); provided, however, such notice may only identify an Alternate Resource(s) that Seller reasonably expects will be able to supply Alternate Energy. Such Alternate Resource(s) may, at Seller's discretion, be any Alternate Resource(s) designated under Section 5.5.1 or any other Alternate Resource(s) (or any combination thereof).

5.5.3 In the event that Seller provides Buyer an Alternate Resource Notice for any Delivery Day and to the extent that an Alternate Delivery Point(s) is the Facility Delivery Point, Buyer shall accept and purchase Delivered Energy from the applicable Alternate Resource(s) at the Facility Delivery Point in accordance with this Agreement. To the extent an Alternate Delivery Point(s) is not the Facility Delivery Point, the following provisions shall apply:

5.5.3.1 By the later of 1000 CPT or 30 minutes after receiving the Alternate Resource Notice, Buyer shall request transmission service to deliver Alternate Energy from the Delivery Point(s) to the Buyer Delivery Point(s) that replaces a quantity (equal to the amount of Alternate Energy) of transmission service previously procured by Buyer (i.e., redirected transmission service) to transmit Scheduled Energy from the Facility Delivery Point to the Buyer Delivery Point(s) and that has the same or a higher level of firmness as the

transmission service to be replaced. If Buyer has not procured transmission service from the Facility Delivery Point to the Buyer Delivery Point(s) by the Scheduling Deadline for all of the Scheduled Energy, Buyer shall be deemed to be able to procure (including for purposes of Section 5.5.3.2) Comparable Service for an amount of Alternate Energy equal to the amount of Scheduled Energy for which transmission service was not procured. In the event that service requested from an Alternate Delivery Point(s) would not qualify as Comparable Service because the total cost of such service would be higher than the cost of the transmission service to be replaced, Buyer shall provide Seller reasonable opportunity to offset the incremental cost so that service available from the Alternate Delivery Point(s) will qualify as Comparable Service as defined hereunder. If Seller elects to offset such incremental cost for any service requested from an Alternate Delivery Point(s), (i) such service shall be deemed for purposes of this Section to be Comparable Service, (ii) Buyer shall make Commercially Reasonable Efforts to procure such Comparable Service, and (iii) the remaining procedures of this Section 5.5.3 shall apply. In addition, to the extent that Buyer is unable to procure Comparable Service to the Buyer Delivery Point(s), Buyer shall notify Seller of such inability, as well as the identity of the Buyer Delivery Point(s), as soon as possible. Upon receiving such notice, Seller shall be entitled to designate another Alternate Resource(s) and the Parties shall comply with the procedures of this Section 5.5.3 with respect to such Alternate Resource(s). If Seller designates another such Alternate Resource(s), Buyer shall make Commercially Reasonable Efforts to procure transmission service for the delivery of energy from such other resource to the Buyer Delivery Point(s), and the procedures of this Section 5.5.3 shall apply.

5.5.3.2 To the extent Buyer is able to procure Comparable Service for Alternate Energy (provided that Buyer must use Commercially Reasonable Efforts to procure



such service) or Buyer does not request service as required by the first sentence of Section 5.5.3.1, Buyer shall accept Alternate Energy from the applicable Alternate Resource(s) in satisfaction of its Schedule.

5.5.3.3 To the extent Buyer is unable to procure Comparable Service for Alternate Energy and there is Available Capacity in addition to that already intended by Seller to satisfy Buyer's Schedule (such additional Available Capacity is hereinafter referred to as "Remaining Capacity"), Seller shall designate the Facility as providing energy to satisfy Buyer's Schedule.

5.5.3.4 To the extent that Buyer is unable to procure Comparable Service and the amount of Alternate Energy for which Comparable Service is unavailable exceeds the Remaining Capacity (such excess amount of energy being referenced to as "Excess Alternate Energy"), Seller shall not be required to deliver Excess Alternate Energy to satisfy Buyer's Schedule. In such event, EUH and/or EFMH shall be accumulated as appropriate unless and to the extent Buyer should have been able to obtain Comparable Service for the Excess Alternate Energy with the exercise of Commercially Reasonable Efforts.

5.5.4 In the event that an RTO (as defined in Section 7.5.1) is formed, it is the intent of the Parties that Seller retain the ability to supply energy hereunder from Alternate Resources. In this regard, the Parties shall interpret the provisions of this Agreement in order to preserve such ability to the maximum extent possible (including those provisions addressing Buyer's ability to obtain Comparable Service).

**5.6 Unavailability of an Alternate Resource(s).** To the extent an Alternate Resource(s) designated or identified by Seller under Section 5.5.2 and/or Section 5.5.3 becomes unavailable for any hour to provide Alternate Energy to satisfy Buyer's Schedule (the amount of

such unavailable Alternate Energy is hereinafter referred to as “Unavailable Alternate Energy”), the following procedures shall apply:

5.6.1 To the extent that there is Remaining Capacity, Seller shall as soon as practicable offer to provide energy from another generating resource to satisfy Buyer’s Schedule in an amount equal to the lesser of Remaining Capacity or Unavailable Alternate Energy (either another Alternate Resource(s) or the Facility, to be selected at Seller’s sole discretion) (“Replacement Resource”), the price of such energy to be determined pursuant to the terms of this Agreement (including Appendix B).

5.6.1.1 To the extent that Buyer is unable to procure transmission service from the Delivery Point to the Buyer Delivery Point(s) for such Replacement Resource energy with the same or a higher level of firmness as, and a cost to Buyer equal to or less than, the transmission service procured by Buyer for the same amount of energy from the unavailable Alternate Resource(s), Buyer shall (as soon as practicable) notify Seller that Buyer either: (i) declines such offer, in which event Seller shall be excused from delivering such Replacement Resource energy and an EUH equal to the ratio of such Replacement Resource energy to the Contract Capacity shall be accumulated; or (ii) accepts such offer, in which event Buyer shall accept the delivery of such energy from the Replacement Resource. In the case of (ii) of the foregoing sentence, to the extent that transmission service to the Buyer Delivery Point(s) for Replacement Resource energy accepted by Buyer is interrupted, Seller shall be excused from delivering such Replacement Resource energy and an EUH shall be accumulated equal to the ratio of the energy for which service was interrupted to the Contract Capacity.

5.6.1.2 To the extent that Buyer is able to procure transmission service from the Delivery Point to the Buyer Delivery Point(s) for such Replacement Resource energy

with the same or a higher level of firmness as, and a cost to Buyer equal to or less than, the transmission service procured by Buyer for the same amount of energy from the unavailable Alternate Resource(s), then Buyer shall accept such energy from such Replacement Resource.

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**5.7 Seller's Rights to the Facility.** To the extent Buyer has not submitted a Schedule requesting energy associated with the full Contract Capacity, and/or to the extent Scheduled Energy is being provided from Alternate Resources, Seller shall have the right to dispatch the Facility to utilize for its own purposes energy from the Facility not Scheduled and/or replaced with Alternate Energy.

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**5.8 Title and Risk of Loss.** Seller shall be deemed to be in exclusive control of the Delivered Energy prior to the Delivery Point. Buyer shall be deemed to be in exclusive control of the Delivered Energy at and after the Delivery Point. Custody, title and risk of loss of Contract Capacity and Delivered Energy shall transfer from Seller to Buyer at the Delivery Point.

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**5.9 Force Majeure Event.**

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**5.9.1** For any hour in which a Force Majeure Event affecting the Facility or the electric facilities prior to the Facility Delivery Point occurs or is continuing, Seller shall only be obligated to deliver to Buyer the lesser of: (i) Scheduled Energy; or (ii) energy associated with the difference of the Contract Capacity less Force Majeure Capacity. In addition, to the extent of such Force Majeure Event, Seller may elect in its sole discretion pursuant to the procedures under Section 5.5 (but shall not be required) to deliver Scheduled Energy from Alternate Resources.

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**5.9.2** For any hour during which a Force Majeure Event affecting the Facility or the electric facilities prior to the Facility Delivery Point occurs or is continuing, Seller shall

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be required to accumulate EFMH (as applicable) for such hour. For any Month or portion of a Month in which such a Force Majeure Event has occurred or is continuing, the Monthly Capacity Payment for such Month shall be reduced in the same proportion as the EFMH accumulated during the Month to the total hours in that Month. Such reduction shall appropriately take into account hours in which a Force Majeure Event occurs in only part of the hour. Seller's sole and exclusive liability and Buyer's sole and exclusive remedy with respect to such Force Majeure Event shall be such reduction of the Monthly Capacity Payment.

**5.10 Outages and Unavailable Capacity.**

5.10.1 Seller shall notify Buyer as soon as reasonably practicable of: (i) the occurrence of any Outage that is expected to result in Outage Capacity and the estimated duration of such Outage; and (ii) the cessation of such Outage.

5.10.2 For any hour during which there is Unavailable Capacity, Seller shall be required to accumulate EUH (as applicable) for such hour. Seller's sole and exclusive liability and Buyer's sole and exclusive remedy for Seller's failure to provide capacity and/or energy from any resource under this Agreement shall be the accumulation of EUH and the application of the Capacity Availability Performance Adjustment as set forth in Appendix A.

**5.11 Delivery Excuse.** For any hour in which a Delivery Excuse is occurring or is continuing, Seller shall not be obligated to deliver, and Buyer shall not be entitled to receive, or submit a Schedule for, Scheduled Energy. In such event, Seller shall not be required to accumulate EFMH or EUH. Buyer shall not be relieved of its performance obligations during a Delivery Excuse, including its obligation to pay Seller the Monthly Capacity Payment.

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5.12 **Scheduled and Maintenance Outages.** Buyer shall not have the right to submit a Schedule for any period of time during which maintenance is being performed and/or outages are taken consistent with Sections 4.1 and 4.2.

## ARTICLE 6

### PAYMENTS

6.1 **Capacity Payment.** Commencing on the Service Commencement Date and for each Month of the Service Term, Buyer shall pay to Seller a Monthly Capacity Payment for the Contract Capacity. The calculation of the Monthly Capacity Payment is set forth in Appendix A.

6.2 **Energy Payment.** Commencing on the Service Commencement Date and for each Month of the Service Term, Buyer shall pay to Seller a Monthly Energy Payment. The calculation of the Monthly Energy Payment is set forth in Appendix B.

6.3 **Start Payment.** Commencing on the Service Commencement Date and for each Month of the Service Term, Buyer shall pay to Seller a Monthly Start Payment. The calculation of the Monthly Start Payment is set forth in Appendix C.

6.4 **Fuel Transportation Payment.** Commencing on the Service Commencement Date and for each Month of the Service Term, Buyer shall pay to Seller a Monthly Fuel Transportation Payment. The calculation of the Monthly Fuel Transportation Payment is set forth in Section 9.2.2.

6.5 **Additional Payments.** In addition to the payments specified in this Article 6, the Parties shall pay all amounts due pursuant to the other provisions of this Agreement.

ARTICLE 7

TRANSMISSION SERVICE

7.1 **Buyer Obligations.** Buyer, or its designee, shall have the sole and exclusive responsibility at all times to arrange, obtain, contract and pay for any and all transmission service and ancillary services required (including service under any applicable transmission tariff) to deliver any energy hereunder from and beyond the Delivery Point. Buyer assumes all risk associated with the availability, adequacy and cost of such transmission service and ancillary services.

7.2 **Seller Obligations.** Seller, or its designee, shall have the sole and exclusive responsibility at all times to arrange, obtain, contract, and pay for any and all transmission service required to deliver energy hereunder to the Delivery Point.

7.3 **Imbalances and Penalties.** Upon receiving notice of any interruption of the delivery of energy under this Agreement for any reason (e.g., an Outage or a Force Majeure Event), Buyer shall promptly notify the applicable transmission provider and/or system operator in order to avoid any energy imbalances. If Buyer provides such prompt notice, as between the Parties, Seller shall be responsible for any penalties or imbalances (including associated costs) imposed by the transmission provider and/or system operator resulting from the interruption of energy from the time of interruption until the transmission provider and/or system operator modifies the transmission schedule. Any penalties or imbalances that are not the responsibility of Seller under the second sentence of this Section 7.3 (including associated costs) and that result from actions or inactions of Buyer (including the failure to provide required notice to the applicable transmission provider and/or system operator), its designee or any third party to which Buyer may be supplying the capacity and energy provided hereunder will be the

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responsibility of Buyer as between the Parties. Any penalties or imbalances that are not the responsibility of Seller under the second sentence of this Section 7.3 (including associated costs) and that result from actions or inactions of Seller or its designee will be the responsibility of Seller as between the Parties. If either Party incurs any costs associated with penalties or imbalances that are the responsibility of the other Party under this Section, such other Party shall provide prompt reimbursement of such costs.

**7.4 Buyer's Request for Transmission Service.**

7.4.1 Within 30 Days after the Effective Date, Buyer shall submit a request in accordance with the instructions of Southern Company Transmission (including by submitting such request on Southern Company Transmission's OASIS and completing any required application(s)) in order for Buyer to procure 350 MW of Long Term Firm Transmission Service from the Facility Delivery Point to the Florida Interface, such service to commence on June 1, 2010 ("Requested Service"). As entered into Southern Company Transmission's OASIS, the point of delivery for the Requested Service shall be "FPC." In addition, from the Effective Date, Buyer shall make and/or continue Commercially Reasonable Efforts to have Southern Company Transmission provide Buyer with an offer to provide the Requested Service no later than February 15, 2006 ("Transmission Deadline"); provided, however, the Transmission Deadline shall automatically be extended on a Month to Month basis until either Party provides timely notice to the other that it does not desire the Transmission Deadline to be extended under this Agreement and in Section 7.4.1 of the other Contemporaneous Agreement. Such notice must be provided no later than 5 Days prior to the then existing Transmission Deadline (as may be extended). Notwithstanding the foregoing, the Transmission Deadline in this Agreement

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shall be extended only to the same extent as such deadline is also extended under Section 7.4.1  
of the other Contemporaneous Agreement.

7.4.2 No later than 2 Business Days after the earlier of: (i) the Transmission  
Deadline; (ii) Southern Company Transmission's notice to Buyer that it will not be able to  
provide any of the Requested Service to Buyer; or (iii) Southern Company Transmission's  
notice to Buyer that it will be able to provide some or all of the Requested Service to Buyer,  
Buyer shall notify Seller ("Transmission Notice") of the total amount of the Requested Service  
that Southern Company Transmission is able to provide to Buyer at any price and cost ("SCT  
Service"). In the event that the total cost ("Total Cost") of any portion of the SCT Service is  
higher than the embedded rate for Long Term Firm Transmission Service under the OATT  
("Tariff Rate"), the Transmission Notice shall specify the amount of SCT Service offered at a  
Total Cost higher than the Tariff Rate, and include any and all documentation of such Total  
Cost provided to Buyer by Southern Company Transmission. For purposes of this Section 7.4,  
"Total Cost" shall mean those costs that would be imposed on Buyer directly by the applicable  
transmission provider for the Requested Service.

7.4.3 Within 2 Business Days after its receipt of the Transmission Notice,  
Seller may offer to sell to Buyer (including by reassignment) up to 350 MW of Long Term Firm  
Transmission Service from the Facility Delivery Point to the Florida Interface on any applicable  
transmission system, such service to commence on June 1, 2010 ("Seller Service"). Such offer  
shall set forth the amount of Seller Service and the price for such service. For purposes of this  
Agreement the sum of the Seller Service and the SCT Service shall be referred to as the  
"Available Service."



7.4.4 Within 2 Business Days after its receipt of the Transmission Notice, 1  
Seller shall notify Buyer (“Reduction Notice”) whether it will offset the amount by which Total 2  
Cost exceeds the Tariff Rate (“Excess Cost”) for any portion of the Available Service. Any 3  
amount of Available Service for which Seller does not elect to offset the Excess Cost (if 4  
applicable) shall be referred to as the “Higher Cost Service.” For purposes hereof, the Higher 5  
Cost Service shall not be greater than the amount by which 350 MW exceeds the amount of 6  
Available Service with a Total Cost less than or equal to the Tariff Rate. Notwithstanding the 7  
foregoing, this Section 7.4.4 shall not apply if there is Available Service for at least 350 MW at 8  
a Total Cost equal to or less than the Tariff Rate. 9

7.4.5 Once the procedures in Sections 7.4.1 through 7.4.4 have been completed 10  
(as applicable), Buyer may elect to reduce the Contract Capacity for the Service Term by an 11  
amount up to the sum of: (i) if Available Service is less than 350 MW, the difference between 12  
350 MW and the amount of Available Service; and (ii) the amount of Higher Cost Service. 13  
Buyer shall notify Seller of such election within 3 Business Days after the later of the date of (if 14  
applicable) the Reduction Notice, receipt of Seller’s offer under Section 7.4.3 or the 15  
Transmission Notice (“Election Deadline”). In addition, after the procedures in Sections 7.4.1 16  
through 7.4.4 have been completed (as applicable), if Available Service of at least 280 MW is 17  
not available to Buyer so that Buyer is in effect able to procure Long Term Firm Transmission 18  
Service from the Facility at a Total Cost equal to or less than the Tariff Rate (taking into 19  
account any offset of Excess Cost by Seller), Buyer may provide notice to Seller that it will 20  
terminate this Agreement. Such notice must be provided no later than the Election Deadline. 21

7.4.6 If Buyer elects, pursuant to Section 7.4.5, to reduce the Contract Capacity 22  
by an amount greater than 70 MW, Seller shall be entitled to either: (i) accept the reduction in 23

Contract Capacity; or (ii) terminate this Agreement. Seller shall provide Buyer with notice of  
 its election of either (i) or (ii) no later than 2 Business Days after its receipt of Buyer's notice to  
 reduce the Contract Capacity. If Seller accepts the reduction in Contract Capacity, the Parties  
 shall mutually agree on modifications to this Agreement in order to reflect such reduction.

7.4.7 In the event that either Party provides notice to the other Party under this  
 section 7.4 that it has elected to terminate this Agreement, this Agreement and the other  
 Contemporaneous Agreement shall immediately terminate. Upon such termination, no Party  
 shall have any further obligation under any of the Contemporaneous Agreements except for any  
 liabilities and/or obligations accruing prior to such termination. The Parties acknowledge that  
 the other Contemporaneous Agreement contains a provision similar to this Section 7.4.7 and  
 that this Agreement is subject to termination as provided in such similar provision.

7.4.8 Nothing in this Section 7.4 shall be construed as requiring Buyer to  
 actually purchase any transmission service.

7.4.9 The MW amounts set forth in this Section 7.4 refer to MW amounts at the  
 Facility Delivery Point. As appropriate and/or required, such amounts shall be adjusted  
 consistent with the OATT (or other applicable transmission tariff) to reflect transmission losses  
 to the Florida Interface (e.g., including for purposes of submitting the required transmission  
 service request through Southern Company's OASIS and/or other required application(s) for  
 such service).

**7.5 Regional Transmission Organizations.**

7.5.1 In the event that a Regional Transmission Organization(s) or similar  
 organization ("RTO") is formed and such formation materially changes the scheduling  
 requirements and/or costs associated with the delivery of energy to and/or from the Delivery

Point, Seller shall be solely responsible for complying with all scheduling requirements and  
paying all such costs to the Delivery Point (including but not limited to all congestion and/or  
basis costs). In addition, Buyer shall be solely responsible for complying with all scheduling  
requirements and paying all such costs at and beyond the Delivery Point to any other point(s) of  
delivery (including but not limited to all congestion and/or basis costs). Seller agrees to  
indemnify and hold harmless Buyer for any costs and expenses incurred by Buyer that are  
Seller's responsibility under this Section 7.5.1. Buyer agrees to indemnify and hold harmless  
Seller for any costs and expenses incurred by Seller that are Buyer's responsibility under this  
Section 7.5.1.

7.5.2 In the event an RTO is formed and the formation and/or implementation  
of such RTO results in: (i) a quantifiable monetary benefit for a Party with regard to its  
performance under this Agreement ("Benefited Party") that is greater than the monetary benefit  
to such Party contemplated on the Effective Date (such additional monetary benefit being  
referred to as the "Incremental Benefit"); and (ii) a quantifiable monetary harm for the other  
Party with regard to its performance under this Agreement ("Harmed Party") that results in a  
monetary burden to such Party that is greater than the monetary burden to such Party  
contemplated on the Effective Date (the amount by which such monetary burden is increased  
being referred to as the "Incremental Burden"), the Parties shall negotiate to reach mutual  
agreement regarding an amendment(s) to this Agreement establishing a method whereby the  
Benefited Party would share some or all of the Incremental Benefit with the Harmed Party. The  
shared amount of the Incremental Benefit shall be equal to the lesser of: (i) the Incremental  
Benefit; or (ii) the Incremental Burden. In no event shall such amendment(s) require the

Benefited Party to bear more of a monetary burden or receive less of a monetary benefit than as originally contemplated in this Agreement for such Party on the Effective Date.

ARTICLE 8

TOTAL FACILITY CAPACITY

8.1 Declaration of the Total Facility Capacity. Through notice to Buyer, Seller shall declare the Total Facility Capacity for each Contract Year pursuant to the procedures set forth in Section 8.2.

8.2 Declaration Prior to Each Contract Year.

8.2.1 Within 90 Days prior to the beginning of each Contract Year, Seller shall declare the Total Facility Capacity for such Contract Year. Such declaration shall be based on the demonstrated generating capability of the Facility as determined in accordance with Appendix E.

8.2.2 After Seller's declaration under Section 8.2.1, Buyer shall have the right to require a test to re-demonstrate the capability of the Facility as follows:

8.2.2.1 After Seller's declaration of the Total Facility Capacity for the first Contract Year, Buyer may by notice to Seller ("Test Notice") require Seller to conduct a test to re-demonstrate the capability of the Facility. Buyer shall provide any such Test Notice no later than 30 Days after the Service Commencement Date ("Initial Testing Deadline"). If Buyer timely provides the Test Notice, Seller shall conduct a test of the Facility in accordance with Appendix E within 30 Days after the Test Notice on a Day selected by Seller and provide Buyer with prior notice of such test. Buyer shall pay Seller all costs of testing (including Gas and operation and maintenance costs), and Buyer shall be entitled to utilize all energy produced during testing for its own purposes.

8.2.2.2 After the Initial Testing Deadline, if at any time Buyer has reasonable grounds for disputing Seller's declared amount of Total Facility Capacity (e.g., the delivery of energy by Seller in amounts less than Scheduled Energy), Buyer may provide to Seller a Test Notice to require Seller to conduct a test to re-demonstrate the capability of the Facility. Upon receipt of such notice, Seller shall conduct a test of the Facility in accordance with Appendix E within 30 Days after the Test Notice on a Day selected by Seller and provide Buyer with prior notice of such test. Buyer shall pay Seller all costs of testing (including Gas and operation and maintenance costs), and Buyer shall be entitled to utilize all energy produced during testing for its own purposes.

8.2.3 In the event that a test required by Buyer pursuant to Section 8.2.2 indicates that the generating capability of the Facility is different than the Total Facility Capacity declared pursuant to Section 8.2.1, Seller may (at its sole option) conduct additional test(s) of the Facility in accordance with Appendix E, such test(s) to be completed no later than 30 Days after the test conducted pursuant to Section 8.2.2. If Seller does not elect to conduct such additional test(s), the Total Facility Capacity shall be re-set pursuant to Section 8.2.4 to an amount equal to the generating capability demonstrated by the test conducted pursuant to Section 8.2.2. If Seller does elect to conduct additional testing, Seller shall provide Buyer prior notice of the Day(s) of such test(s) and the Total Facility Capacity shall be re-set pursuant to Section 8.2.4 to an amount equal to the generating capability demonstrated through such additional test(s). If such test(s) is performed coincident with Buyer's Schedule for any Day(s), Buyer shall pay Seller the costs of testing (including Gas and operation and maintenance costs) that are the responsibility of Buyer through the application of the Monthly Energy Payment for all Delivered Energy provided to Buyer. To the extent such test(s) is performed during a time

period in which energy will not be delivered to Buyer pursuant to a Schedule, Seller shall be responsible for all costs of testing (including Gas and operation and maintenance costs) and shall be entitled to utilize all energy produced during testing for its own purposes.

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8.2.4 If the Total Facility Capacity is set pursuant to a test conducted under Section 8.2.2 or Section 8.2.3 as a result of a Test Notice provided by Buyer on or before the Initial Testing Deadline, the Total Facility Capacity shall be adjusted retroactively to the Service Commencement Date. In all other cases when the Total Facility Capacity is set pursuant to a test conducted under Section 8.2.2 or Section 8.2.3, the Total Facility Capacity shall be adjusted retroactively to the date of the applicable Test Notice. All capacity billing under Section 6.1 shall (if necessary and as soon as practicable) be retroactively adjusted as appropriate (with interest at the Interest Rate) to reflect such adjustment of the Total Facility Capacity.

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ARTICLE 9

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FUEL ARRANGEMENTS

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9.1 Seller's Commitment. Subject to the provisions of this Agreement, Seller will use Commercially Reasonable Efforts to provide to the Facility the volume of Gas needed to provide Scheduled Energy.

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9.2 Gas Transportation Arrangement and Charges.

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9.2.1 Subject to the provisions of this Agreement, Seller will utilize up to 58,500 MMBtu per day of firm transportation capacity on the pipeline system of SNG from SNG's Zone 0 to Zone 2 under SNG's Contract Number FSNG284 constructed under South System 1, Phase 1 expansion that was placed in service on June 15, 2002 for deliveries to Point Code 807000, Plant Franklin, as amended ("SNG Contract") as necessary to provide Scheduled

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Energy under this Agreement. To the extent energy is supplied to Buyer from the Facility, Seller shall afford Buyer's Schedule priority with regard to the use of such transportation capacity that is available; provided, however, if SNG does not or is unable to make available a portion of the total amount of transportation capacity procured by Seller to the Plant for any hour(s), Seller shall be permitted to reduce on a pro rata basis the amount of transportation capacity that it will utilize in order to satisfy Buyer's Schedule. Provided further that if SNG's failure to make available transportation capacity to the Plant constitutes a breach of the SNG Contract, then Seller shall utilize Commercially Reasonable Efforts to pursue damages from SNG that may be available (with Buyer bearing an appropriate pro rata share of the associated expenses, including Seller's legal expenses). If Seller is able to recover damages from SNG, Seller shall share with Buyer an appropriate pro rata portion of such damages that corresponds to the period of SNG's breach during the Term of this Agreement.

9.2.2 Buyer shall pay to Seller a Monthly Fuel Transportation Payment which shall be an amount equal to the product resulting from multiplying 58,500 MMBtu by the sum of: (i) the fixed monthly reservation charge per MMBtu less any credits for such firm transportation reservation charges provided to Seller by SNG with regard to such firm transportation; and (ii) any applicable reservation surcharges per MMBtu, each as billed to Seller under the SNG Contract for the applicable month.

9.2.3 Buyer acknowledges that charges under the SNG Contract are currently discounted below SNG's maximum tariff rates and that such rates are subject to periodic increases as provided in the SNG Contract and to increases pursuant to actions by FERC. Buyer agrees to pay the then current rates each Month under the SNG Contract during the term of this Agreement.

9.2.4 Buyer acknowledges that Seller may have the right pursuant to Exhibit E of the SNG Contract to terminate that contract; however, Seller shall exercise that right with respect to the transportation capacity necessary to provide Scheduled Energy under this Agreement only if Buyer and Seller agree on mutually acceptable replacement transportation arrangements.

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9.2.5 Buyer acknowledges that SNG may impose imbalance, cash-out and other types of charges, including penalty charges, pursuant to its FERC approved tariff under certain conditions ("Penalty Charges"). Buyer agrees to be responsible for and pay or reimburse Seller for any Penalty Charges billed to Seller by SNG that result from any action or failure to act of Buyer under this Agreement; provided, however, Seller shall be responsible for any Penalty Charges billed to Seller by SNG as a result of Seller's violation of its obligations under this Agreement. The Parties agree to cooperate in order to attempt to minimize Penalty Charges.

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9.2.6 Buyer acknowledges that the SNG Contract will terminate on May 31, 2017. Therefore, if Buyer provides notice to Seller pursuant to Section 2.2 that it desires to extend the Service Term to December 31, 2017, the Parties shall attempt to mutually agree on acceptable Gas transportation arrangements to the Facility for the period of June 1, 2017 to December 31, 2017 ("Replacement Transportation Arrangements") as well as an amendment to this Agreement that appropriately recognizes such arrangements (including modifications to the Monthly Fuel Transportation Payment). Each Party shall have the sole discretion for determining whether it agrees to any Replacement Transportation Arrangements.

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9.2.7 In the event that accommodating Buyer's Schedule would require Gas transportation capacity in addition to that set forth in Section 9.2.1, Seller shall make

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Commercially Reasonable Efforts to obtain (if available) additional capacity at Buyer's expense and Buyer shall reimburse Seller based on SNG's interruptible transportation rate from Zone 0 to Zone 2 in effect at the time. To the extent Seller is unable to obtain such additional capacity at or below such interruptible transportation rate and such capacity is available, Seller shall make Commercially Reasonable Efforts to provide Buyer the option of having Seller purchase such additional capacity at the higher rate. If Buyer desires to have Seller purchase such additional capacity at the higher rate, Seller shall make Commercially Reasonable Efforts to obtain such capacity to accommodate Buyer's Schedule and Buyer shall reimburse Seller for all associated costs. To the extent that Buyer does not desire to have Seller purchase such additional capacity at the higher rate or Seller is unable to obtain such capacity, Seller shall have a Delivery Excuse to that extent.

### **9.3. Interruption of Gas Supplies**

9.3.1 In the event that Gas supplies are interrupted due to any circumstance affecting Seller's Gas suppliers that qualifies as an event of force majeure as defined in the North American Energy Standards Board's Base Contract for Sale and Purchase of Natural Gas:

A. The Parties shall discuss an arrangement whereby Seller would obtain alternate Gas supplies to overcome such an interruption. If the Parties are able to agree (in each Party's sole discretion) upon such an arrangement, including the price for such alternate Gas supplies, Seller shall utilize Commercially Reasonable Efforts to provide such alternate Gas supplies.

B. If the Parties are unable to agree upon an arrangement under subsection A above or if Seller is unable to arrange for alternate Gas supplies, Buyer may arrange to sell alternate Gas supplies to Seller at the Gas Price (as defined in Appendix B) by

delivering such Gas to SNG at a point on its pipeline at which Seller can schedule receipts of such Gas under the SNG Contract. Buyer shall cooperate with Seller and SNG in order to ensure that such supplies are nominated, scheduled and delivered to SNG for transportation under the SNG Contract and under the terms of SNG's FERC approved tariff. Buyer shall be responsible for any Penalty Charges resulting from any difference between the volume scheduled for delivery by Buyer to and receipt by SNG and the actual volume delivered by Buyer to and received by SNG.

9.3.2 In the event that there is no arrangement for alternate Gas supplies under Section 9.3.1, the interruption of Gas supplies described in Section 9.3.1 shall constitute a Delivery Excuse as defined in this Agreement.

9.3.3 Notwithstanding any other provision of this Agreement, Seller shall not be obligated to obtain or use any Gas storage services in order to provide Gas under this Agreement.

**9.4 Scheduling Changes.** In the event that Buyer requests a Schedule change pursuant to Section 5.1.2 and/or Section 5.1.3 after the Scheduling Deadline, Seller shall quote a price for supplying incremental Gas needed to accommodate an increase in Scheduled Energy (subject to Gas availability and the ability to schedule delivery of Gas) or for selling excess Gas resulting from a decrease in Scheduled Energy, as appropriate. Upon receipt of Seller's quote, Buyer shall immediately exercise one of the following options: (i) not changing the existing Schedule; (ii) proceeding with the requested Scheduling Change and the increase or decrease in Gas supplies based on the quoted price (to buy the incremental Gas supply, or to sell the excess Gas supply, as applicable); or (iii) proceeding with the increase (if applicable) in Scheduled

Energy and notifying Seller that Buyer will supply the required incremental Gas supply utilizing the procedures set forth in Section 9.3.1B.

## ARTICLE 10

### ELECTRIC METERING

**10.1 Metering.** At no cost to Buyer, Seller shall be responsible for performing, or causing to be performed, the installation, maintenance, testing and calibration of the Electric Metering Equipment owned by Seller and/or its Affiliates at the Delivery Point(s).

**10.2 Industry Standards.** All Electric Metering Equipment owned by Seller and/or its Affiliates at the Delivery Point(s), shall be operated, maintained and tested by and/or on behalf of Seller in accordance with Prudent Industry Practices.

**10.3 Records.** The Parties shall maintain accurate and detailed records relating to the metering of energy at the Delivery Point(s) for one year or for such longer period as may be required by an applicable Government Agency or Law. All records shall be available for inspection by either Party upon reasonable notice.

**10.4 Meter Errors.** If the Electric Metering Equipment at the Delivery Point(s) fails to register, or if the measurement made by a metering device is found upon testing to vary by more than 0.5% from the measurement made by the standard meter used in a test, an adjustment shall be made correcting all measurements of energy made by the Electric Metering Equipment during: (i) the actual period when inaccurate measurements were made, if that period can be determined to the mutual satisfaction of the Parties; or (ii) if such actual period cannot be determined to the mutual satisfaction of the Parties, the latter half of the period from the date of the last test of the Electric Metering Equipment to the date such failure is discovered or such test is made (each being an "Adjustment Period"). If the Parties are unable to agree on the amount

of the adjustment to be applied to the Adjustment Period, the amount of the adjustment shall be determined: (i) by correcting the error if the percentage of error is ascertainable by calibration, tests or mathematical calculation; or (ii) if not so ascertainable, by estimating on the basis of deliveries under similar conditions during the period since the last test.

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ARTICLE 11

BILLING AND PAYMENT

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**11.1 Timing and Method of Payment.** Seller will submit to Buyer, as promptly as practicable after the first of each Billing Month, an invoice (by mail, facsimile or electronic means) for the amounts due under the terms of this Agreement for the preceding Month. Amounts due pursuant to such invoice shall be due and payable on the later of the 10<sup>th</sup> Day after the Day on which the Buyer receives the invoice or the 20<sup>th</sup> Day of the Month (“Payment Due Date”). If the Payment Due Date falls on a Day that is not a Business Day, the Payment Due Date shall be the next Business Day. Payment shall be made, on or before the due date, to Seller in accordance with the invoice in immediately available funds through wire transfer, or other mutually agreeable method.

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**11.2 Late Payment.** Amounts that are owed Seller shall, if not remitted within the time period specified under Section 11.1, be subject to a late payment charge equal to the interest calculated pursuant to Section 21.7, accrued and payable on a Monthly basis with respect to the unpaid amount. Such late payment charge shall accrue from the due date of such amount until the date on which it is paid.

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**11.3 Disputed Billings.** In the event that either Party has a bona fide dispute with any invoice submitted hereunder, such Party shall inform the other Party in writing of its grounds for disputing such invoice. Notwithstanding such dispute, the full payment of such invoice shall

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be made to the invoicing Party in accordance with Section 11.1. Upon resolution of the dispute, 1  
any overpayment shall be refunded with interest as calculated pursuant to Section 21.7 accruing 2  
from and after the date such overpayment was made until the date on which such refund is paid. 3

**11.4 Adjustments.** If any overcharge or undercharge in any form whatsoever shall at 4  
any time be found and the invoice therefor has been paid, the Party that has been paid the 5  
overcharge shall refund the amount of the overcharge to the other Party, and the Party that has 6  
been undercharged shall pay the amount of the undercharge to the other Party, within 30 Days 7  
after final determination thereof; provided, however, that no retroactive adjustment shall be 8  
made for any overcharge or undercharge unless written notice of the same is provided to the 9  
other Party within a period of 12 Months from the date of the invoice in which such overcharge 10  
or undercharge was first included. Any such adjustments shall be made with interest calculated 11  
in accordance with Section 21.7 from the date that the undercharge or overcharge actually 12  
occurred. 13

**11.5 Audit Rights.** The Parties shall keep complete and accurate records of their 14  
operations under this Agreement and shall maintain such data for a period of at least 1 year after 15  
the completion of the relevant Billing Month hereunder; provided, however, records relating to 16  
a disputed matter shall be retained until the dispute is resolved. Such records shall be available 17  
for inspection and audit by the other Party upon reasonable request during any regular Business 18  
Day.

**ARTICLE 12**  
**REGULATORY**

**12.1 Initial Approval of the Florida Public Service Commission.**

12.1.1 No later than 90 Days after the Effective Date, Buyer shall make a filing with the Florida Public Service Commission ("FPSC") seeking approval for Buyer to recover from its retail customers their allocated share of all payments required to be made to Seller under the Contemporaneous Agreements without material modification or condition with respect to such agreements ("FPSC Approval"). After making such filing, Buyer shall utilize diligent efforts to obtain the FPSC Approval for the Contemporaneous Agreements by no later than 180 Days after the Effective Date ("Approval Deadline"). Seller agrees to reasonably assist and support Buyer's efforts to obtain the FPSC Approval. Buyer shall promptly notify Seller when it receives the FPSC Approval.

12.1.2 If FPSC Approval for the Contemporaneous Agreements is not received by the Approval Deadline, but the date of the Transmission Notice under Section 7.4.2 has not yet occurred and the FPSC has not yet issued an order denying the Buyer's request for FPSC Approval ("FPSC Denial"), the Approval Deadline shall automatically be extended until the date of the Transmission Notice. During this extended period, Buyer shall keep Seller closely informed as to the progress of its efforts to obtain FPSC Approval and Buyer shall continue diligent efforts to obtain FPSC Approval.

12.1.3 If FPSC Approval is not received by the Approval Deadline (as extended under Section 12.1.2) or if an FPSC Denial is issued prior to the Approval Deadline, Buyer shall provide notice to Seller within 30 Days after the Approval Deadline or the FPSC Denial (whichever occurs first) that it desires to either: (i) terminate both (but not less than both)

of the Contemporaneous Agreements, in which case both of the Contemporaneous Agreements shall immediately terminate; or (ii) continue both (but not less than both) of the Contemporaneous Agreements regardless of FPSC Approval. If Buyer elects option (ii) under the foregoing sentence, both of the Contemporaneous Agreements shall continue in full force and effect for the Term notwithstanding any subsequent action or inaction of the FPSC (including the subsequent issuance of a FPSC Denial or failure to issue an FPSC Approval).

12.1.4 The Parties acknowledge that the other Contemporaneous Agreement contains provisions that are substantially similar to Sections 12.1.1 through 12.1.3 above and that this Agreement may be subject to termination as provided in such similar provisions.

12.1.5 After the procedures in Sections 12.1.1, 12.1.2 and 12.1.3 (as applicable) have been completed, except as provided under Section 12.3, at no time shall this Agreement be subject to termination or modification due to any action or inaction of any Government Agency or Buyer's inability to recover from its customers amounts to be paid to Seller pursuant this Agreement whether such inability is due to action of any Government Agency or otherwise.

**12.2 Changes in Agreement.** Except for any changes pursuant to Section 12.3, absent the agreement of all Parties to the proposed change, the standard of review for changes to this contract proposed by a Party, a non-Party or the FERC acting sua sponte shall be the "public interest" standard of review set forth in United Gas Pipeline Co. v. Mobile Gas Service Corp., 350 U.S. 332 (1956) and Federal Power Commission v. Sierra Pacific Power Co., 350 U.S. (1956) (the "Mobile-Sierra" doctrine).

**12.3 Federal Energy Regulatory Commission.**

12.3.1 The Parties anticipate that this Agreement is not required to be filed and accepted by FERC because it is a market-based contract. Therefore, this Agreement shall not be

contingent on FERC acceptance. Having freely negotiated and agreed upon the economic bargain among them as set forth hereunder, Seller and Buyer waive all rights under Sections 205 and 206 of the Federal Power Act to effect a change in the Agreement. Moreover, it is the Parties' mutual intent that FERC be precluded, to the fullest extent permitted by law, from altering this Agreement in any way. Notwithstanding the foregoing, if at any time FERC takes some action that reduces the economic benefit of this Agreement to either Party ("Impacted Party") as contemplated on the Effective Date ("Original Economic Benefit"), Impacted Party shall be deemed to have retained rights under Section 205 to file for changes in the Agreement, but only to the extent required to restore the Original Economic Benefit.

12.3.2 Impacted Party may exercise its Section 205 rights provided under Section 12.3.1 if at any time it reasonably determines in its sole discretion that it may be able to have some or all of the Original Economic Benefit restored. Before exercising such rights, Impacted Party shall negotiate with the other Party in an effort to reach mutual agreement regarding amendments to this Agreement (including amendments regarding those provisions addressing the determination of payments between the Parties and adjustments to capacity payments due to unavailability) that would restore some or all of the Original Economic Benefit. Impacted Party shall file any resulting amendments for acceptance by FERC, and the other Party shall actively support such filing(s). If the Parties are unable to agree upon such amendment(s), Impacted Party shall be entitled to make unilateral filing(s) at FERC to modify the Agreement in order to restore some or all of the Original Economic Benefit. In this latter event, the other Party shall actively support Impacted Party's right to recover the Original Economic Benefit, including by making filings at FERC.



12.3.3 Any amendment(s) or unilateral filing(s) contemplated hereunder shall restore the Original Economic Benefit (or any allowed portion thereof) for the remainder of the Term, including any portion of the Original Economic Benefit associated with prior periods (with interest). Such amendment(s) or filing(s) by the Impacted Party shall not require the other Party to bear more of an economic burden than originally contemplated in this Agreement on the Effective Date. Nothing in this Agreement is intended to or shall restrict the number of times that a Party may exercise the above-described Section 205 rights during the Term or within any specific time frame.

### ARTICLE 13

#### CHANGE IN LAW

**13.1 Increased Generation Costs.** The Parties acknowledge that during the Term of this Agreement, Changes in Law that increase Seller's cost of providing capacity and/or energy hereunder could occur. Any Increased Generation Costs will be paid by Buyer through an additional payment or surcharge each Month ("Change in Law Surcharge"). Once Seller has incurred Increased Generation Costs, Buyer shall pay for all Increased Generation Costs through the Change in Law Surcharge, as provided below.

**13.2 Determination.** If Seller determines that a Change in Law will or has resulted in Increased Generation Costs and that Buyer is responsible for such costs under this Agreement, Seller shall, within 6 Months after identifying such costs, notify Buyer of: (a) the applicable Change in Law giving rise to the Increased Generation Costs; and (b) the resulting Increased Generation Costs ("Change in Law Notice"). Provided, however, the failure by Seller to provide such notice within such time period shall not under any circumstance result in an Event of Default, nor shall such failure prejudice or affect in any way Seller's right to receive

reimbursement from Buyer for any Increased Generation Costs under this Agreement. Provided further, such notice by Seller shall include reasonable documentation of the applicable Change in Law and resulting Increased Generation Costs. Within 60 Days after receipt of such notice, Buyer will: (i) make a good faith determination of whether the Increased Generation Costs result from a Change in Law as specified in this Agreement; (ii) make a good faith determination of whether the Increased Generation Costs are determined in accordance with this Agreement; and (iii) provide Seller written notice of its determination. In the event that Buyer does not provide written notice of its determination within such time period, Buyer shall be deemed to have concurred that the specified Increased Generation Costs result from a Change in Law. If Buyer does not concur, the Parties shall commence discussions in an effort to address and resolve the basis for Buyer's disagreement. If the Parties are unable to resolve their disagreement within 30 Days after commencing such discussions, the Parties shall submit the issue to arbitration under the procedures set forth in Section 18.2. The arbitrators shall determine whether a Change in Law has occurred and, if so, the amount of the resulting Increased Generation Costs.

**13.3 Initiation of Surcharge.** In the event that Seller determines that Increased Generation Costs will result from a Change in Law, Seller shall provide Buyer with prior written notice of a Change in Law Surcharge or an increase in an existing Change in Law Surcharge to recover such Increased Generation Costs as calculated by Seller. If the actual Increased Generation Costs are not known to Seller, such notice may include an estimate of such costs and the corresponding Change in Law Surcharge (or increase in an existing surcharge). After providing this notice and notwithstanding the existence of any disagreement between the Parties regarding a Change in Law and/or the amount of Increased Generation

Costs under Section 13.2, Seller may initiate a Change in Law Surcharge (or, if applicable, an increase in an existing Change in Law Surcharge) with a subsequent Monthly invoice consistent with the Increased Generation Costs set forth in such notice; provided, however, Seller may not invoice Buyer any amounts for Increased Generation Costs incurred prior to the date of the Change in Law Notice. In the event that the Change in Law Surcharge is based on an estimate of Increased Generation Costs, Seller shall include a true-up amount in a subsequent Monthly invoice (either a credit or an additional charge, as appropriate) to reflect actual Increased Generation Costs once they are known.

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ARTICLE 14

LIABILITY ALLOCATION; LIMITATIONS ON LIABILITY

14.1 **Costs, Taxes and Charges.** Except as otherwise provided in this Agreement, in addition to all other amounts due and payable under this Agreement: (i) except for any taxes included in the Gas Charges, Seller shall be responsible for all costs, Taxes, and charges of any kind relating to the delivery of energy, capacity, transmission, and/or related services prior to the Delivery Point (by way of clarification of the foregoing, Taxes prior to the Delivery Point include: ad valorem taxes on the Facility (except for any increases in ad valorem taxes, which shall be Increased Generation Costs) and income taxes on Seller or its property); and (ii) Buyer shall be responsible for all costs, Taxes, and charges of any kind relating to the delivery of energy, capacity, transmission, and/or related services at and after the Delivery Point (by way of clarification of the foregoing, Taxes at and after the Delivery Point include: income taxes on Buyer or its property and any taxes incurred in connection with sales of the Delivered Energy). Each Party shall provide the other Party upon written request a certificate of exemption or other reasonably satisfactory evidence of exemption if any exemption from or reduction of any Tax is

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applicable. Each Party shall exercise Commercially Reasonable Efforts to obtain and to cooperate in obtaining any exemption from or reduction of any Tax.

**14.2 Indemnification.** Unless otherwise agreed in writing by the Parties, Seller and Buyer shall each defend, indemnify and save harmless, on an After-Tax Basis, the other and their respective officers, directors, servants, agents, employees and representatives from and against any and all claims, demands, costs or expenses (including reasonable attorneys' fees) for loss, damage or injury to any person, property or interest arising out of or in any way related to this Agreement to the extent such loss, damage or injury occurs on its own side of the Delivery Point, irrespective of negligence, whether actual or claimed, of the other. Nothing in this Agreement shall create a contractual relationship between one Party and the customers of the other Party, nor shall it create a duty of any kind to such customers.

**14.3 Limitation of Liability.**

**14.3.1 THERE ARE NO WARRANTIES UNDER THIS AGREEMENT EXCEPT TO THE EXTENT SPECIFICALLY SET FORTH HEREIN. THE PARTIES HEREBY SPECIFICALLY DISCLAIM AND EXCLUDE ALL IMPLIED WARRANTIES, INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY AND OF FITNESS FOR A PARTICULAR PURPOSE.**

**14.3.2 SUBJECT TO SECTION 16.2, NEITHER PARTY SHALL BE LIABLE TO THE OTHER FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES SUFFERED BY THAT PARTY OR BY ANY CUSTOMER OF THAT PARTY, FOR LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES, WHETHER BY VIRTUE OF ANY STATUTE, IN TORT OR CONTRACT, UNDER ANY PROVISION OF INDEMNITY OR OTHERWISE.**

THE PARTIES INTEND THAT THE LIMITATIONS HEREIN IMPOSED ON REMEDIES AND THE MEASURE OF DAMAGES BE WITHOUT REGARD TO THE CAUSE OR CAUSES RELATED THERETO, INCLUDING, WITHOUT LIMITATION, THE NEGLIGENCE OF ANY PARTY, WHETHER SUCH NEGLIGENCE BE SOLE, JOINT OR CONCURRENT, OR ACTIVE OR PASSIVE. TO THE EXTENT ANY DAMAGES REQUIRED TO BE PAID HEREUNDER ARE LIQUIDATED, THE PARTIES ACKNOWLEDGE THAT THE DAMAGES ARE DIFFICULT OR IMPOSSIBLE TO DETERMINE, THAT OTHERWISE OBTAINING AN ADEQUATE REMEDY IS INCONVENIENT, AND THAT THE LIQUIDATED DAMAGES CONSTITUTE A REASONABLE APPROXIMATION OF THE HARM OR LOSS.

14.3.3 In the event that any provision of this Section 14.3 is held to be invalid or unenforceable, this Section shall be void and of no effect solely to the extent of such invalidity or unenforceability, and no claim arising out of such invalidity or lack of enforceability shall be made by one Party against the other or its officers, agents, or employees. Notwithstanding the foregoing, this Section 14.3 shall not limit or negate the right of either Party to be fully indemnified as provided in Section 14.2 or limit the remedies set forth in this Agreement for an Event of Default.

14.3.4 Without prejudice to the obligations and liabilities of an entity pursuant to an Eligible Guaranty, neither any Affiliate of a Party nor any stockholder, officer, director or employee of a Party or of any Affiliate of a Party (collectively, the "Nonrecourse Persons") shall have any liability to the other Party for the payment of any sums now or hereafter owing by such Party or for the performance of any of the obligations of such Party contained herein, and each of the Parties hereto agrees that all of the obligations of the other Party under this

Agreement shall be obligations solely of such other Party and recourse in enforcing said obligations shall only be had against the assets of such other Party; provided that the foregoing provision shall not constitute a waiver, release or discharge of any of the terms, covenants or conditions of this Agreement or any Eligible Guaranty and the same shall continue until fully paid, discharged, observed or performed.

## ARTICLE 15

### FORCE MAJEURE EVENT

#### 15.1 Force Majeure Event Defined.

15.1.1 As used herein, an Event of Force Majeure with respect to a Party means an occurrence, non-occurrence, or set of circumstances that is beyond the reasonable control of such Party and is not caused by the fault or negligence of such Party, including but not limited to acts of God, strike, flood, earthquake, storm, fire, hurricane, lightning, epidemic, war, riot, civil disturbance, sabotage, or terrorism, which, by the exercise of due diligence, it is unable to overcome.

15.1.2 Notwithstanding anything contained in Section 15.1.1, the term Force Majeure shall not include any of the following:

- (i) the inability of Buyer, for any reason, to obtain or maintain adequate transmission service from and after the Delivery Point;
- (ii) a change or circumstance in market conditions that affect the cost, price, or demand for capacity and/or energy from the Facility;
- (iii) a change or circumstance in market conditions or otherwise that affects the economic value of this Agreement to any Party;

- (iv) an increase in costs or expenses to any Party as a result (either directly or indirectly) of such Party's performance under this Agreement;
- (v) a change in Law, action or inaction by any Governmental Agency or the inability to comply with any Law; or
- (vi) any event or circumstance that qualifies as a Delivery Excuse.

**15.2 Applicability of Force Majeure Event.** Neither Party shall be in breach or liable for any delay or failure in its performance under this Agreement (except for such Party's performance of its payment obligations hereunder, which shall not be excused by any Force Majeure Event) to the extent such performance is prevented or delayed due to a Force Majeure Event, provided that:

15.2.1 The non-performing Party shall give the other Party written notice within 3 Business Days of the commencement of the Force Majeure Event, with available details to be supplied within 15 Days after the commencement of the Force Majeure Event further describing the particulars of the occurrence of the Force Majeure Event;

15.2.2 The delay in performance shall be of no greater scope and of no longer duration than is directly caused by the Force Majeure Event;

15.2.3 The Party whose performance is delayed or prevented shall proceed with Commercially Reasonable Efforts to overcome the events or circumstances preventing or delaying performance and shall, as requested (but not more often than weekly), provide written progress reports to the other Party during the period that performance is delayed or prevented describing actions taken and to be taken to remedy the consequences of the Force Majeure Event, the schedule for such actions and the expected date by which performance shall no longer be affected by the Force Majeure Event; and

15.2.4 When the performance of the Party claiming the Force Majeure Event is no longer being delayed or prevented, that Party shall give the other Party written notice to that effect.

**15.3 Effect of Force Majeure Event.**

15.3.1 Except for the obligation of either Party to make any required payments under this Agreement, the Parties shall be excused from performing their respective obligations under this Agreement and shall not be liable in damages or otherwise if and to the extent that they are unable to so perform or are prevented from performing by a Force Majeure Event.

15.3.2 To the extent Seller is unable to provide Contract Capacity or Scheduled Energy from the Facility due to a Force Majeure Event, Seller shall be excused from performance hereunder and shall not be required to provide capacity and/or energy from other resources (including Alternate Resources) in order to satisfy Buyer’s Schedule; provided, however, to the extent Seller does provide capacity and/or energy at its sole option to satisfy Buyer’s Schedule consistent with this Agreement, EFMH shall not be accumulated and Buyer shall purchase, receive and pay for such capacity and energy pursuant to this Agreement.

**ARTICLE 16**

**EVENT OF DEFAULT**

16.1 **Event of Default.** The occurrence of any one or more of the following events with respect to a Party shall constitute an “Event of Default” attributable to such Party under this Agreement:

16.1.1 The failure by a Party to make payment to the other Party for amounts due under this Agreement after said amounts have become due and payable and such failure is



not cured within 15 Days after receiving written notice of such failure from the Party to which such payments are due;

16.1.2 A Party or any Person guaranteeing such Party's obligations hereunder (a "Guarantor") shall: (i) admit in writing its inability to pay its debts as such debts become due; (ii) make a general assignment or an arrangement or composition with or for the benefit of its creditors; (iii) take any action for the purpose of effectuating any of the foregoing; or (iv) fail to comply with the terms and conditions of its Guaranty;

16.1.3 A proceeding or case shall be commenced by a Party or against a Party with the consent of such Party or by its Guarantor or against its Guarantor with the consent of such Guarantor, in any court of competent jurisdiction, seeking: (i) its liquidation, reorganization of its debts, dissolution or winding-up, or the composition or readjustment of its debts; (ii) the appointment of a receiver, custodian, liquidator or the like of the Party or its Guarantor or of all or any substantial part of its assets or the assets of its Guarantor; or (iii) similar relief in respect of such Party or its Guarantor under any law relating to bankruptcy, insolvency, reorganization of its debts, winding-up, composition or adjustment of debt;

16.1.4 A proceeding or case shall be commenced without the consent of a Party against such Party or without the consent of its Guarantor against such Guarantor, in any court of competent jurisdiction, seeking: (i) its liquidation, reorganization of its debts, dissolution or winding-up, or the composition or readjustment of its debts; (ii) the appointment of a receiver, custodian, liquidator or the like of the Party or its Guarantor or of all or any substantial part of its assets or the assets of its Guarantor; or (iii) similar relief in respect of such Party or its Guarantor under any law relating to bankruptcy, insolvency, reorganization of its debts,

winding-up, composition or adjustment of debt, unless such proceeding or case is dismissed within 60 days of the filing thereof;

16.1.5 The failure of any Party to comply with the requirements of Article 20 regarding creditworthiness and/or security;

16.1.6 The failure of a Party to comply with the requirements of Article 19 regarding assignment;

16.1.7 Any representation or warranty made by a Party under Article 17 proves to have been false or misleading in any material respect when made and such representation or warranty is not made true within 30 Days after such Party has obtained actual knowledge thereof or has been provided notice thereof by the other Party; provided, however, that the cure must also remove any adverse effect on the Non-Defaulting Party;

16.1.8 A Party or its Guarantor shall fail to pay when due (subject to any applicable cure or grace period), whether by acceleration or otherwise, any principal or interest on indebtedness aggregating in excess of \$100,000,000 in principal amount; or any indebtedness aggregating in excess of \$100,000,000 shall be declared due and payable or be required to be prepaid (other than by a regularly scheduled payment) prior to the stated maturity of such indebtedness; or

16.1.9 The material failure by a Party to comply with any material provision of this Agreement if such failure is not the result of a Force Majeure Event or is not otherwise excused in accordance with this Agreement, and such failure continues uncured for 30 Days after written notice thereof from the other Party; provided, however, if such failure is not capable of being cured within such period of 30 Days with the exercise of reasonable diligence, then such cure period shall be extended for an additional reasonable period of time (not to

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exceed 90 Days), so long as the Party is exercising reasonable diligence to cure such failure. |  
Provided, however, this Section 16.1.9 shall not apply to: (i) any event described in Sections 2  
16.1.1 through 16.1.8; (ii) any event described in Sections 5.9 and 5.10 for which a remedy is 3  
expressly provided in those Sections; or (iii) Seller's failure to provide capacity and/or energy 4  
pursuant to any provision of this Agreement. 5

The Party in default or the Party to whom an Event of Default is attributable as provided 6  
in this Section 16.1 shall be referred to as the "Defaulting Party" and the other Party shall be 7  
referred to as the "Non-Defaulting Party". 8

**16.2 Exclusive Remedies.** 9

16.2.1 Upon and after the occurrence of an Event of Default, the Non-Defaulting 10  
Party's sole and exclusive remedy (whether arising in contract, tort or otherwise) shall be to 11  
suspend its performance under this Agreement and declare an Early Termination Date with the 12  
relevant remedies as provided below. 13

16.2.2 If an Event of Default has occurred, the Non-Defaulting Party shall have 14  
the right, in its sole discretion, by no more than 20 Days notice to the Defaulting Party, to 15  
designate a Day no earlier than the Day such notice is effective as the date on which the 16  
Agreement shall terminate ("Early Termination Date"). Subject to Sections 21.3 and 21.15, this 17  
Agreement shall terminate on the Early Termination Date and neither Party shall have any 18  
further liability or obligation to the other hereunder, except (i) the Defaulting Party shall pay to 19  
the Non-Defaulting Party on demand \$5,500,000 in liquidated damages and (ii) as provided in 20  
Sections 16.2.3 or 16.2.4 below. The exercise by a Party of its rights under this Section 16.2 21  
shall be the sole and exclusive remedy of such Party for an Event of Default by or attributable to 22  
the other Party. The Parties acknowledge and agree that in the event of termination of this 23

Agreement due to an Event of Default, all or a portion of the amount of damages arising therefrom are not susceptible to an accurate determination. The Parties further acknowledge and agree that the liquidated damages set forth above are not intended as a penalty and represent a fair and reasonable approximation of all or a portion of the damages a Non-Defaulting Party may incur in each particular case.

16.2.3 With respect to an Event of Default by or attributable to Buyer, within 15 Days after Seller's notice under Section 16.2.2, the Parties shall each select an independent party to determine the Seller's Damages. Within 30 Days after such notice, the two independent parties shall select a third independent party to determine the Seller's Damages. Within 60 Days after such notice, the three (3) independent parties shall provide the Parties with their respective estimates of the Seller's Damages. The actual Seller's Damages shall equal the arithmetic average of the three estimates. If one Party disputes the actual Seller's Damages, within 5 Business Days of notice of the Seller's Damages determined by the independent parties, such Party may submit the dispute for resolution pursuant to the arbitration procedures of Article 18 and the arbitration order or finding regarding the Seller's Damages shall be conclusive, provided, however, in no event shall the Seller's Damages be less than \$0 nor greater than \$33,500,000 at any time whether or not arbitrated. Subject to such qualification, the Seller's Damages will be paid by Buyer to Seller within 3 Business Days after being determined by the independent parties unless disputed and arbitrated pursuant to the terms of this Agreement in which event it shall be paid within 3 Business Days of the relevant arbitration finding or order. As used herein, "Seller's Damages" means the dollar amount equal to the difference between: (a) all dollar amounts Seller reasonably would have been expected to receive for Contract Capacity under this Agreement had Buyer continued to perform as required

by this Agreement for the remainder of the original Term had there not been an Early Termination Date; less (b) the dollar amount Seller reasonably would be expected to receive at then prevailing market conditions (utilizing Commercially Reasonable Efforts) from the sale to a third party of the Contract Capacity for the remainder of the original Term had there not been an Early Termination Date.

16.2.4 With respect to an Event of Default by or attributable to Seller, within 15 Days after Buyer's notice under Section 16.2.2, the Parties shall each select an independent party to determine the Buyer's Damages. Within 30 Days after such notice, the two independent parties shall select a third independent party to determine the Buyer's Damages. Within 60 Days after such notice, the 3 independent parties shall provide the Parties with their respective estimates of the Buyer's Damages. The actual Buyer's Damages shall equal the arithmetic average of the three estimates. If one Party disputes the actual Buyer's Damages, within 5 Business Days of notice of the Buyer's Damages determined by the independent parties, such Party may submit the dispute for resolution pursuant to the arbitration procedures of Article 18 and the arbitration order or finding regarding the Buyer's Damages shall be conclusive, provided, however, in no event shall the Buyer's Damages be less than \$0 nor greater than \$33,500,000 at any time whether or not arbitrated. Subject to such qualification, the Buyer's Damages will be paid by Seller to Buyer within 3 Business Days after being determined by the independent parties unless disputed and arbitrated pursuant to the terms of this Agreement in which event it shall be paid within 3 Business Days of the relevant arbitration finding or order. As used herein, "Buyer's Damages" means the dollar amount equal to the difference between (a) the dollar amount that Buyer reasonably would be expected to pay at then prevailing market conditions (utilizing Commercially Reasonable Efforts) to buy from a

third party the Contract Capacity for the remainder of the original Term had there not been an  
 Early Termination Date less (b) all dollar amounts Buyer reasonably would have been expected  
 to pay for Contract Capacity under this Agreement had Seller continued to perform as required  
 by this Agreement for the remainder of the original Term had there not been an Early  
 Termination Date.

ARTICLE 17

REPRESENTATIONS AND WARRANTIES

17.1 Execution. Each Party represents and warrants to the other Party as of the  
 Effective Date that: (i) it has all the necessary corporate and legal power and authority and has  
 been duly authorized by all necessary corporate action to enable it to lawfully execute, deliver  
 and perform under this Agreement; and (ii) it is a valid legal entity duly organized and validly  
 existing in good standing under the laws of the state of its formation and is, to the extent  
 required, qualified to do business in the state where it is organized;

17.2 Permits. Each Party represents and warrants to the other Party that as of the  
 Effective Date it has all permits, licenses or approvals necessary to lawfully perform its  
 obligations contained herein in the manner prescribed by this Agreement.

17.3 Binding Obligations. Each Party represents and warrants to the other Party that  
 as of the Effective Date this Agreement is the valid and binding obligation of such Party,  
 enforceable against such Party in accordance with its terms, except as such enforceability may  
 be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or  
 other similar laws affecting enforcement generally, and by equitable principles regardless of  
 whether such principals are considered in a proceeding at law or in equity.

**17.4 Execution and Consummation.** Each Party represents and warrants to the other Party that as of the Effective Date the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby and the fulfillment of and compliance with the provisions of this Agreement do not and will not conflict with any of the terms, conditions or provisions of its organizational documents or any law applicable to it or result in a breach or default under any evidence of its indebtedness or any other agreement or instrument to which it is a party or by which it or any of its property is bound which has a reasonable likelihood of materially and adversely affecting the consummation of the transactions contemplated hereby or the performance by the Party of any of its obligations under this Agreement.

**17.5 Actions and Proceedings.** Each Party represents and warrants to the other that as of the Effective Date there is no pending or, to the knowledge of such Party, threatened action or proceeding affecting such Party before any Government Agency that has a reasonable likelihood of materially adversely affecting or reasonably threatening the ability of such Party to perform its obligations under this Agreement or the validity or enforceability of this Agreement against it and that there are no bankruptcy proceedings pending or being contemplated by it or, to its knowledge, threatened against it.

**17.6 Absence of Certain Events.** Each Party represents and warrants to the other Party that as of the Effective Date no Event of Default attributable to it has occurred and is continuing and no such event or circumstance would occur as a result of its entering into or performing its obligations under this Agreement.

## ARTICLE 18

## DISPUTE RESOLUTION

**18.1 Senior Officers.**

18.1.1 Each of the Parties will designate in writing to the other Parties a representative who will be authorized to resolve any dispute arising under this Agreement and, unless otherwise expressly provided herein, to exercise the authority of such Party to make decisions by mutual agreement.

18.1.2 If such designated representatives are unable to resolve a dispute under this Agreement, such dispute will be referred by each Party's representative, respectively, to a designated senior officer.

18.1.3 The Parties hereto agree: (i) to attempt to resolve all disputes arising hereunder promptly; and (ii) to provide each other with reasonable access during normal business hours to any and all non-privileged and non-confidential records, information and data pertaining to any such dispute. Non-privileged and non-confidential information shall be made available to a Party pursuant to a confidentiality agreement consistent with the confidentiality provisions of this Agreement.

**18.2 Arbitration.**

18.2.1 All disputes arising under, out of, or in relation to any provision of this Agreement that are not resolved pursuant to Section 18.1 within 30 Days after either Party's receipt of notice referring the dispute to the senior officers of the Parties (and in any event within the time which legal or equitable proceedings based on such claim, dispute, or controversy would not be barred by the applicable statute of limitations) will be submitted upon written request of any Party to binding arbitration. Each Party will have the right to designate



an arbitrator of its choice, who need not be from the American Arbitration Association (“AAA”) panel of arbitrators but who (a) will be an expert in the independent power electric generation field and (b) will not be and will not have been previously an employee or agent of or consultant or counsel to either Party or any of its Affiliates and will not have a direct or indirect interest in either Party or any of its Affiliates or the subject matter of the arbitration. Such designation will be made by notice to the other Party and to the AAA within 10 Days or, in the case of payment disputes, 5 Days after the date of the giving of notice of the demand for arbitration. The arbitrators designated by the Parties will designate a third arbitrator, who will have a background in legal and judicial matters (and who will act as chairman), within 10 Days or, in the case of payment disputes, 5 Days after the date of the designation of the last of the arbitrators to be designated by the Parties, and the arbitration will be decided by the three arbitrators. If the two arbitrators cannot or do not select a third independent arbitrator within such period, either Party may apply to the AAA for the purpose of appointing any person listed with the AAA as the third independent arbitrator under the expedited rules of the AAA. Such arbitration will be held in alternating locations of the home offices of the Parties, commencing with Buyer’s home office, or in any other mutually agreed upon location. The rules of the AAA will apply to the extent not inconsistent with the rules herein specified. Each Party will bear its own expenses (including attorneys’ fees) with respect to the arbitration. The Parties shall share the expenses of the arbitrators equally.

18.2.2 Subject to Section 16.2, the arbitrators conducting an arbitration proceeding under this Section shall have no authority to award to any Party consequential, incidental, punitive, exemplary or indirect damages or any lost profits or business interruption damages, whether by virtue of any Law or otherwise. Provided further, the fact that any arbitration

proceeding is conducted hereunder and the decision of the arbitrators shall be deemed  
 Confidential Information under Section 21.2; provided further, notwithstanding any provision in  
 Article 21, Confidential Information, to the extent relevant, may be disclosed by any Party to  
 the arbitrators conducting the arbitration and any court of competent jurisdiction enforcing the  
 arbitrators' award.

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**18.3 Binding Nature of Proceedings.** Each Party understands that this Agreement  
 contains an agreement to arbitrate with respect to specified disputes. After signing this  
 Agreement, each Party understands that it will not be able to bring a lawsuit concerning any  
 dispute that may arise that is covered by this arbitration provision. Instead, each Party agrees to  
 submit any such dispute to arbitration pursuant to Section 18.2. Any award of the arbitrator  
 may be enforced by the Party in whose favor such award is made in any court of competent  
 jurisdiction.

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ARTICLE 19

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ASSIGNMENT

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**19.1 Assignment.** Either Party may assign outright or collaterally this Agreement  
 and its rights and obligations hereunder subject to the written consent of the other Party (which  
 consent shall not be unreasonably withheld); provided that either Party may assign outright this  
 Agreement and its rights and obligations hereunder without the consent of the other Party to any  
 person with a Standard & Poor's or its successor ("S&P"; if S&P ceases to exist or publish such  
 ratings, S&P shall mean a nationally recognized rating agency mutually agreed upon by the  
 Parties, which agreement will not be unreasonably withheld or delayed) issuer credit rating (or  
 senior unsecured rating if an issuer rating is not available) of BBB (or future equivalent) or  
 better and a Moody's Investors Service or its successor ("Moody's"; if Moody's ceases to exist

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or publish such ratings, Moody's shall mean a nationally recognized rating agency mutually  
agreed upon by the Parties, which agreement will not be unreasonably withheld or delayed  
issuer rating (or senior unsecured rating if an issuer rating is not available) of Baa2 (or future  
equivalent) or better who has the legal power and authority, licenses and technical ability to  
perform and satisfy the obligations of the assigning Party under this Agreement (an "Eligible  
Assignee"). The assigning Party will notify the other Party in writing prior to any assignment  
with respect to which consent is not required hereunder. No assignment by a Party of this  
Agreement or its rights or obligations hereunder shall relieve the assigning Party of liability for  
its obligations under this Agreement without the written release of the other Party. Such release  
shall not be withheld if the Assignment Conditions (defined below) are satisfied.

**19.2 Assignment Conditions.** The non-assigning Party's obligation to recognize  
or perform for any person claiming rights in this Agreement by outright assignment or through  
collateral assignment (an "Assignee") shall be subject to such Assignee: (i) establishing that it  
satisfies the qualifications of an Eligible Assignee; (ii) having cured all existing Events of  
Default under this Agreement; and (iii) having executed and delivered to the non-assigning  
Party an assignment and assumption agreement whereby the Assignee assumes and agrees to  
satisfy all conditions and pay and perform all obligations in favor of the non-assigning Party  
then existing and/or thereafter arising under this Agreement (the "Assignment Conditions").  
Any attempted assignment, directly or indirectly, by way of merger or otherwise, which is not in  
compliance with the terms hereof shall be void and ineffective.

ARTICLE 20

CREDITWORTHINESS AND SECURITY

20.1 Buyer's Provision of a Letter of Credit or Guaranty. On and after June 1, 2008, if and for so long as (A) Buyer's (i) Moody's issuer rating (or senior unsecured rating if an issuer rating is not available) is Baa3 (or future equivalent) or below, or (ii) S&P issuer credit rating (or senior unsecured rating if an issuer rating is not available) is BBB- (or future equivalent) or below or (B) Buyer does not have both an issuer credit rating (or senior unsecured rating if an issuer rating is not available) by S&P and an issuer rating (or senior unsecured rating if an issuer rating is not available) by Moody's, then Buyer shall provide to and maintain in favor of Seller either (a) a letter of credit in an amount not less than the Seller's Required Amount in substantially the form attached hereto as Appendix F issued by a major U.S. commercial bank with assets of at least \$25 billion and a senior unsecured credit rating of at least A2 (or future equivalent) by Moody's or at least A (or future equivalent) by S&P (the "Eligible Letter of Credit") or (b) a continuing parent guaranty in substantially the form attached hereto as Appendix G in an amount not less than the Seller's Required Amount issued by an entity who has and maintains (i) an issuer rating (or senior unsecured rating if an issuer rating is not available) of at or above Baa2 (or future equivalent) by Moody's and (ii) an issuer credit rating (or senior unsecured rating if an issuer rating is not available) of at or above BBB (or future equivalent) by S&P (the "Eligible Guaranty"). Such Eligible Letter of Credit or Eligible Guaranty shall be provided to Seller within 10 Days of receipt of notice from the Seller of the requirement to provide an Eligible Letter of Credit or Eligible Guaranty pursuant to the provisions of this Section. For purposes hereof, the "Seller's Required Amount" shall mean (i) \$13,000,000 if and so long as Buyer has and maintains an issuer rating (or senior unsecured

rating if an issuer rating is not available) of at or above Baa3 (or future equivalent) by Moody's and an issuer credit rating (or senior unsecured rating if an issuer rating is not available) of at or above BBB- (or future equivalent) by S&P, but shall mean (ii) \$39,000,000 if Buyer (a) has or attains an issuer rating (or senior unsecured rating if an issuer rating is not available) below Baa3 (or future equivalent) by Moody's or an issuer credit rating (or senior unsecured rating if an issuer rating is not available) below BBB- (or future equivalent) by S&P or (b) does not have or fails to maintain both an issuer credit rating (or senior unsecured rating if an issuer rating is not available) by S&P and an issuer rating (or senior unsecured rating if an issuer rating is not available) by Moody's. If on any anniversary of the date of Buyer's provision of an Eligible Letter of Credit or Eligible Guaranty hereunder, the Seller's Required Amount shall be less than the amount of such Eligible Letter of Credit or Eligible Guaranty, Buyer (at its expense) may request and have such Eligible Letter of Credit or Eligible Guaranty reduced by the amount of the difference subject to the obligation to thereafter have such Eligible Letter of Credit or Eligible Guaranty increased or replaced in order to comply with the provisions of this Article.

**20.2 Seller's Provision of a Letter of Credit or Guaranty.** On and after June 1, 2008, if and for so long as (A) Southern Power's (i) Moody's issuer rating (or senior unsecured rating if an issuer rating is not available) is Baa3 (or future equivalent) or below, or (ii) S&P issuer credit rating (or senior unsecured rating if an issuer rating is not available) is BBB- (or future equivalent) or below or (B) Southern Power does not have both an issuer credit rating (or senior unsecured rating if an issuer rating is not available) by S&P and an issuer rating (or senior unsecured rating if an issuer rating is not available) by Moody's, then Seller shall provide to and maintain in favor of Buyer either (a) a letter of credit in an amount not less than the Buyer's Required Amount in substantially the form attached hereto as Appendix F issued by a major

U.S. commercial bank with assets of at least \$25 billion and a senior unsecured credit rating of at least A2 (or future equivalent) by Moody's or at least A (or future equivalent) by S&P (the "Eligible Letter of Credit") or (b) a continuing parent guaranty in substantially the form attached hereto as Appendix G in an amount not less than the Buyer's Required Amount issued by an entity who has and maintains (i) an issuer rating (or senior unsecured rating if an issuer rating is not available) of at or above Baa2 (or future equivalent) by Moody's and (ii) an issuer credit rating (or senior unsecured rating if an issuer rating is not available) of at or above BBB (or future equivalent) by S&P (the "Eligible Guaranty"). Such Eligible Letter of Credit or Eligible Guaranty shall be provided to Buyer within 10 Days of receipt of notice from the Buyer of the requirement to provide an Eligible Letter of Credit or Eligible Guaranty pursuant to the provisions of this Section. For purposes hereof, the "Buyer's Required Amount" shall mean (i) \$13,000,000 if and so long as Southern Power has and maintains an issuer rating (or senior unsecured rating if an issuer rating is not available) of at or above Baa3 (or future equivalent) by Moody's and an issuer credit rating (or senior unsecured rating if an issuer rating is not available) of at or above BBB- (or future equivalent) by S&P, but shall mean (ii) \$39,000,000 if Southern Power (a) has or attains an issuer rating (or senior unsecured rating if an issuer rating is not available) below Baa3 (or future equivalent) by Moody's or an issuer credit rating (or senior unsecured rating if an issuer rating is not available) below BBB- (or future equivalent) by S&P or (b) does not have or fails to maintain both an issuer credit rating (or senior unsecured rating if an issuer rating is not available) by S&P and an issuer rating (or senior unsecured rating if an issuer rating is not available) by Moody's. If on any anniversary of the date of Seller's provision of an Eligible Letter of Credit or Eligible Guaranty hereunder, the Buyer's Required Amount shall be less than the amount of such Eligible Letter of Credit or Eligible Guaranty,

Seller (at its expense) may request and have such Eligible Letter of Credit or Eligible Guaranty 1  
 reduced by the amount of the difference subject to the obligation to thereafter have such Eligible 2  
 Letter of Credit or Eligible Guaranty increased or replaced in order to comply with the 3  
 provisions of this Article. 4

ARTICLE 21 5

MISCELLANEOUS 6

21.1 Governing Law; Waiver of Jury Trial. 7

THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN 8  
 ACCORDANCE WITH, THE LAW OF THE STATE OF FLORIDA, EXCLUSIVE OF 9  
 ITS CONFLICTS OF LAW PROVISIONS, AND, TO THE EXTENT APPLICABLE, BY 10  
 THE FEDERAL LAW OF THE UNITED STATES OF AMERICA. BY CHOOSING TO 11  
 HAVE THIS AGREEMENT GOVERNED BY AND CONSTRUED UNDER THE LAW 12  
 OF THE STATE OF FLORIDA, THE PARTIES ARE IN NO WAY SUBMITTING TO 13  
 OR INCORPORATING INTO THIS AGREEMENT ANY FLORIDA STATUTE, 14  
 REGULATION, OR ORDER, OR ANY OF THE SAME INVOLVING THE 15  
 GENERATION, SALE, PURCHASE OR TRANSMISSION OF ELECTRIC CAPACITY 16  
 OR ELECTRIC ENERGY IN, OR FOR CONSUMPTION IN, THE STATE OF 17  
 FLORIDA. EACH PARTY HEREBY IRREVOCABLY WAIVES, TO THE FULLEST 18  
 EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL 19  
 BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO 20  
 THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS 21  
 AGREEMENT. 22

## 21.2 Confidentiality.

### 21.2.1 Scope of Protection.

(i) For purposes of this Section 21.2: (a) "Seller Confidential Information" means the terms of this Agreement and all drafts of the same, together with any documents, data or drafts labeled or otherwise expressly identified as "Confidential" by Seller when provided to Buyer; (b) "Buyer Confidential Information" means the terms of this Agreement and all drafts of the same, together with any documents, data or drafts labeled or otherwise expressly identified as "Confidential" by Buyer when provided to Seller; and (c) "Confidential Information" means collectively the Seller Confidential Information and the Buyer Confidential Information.

(ii) Seller shall not disclose to third parties any Buyer Confidential Information; provided that nothing contained herein shall prohibit Seller from providing any such Buyer Confidential Information to its or its Affiliates' agents, employees, officers, directors, representatives, contractors, advisors, accountants, rating agencies, underwriters, investors, counsel, prospective or actual purchasers, prospective or actual lenders or such other Persons in connection with the acquisition of all or a significant portion of the assets or stock of Southern Power or any of its Affiliates or in connection with the analysis, issuance or rating of any debt or equity securities or other financing activities by Southern Power or any of its Affiliates who in the reasonable judgment of Seller should have access to such Buyer Confidential Information and are bound by an obligation to maintain such confidentiality provided that Seller shall be responsible for any use or disclosure of such Buyer Confidential Information by any of its or its Affiliates' agents, employees, officers, directors, representatives, contractors, advisors, accountants, rating agencies, underwriters, investors, counsel, prospective



or actual purchasers, prospective or actual lenders or such other Persons inconsistent with this Section 21.2; provided further that nothing contained herein shall prohibit Seller from providing Buyer Confidential Information to the NERC or SEARUC solely to the extent that (i) Seller determines in its reasonable discretion that the provision of such information is required to enhance and/or maintain reliability; (ii) such entity is obligated to maintain such confidentiality; and (iii) Seller has notified Buyer of its intention to release such information no less than 5 Business Days prior to the release subject to the requirements of applicable law and regulation.

(iii) Buyer shall not disclose to third parties any Seller Confidential Information; provided that nothing contained herein shall prohibit Buyer from providing any such Seller Confidential Information to its or its Affiliates' agents, employees, officers, directors, representatives, contractors, advisors, accountants, rating agencies, underwriters, investors, counsel, prospective or actual purchasers, prospective or actual lenders or such other Persons in connection with the acquisition of all or a significant portion of the assets or stock of Buyer or any of its Affiliates or in connection with the analysis, issuance or rating of any debt or equity securities or other financing activities by Buyer or any of its Affiliates who in the reasonable judgment of Buyer should have access to such Seller Confidential Information and are bound by an obligation to maintain such confidentiality provided that Buyer shall be responsible for any use or disclosure of such Seller Confidential Information by any of its or its Affiliates' agents, employees, officers, directors, representatives, contractors, advisors, accountants, rating agencies, underwriters, investors, counsel, prospective or actual purchasers, prospective or actual lenders or such other Persons inconsistent with this Section 21.2; provided further that nothing contained herein shall prohibit Buyer from providing Seller Confidential Information to the NERC or SEARUC solely to the extent that (i) Buyer determines in its

reasonable discretion that the provision of such information is required to enhance and/or maintain reliability, (ii) such entity is obligated to maintain such confidentiality, and (iii) Buyer has notified Seller of its intention to release such information no less than 5 Business Days prior to the release subject to the requirements of applicable law and regulation.

(iv) Notwithstanding the foregoing, either Party may disclose Confidential Information (i) to the extent relevant, to the independent parties determining Seller's Damages or Buyer's Damages (as appropriate), and (ii) to its and its Affiliates' employees, officers, directors, accountants, counsel and other advisors who need to know such information in connection with the performance of their duties or services for the disclosing Party or its Affiliates; provided, however, that such Persons shall be required to maintain the confidentiality of such information consistent with the requirements of this Agreement.

#### 21.2.2 Required and Other Disclosure.

(i) Notwithstanding anything in this Section 21.2 to the contrary, if Buyer is required by applicable law or regulation, or in the course of administrative or judicial proceedings or investigations, to disclose to third parties, Seller Confidential Information or otherwise intends to disclose Seller Confidential Information to FERC or its staff (other than at the request or requirement of FERC or its staff) or pursuant to the request or requirement of any appropriate state regulatory commission or body, Buyer may make disclosure of such Seller Confidential Information; provided, however, that all reasonable steps are taken by Buyer to assure continued confidential treatment by the relevant administrative, regulatory or judicial agencies or other recipient and provided further that as soon as Buyer learns of the disclosure request or requirement or otherwise intends to disclose any Seller Confidential Information pursuant hereto and prior to making disclosure, Buyer shall, to the extent permitted by law,

notify Seller of the requirement, request or intention and the terms thereof and any Party may challenge the disclosure requirement, request or intention or seek a protective order or other appropriate remedy. Buyer, at Seller's expense, shall cooperate with Seller to the maximum extent practicable to minimize the disclosure of the Seller Confidential Information consistent with applicable law. Buyer shall cooperate with Seller to obtain proprietary or confidential treatment of such Seller Confidential Information by the Person to whom such Seller Confidential Information will be disclosed (and if practicable, reasonably prior to any such disclosure). If, in the absence of a protective order or other appropriate remedy or the receipt of a waiver by Seller, Buyer is nonetheless, in the written opinion of counsel, legally compelled to disclose Seller Confidential Information or otherwise may become subject to contempt or other censure or penalty, Buyer may, in such instance but not otherwise, without liability hereunder, disclose that portion of the Seller Confidential Information which and to whom such counsel advises Buyer is legally required to be disclosed (but none other), provided that Buyer exercises Commercially Reasonable Efforts to preserve the confidentiality of the Seller Confidential Information, including by cooperating with Seller to obtain an appropriate protective order or other reliable assurance that the Seller Confidential Information shall be accorded confidential treatment. Seller shall be liable for all reasonable legal costs incurred by Buyer in cooperating with Seller to obtain such an appropriate protective order or confidential treatment.

(ii) Notwithstanding anything in this Section 21.2 to the contrary, if Seller is required by applicable law or regulation, or in the course of administrative or judicial proceedings or investigations, to disclose to third parties, Buyer Confidential Information or otherwise intends to disclose Buyer Confidential Information to FERC or its staff (other than at the request or requirement of FERC or its staff) or pursuant to the request or requirement of any

appropriate state regulatory commission or body, Seller may make disclosure of such Buyer Confidential Information; provided, however, that all reasonable steps are taken by Seller to assure continued confidential treatment by the relevant administrative, regulatory or judicial agencies or other recipient and provided further that as soon as Seller learns of the disclosure request or requirement or otherwise intends to disclose any Buyer Confidential Information pursuant hereto and prior to making disclosure, Seller shall, to the extent permitted by law, notify Buyer of the requirement, request or intention and the terms thereof and any Party may challenge the disclosure requirement, request or intention or seek a protective order or other appropriate remedy. Seller, at Buyer's expense, shall cooperate with Buyer to the maximum extent practicable to minimize the disclosure of the Buyer Confidential Information consistent with applicable law. Seller shall cooperate with Buyer to obtain proprietary or confidential treatment of such Buyer Confidential Information by the Person to whom such Buyer Confidential Information will be disclosed (and if practicable, reasonably prior to any such disclosure). If, in the absence of a protective order or other appropriate protective remedy or the receipt of a waiver by Buyer, Seller is nonetheless, in the written opinion of counsel, legally compelled to disclose Buyer Confidential Information or otherwise may become subject to contempt or other censure or penalty, Seller may, in such instance but not otherwise, without liability hereunder, disclose that portion of the Buyer Confidential Information which and to whom such counsel advises Seller is legally required to be disclosed (but none other), provided that Seller exercises Commercially Reasonable Efforts to preserve the confidentiality of the Buyer Confidential Information, including, without limitation, by cooperating with Buyer to obtain an appropriate protective order or other reliable assurance that the Buyer Confidential Information shall be accorded confidential treatment. Buyer shall be liable for all reasonable

legal costs incurred by Seller in cooperating with such Buyer to obtain an appropriate protective order or confidential treatment.

(iii) Nothing in this Section 21.2 shall prohibit or otherwise limit the use or disclosure of Confidential Information if such Confidential Information: (a) was previously known to the disclosing or using Party unrelated to this Agreement without an obligation of confidentiality; (b) was developed by or for the disclosing or using Party unrelated to this Agreement using nonconfidential information; (c) was acquired by the disclosing or using Party from a third party which is not, to the disclosing or using Party's knowledge, under an obligation of confidence with respect to such information; (d) is or becomes publicly available other than through a manner inconsistent with this Section 21.2; or (e) is provided or made available for inspection by Seller or Buyer under public records or public disclosure laws but only to the extent required to be so provided or made available.

(iv) The provisions of this subsection shall supersede any contrary provisions of this Section 21.2 regarding the disclosure of information to FERC or its staff pursuant to the request or requirement of FERC or its staff. In providing Buyer Confidential Information to FERC or its staff pursuant to the request or requirement of FERC or its staff, Seller shall, consistent with 18 C.F.R. § 388.112, request that the information be treated as confidential and non-public by FERC and its staff and that the information be withheld from public disclosure. To the extent permitted by law, Seller shall promptly notify Buyer when it is required or requested by FERC or its staff to disclose Buyer Confidential Information. Seller shall not be prohibited to make or liable for the disclosure to FERC or its staff of any Buyer Confidential Information pursuant to the request or requirement of FERC or its staff consistent with this subsection. In providing Seller Confidential Information to FERC or its staff pursuant

to the request or requirement of FERC or its staff, Buyer shall, consistent with 18 C.F.R. § 388.112, request that the information be treated as confidential and non-public by FERC and its staff and that the information be withheld from public disclosure. To the extent permitted by law, Buyer shall promptly notify Seller when it is required or requested by FERC or its staff to disclose Seller Confidential Information. Buyer shall not be prohibited to make or liable for the disclosure to FERC or its staff of any Seller Confidential Information pursuant to the request or requirement of FERC or its staff consistent with this subsection.

(v) The Parties agree to seek confidential treatment of the Confidential Information from the FPSC to the maximum extent possible pursuant to Chapter 366.093, Florida Statutes, and Rule 25-22.006 of the Florida Administrative Code. In the event any Confidential Information will need to be disclosed in connection with the application for the FPSC Approval, Buyer shall consult and cooperate with Seller prior to such disclosure, including, without limitation, in determining the extent to which confidential treatment will be sought for such terms, conditions and provisions.

(vi) Seller may file this Agreement with the Securities and Exchange Commission ("Commission") as may be necessary under the Public Utility Holding Company Act and the rules and regulations thereunder in connection with Seller's application to the Commission for such orders and approvals as may be required for financing and/or the issuance and sale of interests in or debt issued or to be issued by Seller and/or its Affiliates. Seller shall request confidential treatment of the Buyer Confidential Information in this Agreement in connection with such filing; however, the Parties acknowledge that such request may be denied in whole or in part, and accordingly, that confidential treatment may not be afforded by the Commission to such information. In addition, Seller may disclose such Buyer Confidential

Information as required by the Commission pursuant to the Securities and Exchange Act of 1934, as amended, and any rule or regulation promulgated thereunder.

(vii) Except for filings with the Commission or other regulatory authorities, any public statement and/or press release by a Party hereto concerning this Agreement (except statements or releases by the Non-Defaulting Party after an Event of Default) shall be reviewed and agreed upon by the Parties before release, which agreement shall not be unreasonably withheld or delayed.

The obligations under this Section 21.2 with respect to any Party shall survive until the earlier of the second anniversary of the termination or expiration of this Agreement.

**21.3 Survivorship of Obligations.** Termination of this Agreement shall not discharge any Party from any obligation it owes the other Party under this Agreement by reason of any transaction, loss, cost, damage, expense or liability occurring, accruing or arising prior to such termination. It is the intent of the Parties that any such obligation owed (whether the same shall be known or unknown as of the termination or cancellation of this Agreement) will survive the termination or cancellation of this Agreement in favor of the Party to which such obligation is owed. The Parties also intend that the indemnification and limitation of liability provisions contained in Sections 14.2 and 14.3 shall remain operative and in full force and effect and that any specific survivability provisions in any other sections be given full effect.

**21.4 No Third Party Beneficiaries.** This Agreement is not intended to, and shall not, create rights, remedies or benefits of any character whatsoever in favor of any Persons, corporations, associations, or entities other than the Parties and their permitted successors and assigns, and the rights and obligations of each of the Parties under this Agreement are solely for

the use and benefit of, and may be enforced solely by the Parties, their permitted successors and assigns.

**21.5 Section Headings Not to Affect Meaning.** The descriptive headings of the various Articles and Sections of this Agreement have been inserted for convenience of reference only and shall in no way modify or restrict any of the terms and provisions thereof. References to "Articles", "Sections" and "Appendices" in this Agreement shall mean the Articles, Sections and Appendices of this Agreement unless otherwise expressly noted.

**21.6 Computation of Time.** In computing any period of time prescribed or allowed by this Agreement, the designated period of time shall begin to run on the Day immediately following the Day of the act, event or default that precipitated the running of the designated period of time. The designated period shall expire on the last Day of the period so computed unless that Day is not a Business Day, in which event the period shall run until the end of the next Business Day.

**21.7 Interest.** Whenever the provisions of this Agreement require the calculation of an interest rate, such rate shall be computed at an annual rate equal to the Prime Rate as of the date on which the calculation begins, but not to exceed the maximum rate which may be lawfully charged. Interest on obligations arising under this Agreement shall be compounded daily and be calculated based on a 360 day year.

**21.8 Entire Agreement.** Except for the two letter agreements between Buyer and Southern Company Services, Inc. dated November 24, 2004, this Agreement constitutes the entire agreement between the Parties relating to the subject matter hereof and supersedes any other agreements, written or oral, between the Parties concerning such subject matter. The Parties have entered into this Agreement in reliance upon the representations and mutual



understandings contained herein and not in reliance upon any oral or written representation or information provided by one Party to another Party not contained or incorporated herein.

**21.9 Counterparts.** This Agreement may be executed simultaneously in multiple counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

**21.10 Amendments.** This Agreement may only be amended by written agreement signed by duly authorized representatives of the Parties.

**21.11 Waivers.** Waivers of the provisions of this Agreement or excuses of any violations of this Agreement shall be valid only if in writing and signed by an authorized officer of the Party issuing the waiver or excuse. A waiver or excuse issued under one set of circumstances shall not extend to other occurrences under similar circumstances.

**21.12 No Partnership Created.** Any provision of this Agreement to the contrary notwithstanding, the Parties do not intend to create hereby any joint venture, partnership, association taxable as a corporation, or other entity for the conduct of any business for profit. If it should appear that one or more changes to this Agreement would be required in order not to create an entity referenced in the preceding sentence, the Parties agree to negotiate promptly and in good faith with respect to such changes.

**21.13 Character of Sale.** The sale of capacity and energy hereunder shall not constitute a sale, lease, transfer or conveyance to Buyer or any other party of any contractual rights or ownership interests in any generating unit or other equipment comprising the Facility, nor does the sale of capacity and energy hereunder constitute a dedication of ownership of any generating unit or other equipment comprising the Facility.

21.14 Notices. Any notice, demand, request, statement, or correspondence provided for in this Agreement, or any notice which a Party may desire to give to the other, shall be in writing (unless otherwise expressly provided by this Agreement) and shall be considered duly delivered when received by hand delivery, first-class mail, facsimile, or by overnight delivery, at the address(es) and to the attention of the person(s) listed below; provided, however, if actual delivery occurs at a time other than between the hours of 0800 and 1700 CPT on a Business Day (each a "Business Hour"), delivery shall be deemed to have occurred in the next Business Hour after actual delivery.

(i) **To Seller:**

Vice President, Business Development  
Southern Company Generation and Energy Marketing  
Bin 935  
270 Peachtree Street, NW  
Atlanta, Georgia 30303

Telephone: 404-506-0346  
Facsimile: 404-506-0399

**With a copy to:**

Senior Vice President, General Counsel and Assistant Secretary  
Southern Power Company  
600 North 18<sup>th</sup> Street  
Birmingham, Alabama 35203

Telephone: 205-257-0472  
Facsimile: 205-257-2027

**And**

Vice President, Fleet Operations and Trading  
Southern Company Services, Inc.  
600 North 18<sup>th</sup> Street, GS-8259  
Birmingham, Alabama 35203

Telephone: 205-257-6139  
Facsimile: 205-257-4441

(ii) To Buyer:

Vice President, Regulated Commercial Operations  
Progress Energy Florida  
410 South Wilmington Street  
Raleigh, North Carolina 27601

Telephone: 919-546-4552  
Facsimile: 919-546-4670

And

General Counsel  
Progress Energy Florida  
410 South Wilmington Street  
Raleigh, North Carolina 27601

Telephone: 919-546-5362  
Facsimile: 919-546-3805

Either Party may change the information set forth in this Section 21.14 by giving written notice to the other Party in the manner prescribed by this Section.

**21.15 Survival.** Any provision(s) of this Agreement that expressly comes into or remains in force following the termination or expiration of this Agreement shall, subject to the express terms of the relevant provision, survive the termination or expiration of this Agreement.

**21.16 Construction.** The language used in this Agreement is the product of both Parties' efforts. Accordingly, each Party irrevocably waives the benefit of any rule of contract construction that disfavors the drafter of a contract or the drafter of specific language in a contract.

**21.17 Imaged Agreement.** Any original executed Agreement, schedule confirmation or other related document may be photocopied and stored on computer tapes and disks (the "Imaged Agreement"). The Imaged Agreement, if introduced as evidence on paper, the schedule confirmation, if introduced as evidence in automated facsimile form, the transaction

tape, if introduced as evidence in its original form and as transcribed onto paper, and all computer records of the foregoing, if introduced as evidence in printed format, in any judicial, arbitration, mediation or administrative proceedings, will be admissible as between the Parties to the same extent and under the same conditions as other business records originated and maintained in documentary form. Neither Party shall object to the admissibility of the transaction tape, the schedule confirmation or the Imaged Agreement (or photocopies of the transcription of the transaction tape, the schedule confirmation or the Imaged Agreement) on the basis that such were not originated or maintained in documentary form under either the hearsay rule, the best evidence rule or other rule of evidence.

**21.18 Severability.** If any provision or provisions of this Agreement or the application thereof to any Person or circumstance or in any jurisdiction is found by a court of competent jurisdiction to be illegal, invalid, unlawful, void or unenforceable as written for any reason, then it is the intent of each of the Parties that any such provision or provisions shall be given force and effect to the fullest possible extent that they are legal, valid and enforceable, that the remainder of this Agreement and the application of such provision or provisions to other Persons or circumstances or in other jurisdictions shall be deemed valid and enforceable to the fullest extent possible and continue in force and effect. If the determination that any provision or provisions hereof are illegal, invalid, unlawful, void or unenforceable (even after such provision or provisions are given force and effect to the fullest extent possible) results in a significant material deviation from the Parties' original intent or economic expectations regarding this Agreement, the Parties shall negotiate to (and/or the applicable court, in its discretion, may) replace any such illegal, invalid, unlawful, void or unenforceable provision or

provisions with valid provision(s) which result in the least deviation from the Parties' intent and economic expectations.

**21.19 Agency of Southern Company Services, Inc.** Seller hereby designates Southern Company Services, Inc. to serve as its agent for purposes of the implementation and administration of this Agreement. Seller may designate a new agent from time to time under this Agreement by giving Buyer 60 Days written notice in which event Southern Company Services, Inc.'s role, as agent, shall cease and the newly-designated agent shall be substituted for the sole purpose of serving and acting as agent for Seller hereunder.

**21.20 Include.** As used herein, the words "include" or "including" shall be deemed to be followed by the words "without limitation."

**21.21 Examples.** Examples of calculations pursuant to the provisions of this Agreement are set forth in Appendix H. Such calculations are for example purposes only and are not intended to, and shall not, modify any of the terms of this Agreement. To the extent there is a conflict between any of these examples and the other terms of this Agreement, such other terms shall govern. Moreover, such examples shall be given no weight in interpreting or construing the provisions of this Agreement.

**21.22 Transmission Provider Deadlines.** In the event that the applicable provider of transmission service for Delivered Energy modifies any of its deadlines after the Effective Date such that the Parties' originally intended performance and/or rights under this Agreement would be materially affected (e.g., a Party no longer has sufficient time to fulfill its obligations or exercise any options as intended by the Parties), the Parties shall utilize Commercially Reasonable Efforts to agree on appropriate modifications to this Agreement in order to preserve the Parties' original intent hereunder. Provided, however, that such modifications shall not have

the effect of causing any Party to bear more of a financial burden or receive less of a financial benefit than as originally contemplated on the Effective Date.

**[The Next Page is the Signature Page.]**

IN WITNESS WHEREOF, Seller and Buyer have caused this Agreement to be executed in duplicate by their respective duly authorized officers as of the Effective Date.

**SOUTHERN COMPANY SERVICES, INC.**

As Agent for  
Southern Power Company

BY: *William N. McKenzie* *scf*  
NAME: William N. McKenzie *HW*  
TITLE: Vice President

**FLORIDA POWER CORPORATION D/B/A  
PROGRESS ENERGY FLORIDA, INC.**



BY: *Robert F. Caldwell*  
NAME: Robert F. Caldwell  
TITLE: Vice President, Regulated Commercial Operations

APPENDIX A

MONTHLY CAPACITY PAYMENT CALCULATION

A. Monthly Capacity Price

The Monthly Capacity Price for each Month of the Service Term shall be \$6.18/kW-month.

B. Monthly Capacity Payment

For each Month, the Monthly Capacity Payment ("MCP") shall be calculated as follows:

MCP = (Contract Capacity \* Capacity Price \* 1000) \*(Monthly Hours - EFMH accumulated during such Month) / Monthly Hours

Where:

Contract Capacity = Contract Capacity (in MW) for the applicable Contract Year.

Capacity Price = Monthly Capacity Price in Section A of this Appendix A.

Monthly Hours = the total hours in the applicable Month.

In the event that Buyer's obligation to purchase Contract Capacity begins on a Day other than the first Day of a Month, or if Buyer's obligation to purchase Contract Capacity ends on a Day other than the last Day of a Month, the calculation of the Monthly Capacity Payment and/or Capacity Availability Performance Adjustment will be determined on a pro rata basis.

C. Capacity Availability Performance Adjustment

Within 30 Days after the conclusion of each Performance Period, Seller shall calculate a Capacity Availability Performance Adjustment ("CAPA") for the most recently completed Performance Period as follows:

CAPA = CAF \* ACP

Where:

CAF = Capacity Adjustment Factor, which is the value determined using the either Table A-1, A-2, or A-3, as applicable. Table A-1 shall be utilized to calculate CAF for each Peak Performance Period. Table A-2 shall be utilized to calculate CAF for each Normal Off-Peak Performance Period. Table A-3 shall be utilized to calculate CAF for each Major Maintenance Off-Peak Performance Period. Provided, however, if Major Maintenance is performed during the period from the Service Commencement Date until December 31,

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2015 and such Major Maintenance occurs during more than one Off-Peak Performance Period, then Table A-3 shall only be utilized for the first of such Off-Peak Performance Periods in which Major Maintenance occurs, and Table A-2 shall be utilized for any other such Off-Peak Performance Periods. If Major Maintenance occurs after December 31, 2015 and the Term is extended under Section 2.2, Table A-3 shall be utilized for one additional Off-Peak Performance Period in which Major Maintenance occurs (and Table A-2 shall be utilized for the other Off-Peak Performance Period). For purposes of calculating CAF, the values determined pursuant to Tables A-1 through A-3 shall be rounded to the nearest thousandth.

ACP = the sum of the Monthly Capacity Payments that were required to be paid by Buyer in such Performance Period.

If the CAPA is positive, then Buyer owes Seller the amount of the CAPA. If the CAPA is negative, then Seller owes Buyer the absolute value of the CAPA. After CAPA is calculated by Seller, Seller shall adjust the next Monthly invoice to Buyer to reflect CAPA as either a credit to Buyer or an additional amount owed to Seller (as applicable).

**Table A-1**  
**Capacity Adjustment Factor for Peak Performance Period**

<u>Actual Demand Availability</u>	<u>Capacity Adjustment Factor</u>
1 or less but greater than 0.98	$CAF = (ADA - 0.98) * 1.5$
0.98 or less but at least 0.97	$CAF = 0$
Less than 0.97 but equal to or greater than 0.50	$CAF = (ADA - 0.97) * 1.5$
Less than 0.50	$CAF = 1.82 * ADA^2 - 0.32 * ADA - 1$

**Table A-2**  
**Capacity Adjustment Factor for Normal Off-Peak Performance Period**

<u>Actual Demand Availability</u>	<u>Capacity Adjustment Factor</u>
1 or less but equal to or greater than 0.50	$CAF = (ADA - 0.90) * 0.3$
Less than .50	$CAF = 2.96 * ADA - 2.56 * ADA^2 - 1$

Table A-3  
Capacity Adjustment Factor for Major Maintenance Off-Peak Performance Period

<u>Actual Demand Availability</u>	<u>Capacity Adjustment Factor</u>
1 or less but greater than 0.90	CAF = (ADA - 0.90) * 0.3
0.90 or less but equal to or greater than 0.83	CAF = 0
Less than 0.83 but equal to or greater than 0.50	CAF = (ADA - 0.83) * 0.3
Less than 0.50	CAF = 2.96 * ADA/0.83 - 2.56 * (ADA/0.83) <sup>2</sup> - 1

For purposes of Tables A-1, A-2 and A-3, for each Performance Period, the ADA shall be determined by Seller as follows:

ADA = Total Available Hours / Total Hours

Where:

Total Hours = Total number of hours in the Performance Period, less: (i) EFMH accumulated during such Performance Period; and (ii) the number of hours during which a Delivery Excuse occurred.

Total Available Hours = Total Hours less EUH accumulated during such Performance Period.

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## APPENDIX B

## ENERGY PAYMENT CALCULATION

The Monthly Energy Payment for each Month shall be determined according to the following formula:

$$\text{MEP} = \text{FEC} + \text{AREC} + \text{DH} * \text{VOM}_h + \text{MFCA}$$

$$\text{FEC} = \sum_{k=1}^n \text{DEF} * [(\text{HR} * \text{GC}) + \text{VOM}_{\text{MWh}}]$$

$$\text{AREC} = \sum_{k=1}^n \text{DEA} * [(\text{HR} * \text{GC} * 0.98) + \text{VOM}_{\text{MWh}}]$$

$$\text{MFCA} = \sum_{k=1}^n (\text{IFC} * \text{FV}_R - \text{IFC} * \text{FV}_E)$$

Where:

MEP = the Monthly Energy Payment, expressed in dollars.

FEC = the Facility Energy Charges, expressed in dollars.

AREC = the Alternate Resource Energy Charges, expressed in dollars.

n = number of hours in the Month.

k = each hour in the Month.

DEF = the Delivered Energy (expressed in MWh) deemed to be provided by Seller during hour k of the Month at the Facility Delivery Point.

DEA = the Delivered Energy (expressed in MWh) deemed to be provided by Seller during hour k of the Month at an Alternate Delivery Point(s).

HR = heat rate for hour k of the Month determined pursuant to Table B-2 below (divided by 1000 to convert to MMBtu/MWh). The heat rate determined for any hour pursuant to such table shall be utilized with respect to all Delivered Energy in such hour. For example, a heat rate of 7.6 MMBtu/MWh shall be utilized to determine the price for all Delivered Energy in an hour during the Month of October where Seller delivers 150 MW.

GC = Gas Charges shall be, for each MMBtu of Gas delivered hereunder, an amount equal to the Gas Daily Midpoint price in \$/MMBtu as published by Platts in Gas Daily in the Daily Price Survey section under the Midpoint Column for Southern Natural, Louisiana plus two (2) cents ("Gas Price") plus SNG's Zone 0

to 2 variable transportation charges, surcharges, fuel retention charges and any applicable taxes. The Gas Price shall be effective for the flow dates indicated under the Midpoint Column. If a Gas Daily Midpoint price is not published in the Daily Price Survey (e.g., holiday or weekend), the next available published price shall be used to determine the cost. All variable transportation charges, surcharges, and fuel retention charges are subject to regulatory change in SNG's tariff. In the event that the Gas Daily Midpoint price described above is no longer published, the Parties shall mutually agree on a replacement index that reflects the price of Gas previously represented by the Gas Daily Midpoint price.

$VOM_{MWh}$  = Variable Operations and Maintenance charge for the hour, expressed in dollars per MWh, equal to the applicable value set forth in Table B-1.

$VOM_h$  = Variable Operations and Maintenance charge, expressed in dollars per hour, equal to the applicable values set forth in Table B-1.

Table B-1

	Charge
$VOM_h(2010\$)$	\$735.00/hr
$VOM_{MWh}(2010\$)$	\$0.65/MWh

The VOM charges in Table B-1 will increase 3.5 percent every June 1 beginning June 1, 2011.

DH = Number of hours during the Month when Seller provides Delivered Energy.

MFCA = Monthly Fuel Cost Adjustment

IFC = Incremental Fuel Cost in an hour to accommodate an interruption of Gas supply pursuant to Section 9.3.1A or a change in Schedule pursuant to Section 9.4 (ii), defined as the difference in: (1) as applicable, the price agreed upon by the Parties under Section 9.3.1A or the quoted price accepted by Buyer under Section 9.4(ii); minus (2) the Gas Price, both in \$/MMBtu.

$FV_R$  = Resupplied Fuel Volume, which is the volume of Gas, in MMBtu, that is: (i) supplied in an hour because of an interruption of Gas supply pursuant Section 9.3.1A; or (ii) supplied in an hour above the volume that would have been required pursuant to the Schedule submitted by the Scheduling Deadline because of a change in Schedule pursuant to Section 9.4(ii).

FV<sub>E</sub> = Excess Fuel Volume, which is the volume of Gas, in MMBtu, that was procured by Seller in excess of the volume required to meet Buyer's Schedule because of a reduction in Scheduled Energy after the Scheduling Deadline, pursuant to Section 9.4(ii).

Table B-2

Heat Rates

Block Mode	March - October (Btu/kWh)	Nov - Feb (Btu/kWh)
Block 1 Mode	8,300	8,550
Block 2 Mode	7,800	8,050
Block 3 Mode	7,600	7,850
Block 4 Mode through Block 7 Mode	7,600	7,850

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APPENDIX C

CALCULATION OF START PAYMENT

The Monthly Start Payment ("MSP<sub>M</sub>") shall be calculated for each Month as follows:

$$MSP_M = [C1CMIN * (SS1 - 50 - APS_{150+}) + \sum_{n=51}^{150} [C1CMAX * (SQ_n - 50 MW)]] + [C2CMIN * APS_{150+} + \sum_{n=151}^{SS} [C2CMAX * (SQ_n - 50 MW)]] - MSP_{PM}$$

Where:

SS1 = number of Block 1 Successful Starts (as defined below) in the current Contract Year.

SS2 = number of Other Block Successful Starts (as defined below) in the current Contract Year.

SQ<sub>n</sub> = for each Other Block Successful Start, n, the quantity of Delivered Energy provided in the hour of Buyer's Schedule in which the amount of Delivered Energy provided over the hour is the highest of any hour between such Successful Start and the next hour in which Buyer has requested 50 MWh or less of Scheduled Energy.

APS<sub>150+</sub> = number of Block 1 Successful Starts in excess of 150 (or other applicable number in the event of a Contract Year with less than 12 Months) associated with the delivery of energy from the Facility in the current Contract Year. Block 1 Successful Starts associated with the delivery of energy from an Alternate Resource(s) shall not be counted for purposes of determining APS<sub>150+</sub>.

OBAPS = number of Other Block Successful Starts in excess of 150 (or other applicable number in the event of a Contract Year with less than 12 Months) associated with the delivery of energy from the Facility in the current Contract Year. Other Block Successful Starts associated with the delivery of energy from an Alternate Resource(s) shall not be counted for purposes of determining OBAPS.

C1CMIN, C2CMIN, C1CMAX and C2CMAX = As defined in Table C-1

MSP<sub>PM</sub> = sum of all previous Monthly Start Payments that were required to be paid in current Contract Year.

For purposes of this Appendix C, a "Successful Start" shall mean either a Block 1 Successful Start or an Other Block Successful Start as such terms are defined below; provided, however, a Block 1 Successful Start and an Other Block Successful Start may occur in the same hour (e.g., in any hour when Buyer's Schedule requests Seller to go from delivering no energy to delivering 100 MWh or more):

A Block 1 Successful Start (in addition to an Other Block Successful Start, if applicable) shall occur each time that Buyer's Schedule requests energy in any Block Mode and Seller goes from delivering no energy to delivering an amount of energy (whether from an Alternate Resource(s) or the Facility) equal to at least the minimum amount of energy Buyer is, or would be, required to Schedule in Block 1 Mode and such delivery continues for at least two hours (or such lesser amount of time for which Buyer has Scheduled energy in at least Block 1 Mode).

An Other Block Successful Start (in addition to a Block 1 Successful Start, if applicable) shall occur each time that Buyer's Schedule requests energy in either Block 2 Mode, Block 3 Mode, Block 4 Mode, Block 5 Mode, Block 6 Mode or Block 7 Mode and Seller goes from delivering: (A) either: (i) no energy; or (ii) an amount of energy pursuant to Buyer's Schedule in Block 1 Mode; to (B) at least the minimum amount of energy (whether from an Alternate Resource(s) or the Facility) Buyer must Schedule in Block 2 Mode and such delivery continues for at least two hours (or such lesser amount of time for which Buyer has Scheduled energy in at least Block 2 Mode).

Notwithstanding the foregoing, if Seller interrupts the delivery of energy during Buyer's Schedule (other than pursuant to Buyer's request or a Delivery Excuse), a Successful Start shall not be deemed to have occurred when delivery is resumed pursuant to the same Schedule.

Table C-1

		Start Charge	
	Number of Block 1 or Other Block Successful Starts*	CMIN Block 1 Successful Start	CMAX Other Block Successful Start
	(0-50)	\$0	\$0
C1	(51-150)	C1CMIN \$3,300	C1CMAX \$8.80/MW
C2	(151+)	C2CMIN \$10,000	C2CMAX \$26.67/MW

\* The ranges set forth in Table C-1 apply separately to each type of Successful Start. For example, in a 12 Month Contract Year, there will be no charge for a Block 1 Successful Start until there have been 50 of such starts in such year. Likewise, there will be no charge for an Other Block Successful Start in such year until there have been 50 of such starts.

Start Charges are in 2010 dollars and will increase 3.5 percent every June 1 beginning on June 1, 2011. In addition, for any Contract Year that is less than twelve (12) Months, the ranges set forth in Table C-1 and the calculation of the Monthly Start Payment shall be adjusted on a pro rata basis to reflect the number of Months in such Contract Year. For example, for a Contract Year with only seven (7) Months, the range for which there is no charge would be 0-29. The range for which the \$3,300 or \$8.80/MW Start Charge applies would be 30-87. The range for which the \$10,000 or \$26.67/MW Start Charge applies would be 151 and over.



APPENDIX D

SCHEDULING PARAMETERS

The Scheduling Parameters are as follows:

Amounts of Scheduled Energy for Any Hour:

Buyer may Schedule energy associated with the Contract Capacity in any Block Mode, but only in the specific amounts for each Block Mode set forth in Table D-1 (e.g., in 50 MW increments) or as otherwise contemplated in the Article 1 definitions for each Block Mode when Seller does not make capacity available in 50 MW increments.

Table D-1

	MW
Block 1 Mode	50 MW
Block 2 Mode	100 MW
Block 3 Mode	150 MW
Block 4 Mode	200 MW
Block 5 Mode	250 MW
Block 6 Mode	300 MW
Block 7 Mode	Full Amount of Contract Capacity if Contract Capacity is greater than 300 MW

Minimum Duration of Schedule:

The minimum duration for Scheduled Energy is 16 consecutive hours.

Minimum Time between a Schedule Shut-Down and a Schedule Start:

Eight (8) consecutive hours

Compliance with Governmental Approvals and Laws

Under no circumstance shall Seller be required to operate the Facility in a manner that violates any Governmental Approval or Law.

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APPENDIX E

DEMONSTRATION OF FACILITY GENERATING CAPABILITY AND TESTING

A. Demonstration of Generating Capability.

For purposes of Article 8, Seller may demonstrate the total generating capability of the Facility in any of the following ways: (i) evidence of energy supplied from the Facility to any party over the previous six (6) Month period, including the provision of energy at the Facility Delivery Point pursuant to Buyer's Schedule; (ii) conducting a test of the Facility coincident with Buyer's Schedule for any Day; or (iii) conducting a test of the Facility during a time period in which energy will not be delivered to Buyer pursuant to a Schedule. In the case of a demonstration under (ii), Buyer shall pay Seller costs of testing (including Gas and operation and maintenance costs) that are the responsibility of Buyer through the application of the Monthly Energy Payment for all Delivered Energy provided to Buyer. In the case of a demonstration under (iii), Seller shall be responsible for all costs of testing (including Gas and operation and maintenance costs) and shall be entitled to utilize all energy produced during testing for its own purposes. However, notwithstanding the foregoing, Buyer shall be responsible for the costs of all tests requested by Buyer under Section 8.2.2 of this Agreement.

B. Testing Procedures

Any test of the Facility conducted pursuant to Section A of this Appendix E or pursuant to Article 8 shall be conducted in a normal manner consistent with Prudent Industry Practices and as follows. The test shall consist of Seller bringing the Facility to maximum capability within its technical operating limits consistent with Prudent Industry Practices. Once the Facility has been brought to such capability and is stable, the demonstrated capability of the Facility shall be equal to: (i) the actual output of the Facility over the next two (2) consecutive hours unadjusted if the test is conducted at a time when the ambient air temperature at the Facility is less than 60° Fahrenheit; or (ii) the average output of the Facility over the next two (2) consecutive hours as adjusted (consistent with Prudent Industry Practices) to Rated Conditions (for purposes hereof, Rated Conditions shall mean 95 degrees Fahrenheit and 45% relative humidity) if the test is conducted at a time when the ambient air temperature at the Facility is equal to or greater than 60° Fahrenheit. Such output shall be measured by the Electric Metering Equipment located at the Facility Delivery Point, as measured at or adjusted to the high side of the generator step-up transformer at the Facility Delivery Point.

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APPENDIX F  
LETTER OF CREDIT

Beneficiary

Applicant

\_\_\_\_\_  
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Attn: \_\_\_\_\_

Attn: \_\_\_\_\_

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We hereby issue our Irrevocable Standby Letter of Credit No. \_\_\_\_\_ in your favor for \$ \_\_\_\_\_ U.S. Dollars available for payment at sight in immediately available funds against your drafts drawn on us and accompanied by a Certificate signed by a purported authorized agent, officer or representative of \_\_\_\_\_ or its direct or indirect successor, transferee or assignee containing one or more of the following statements:

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(a) "An Event of Default by or attributable to \_\_\_\_\_ or any of its direct or indirect successors or assignees has occurred under that certain Contract for the Purchase of Capacity and Energy originally between Southern Company Services, Inc., as agent for Southern Power Company and Florida Power Corporation d/b/a Progress Energy Florida, Inc. entered into as of \_\_\_\_\_, 2004, as amended, replaced or assigned (the "Agreement"), and the amount of the draft provided herewith does not exceed the amount owed or reasonably expected to be owed to the Beneficiary under the Agreement."

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(b) "Beneficiary has determined or been notified that the expiration date of Letter of Credit No. \_\_\_\_\_ will not be extended and \_\_\_\_\_ is required to but has not provided Beneficiary with an acceptable substitute letter of credit or guaranty and it is less than twenty days until the expiration date of such Letter of Credit No. \_\_\_\_\_."

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(c) "Beneficiary or its direct or indirect successor or assignee has designated an Early Termination Date resulting from an Event of Default by or attributable to \_\_\_\_\_ or any of its direct or indirect successors or assignees under that certain Contract for the Purchase of Capacity and Energy originally between Southern Company Services, Inc., as agent for Southern Power Company and Florida Power Corporation d/b/a Progress Energy Florida, Inc. entered into as of \_\_\_\_\_, 2004, as amended, replaced or assigned (the "Agreement"), and the amount of the draft provided herewith does not exceed the amount owed or reasonably expected to be owed to the Beneficiary under the Agreement."

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Special Conditions

- 1. Multiple and partial drawings are permitted. 1 2
- 2. Any drafts drawn under this Letter of Credit must bear the clause "Drawn under \_\_\_\_\_ Letter of Credit No. \_\_\_\_\_ Dated \_\_\_\_\_, \_\_\_\_\_." 3 4
- 3. This Letter of Credit expires at the counters of \_\_\_\_\_ at the close of business on \_\_\_\_\_, 200\_\_ [insert date which is at least one year after the date of issuance of the letter of credit] (which date as may be extended in the manner provided herein is referred to as the "expiration date"). The expiration date shall be deemed automatically extended without amendments for one year from the initial expiration date and thereafter for one year from each anniversary of the initial expiration date unless at least twenty (20) business days prior to the then applicable expiration date we notify Beneficiary in writing by facsimile at \_\_\_\_\_, Attention: \_\_\_\_\_, and by overnight courier to \_\_\_\_\_, Attention: \_\_\_\_\_ with a copy to \_\_\_\_\_ that we are not going to extend the expiration date. 5 6 7 8 9 10 11 12 13 14
- 4. We hereby engage with the Beneficiary that drafts drawn under and in compliance with the terms and conditions of this Letter of Credit will be duly honored by us upon presentation to ourselves by payment in accordance with the Beneficiary's payment instructions. If requested by the Beneficiary, payment under this Letter of Credit will be made by wire transfer of immediately available funds to Beneficiary's account at any financial institution located in the continental United States. All payments under this Letter of Credit will be made in our own funds. 15 16 17 18 19 20 21
- 5. This Letter of Credit is subject to and governed by the ICC Uniform Customs and Practice for Documentary Credits (1993 Revision) International Chamber of Commerce Publication Number 500 (the "UCP"), and, to the extent not inconsistent therewith, the laws of the State of [\_\_\_\_\_]. Anything to the contrary in Article 41 of the UCP notwithstanding, this Letter of Credit is intended to remain in full force and effect until it expires in accordance with its terms. Any failure by you to draw upon this Letter of Credit shall not cause this Letter of Credit to be unavailable for any future drawing. If this Letter of Credit expires during an interruption of business as described in Article 17 of the UCP, we hereby specifically agree to effect payment if this Letter of Credit is drawn against within 30 days after the resumption of business. 22 23 24 25 26 27 28 29 30 31
- 6. Anything to the contrary in Article 48 of the UCP notwithstanding, this Letter of Credit is transferable any number of times, but only in the full unutilized balance hereof and not in part. Transfer shall be effective upon execution and delivery by Beneficiary to us of our standard transfer form together with the original of this Letter of Credit and payment of our standard transfer fee. Transfer may be made only to any person or entity which is a direct or indirect permissible assignee of you or successor to you under that certain Contract for the Purchase of Capacity and Energy originally between Southern Company Services, Inc., as agent for Southern Power Company, and Florida Power Corporation d/b/a Progress Energy Florida, Inc. entered into as of \_\_\_\_\_, 2004, as amended, replaced or assigned. 32 33 34 35 36 37 38 39 40

7. Our obligation under this Letter of Credit is our individual obligation and is in no way contingent upon reimbursement with respect thereto, or upon our ability to perfect any lien, security interest or any other reimbursement.

8. This Letter of Credit is assignable and transferable by Beneficiary and its direct and indirect successors and assignees in whole but not in part.

(Signed)

APPENDIX G

GUARANTY AGREEMENT

This Guaranty Agreement ("Guaranty Agreement") is made and entered into as of the \_\_\_\_\_ day of \_\_\_\_\_, 200\_\_\_\_ by \_\_\_\_\_, a \_\_\_\_\_ (together with its successors, "Guarantor"), in favor of \_\_\_\_\_, a \_\_\_\_\_ (collectively with its successors and permitted assigns, "Beneficiary").

RECITALS:

A. \_\_\_\_\_, a \_\_\_\_\_ (collectively with its successors and permitted assigns, "Contractor"), and Beneficiary directly and/or through their respective agents have entered into that certain Contract for the Purchase of Capacity and Energy, dated as of \_\_\_\_\_, 200\_\_\_\_ (as may be amended, restated, replaced and/or assigned, the "PPA").

B. Guarantor has agreed to execute, deliver and perform this Guaranty Agreement in order to satisfy the terms and conditions of the PPA.

NOW, THEREFORE, with reference to the above recitals and in reliance thereon, in consideration of Beneficiary entering into and performing the PPA and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, Guarantor agrees in favor of Beneficiary as follows:

1. General. Capitalized terms not otherwise defined in this Guaranty Agreement shall have the same meaning as ascribed to such terms in the PPA. Subject to the provisions of Sections 2 and 3 below, Guarantor hereby absolutely, irrevocably and unconditionally guarantees and promises to pay to Beneficiary, its successors and permitted assigns, when due all of Contractor's present and future obligations, debts and liabilities of all kinds to Beneficiary under or relating to the PPA (as may be extended, amended, restated or replaced, the "Obligations"). Any payments made by Guarantor to Beneficiary hereunder shall be made in the lawful money of the United States in the amount(s) required under the PPA no later than four (4) Business Days following Beneficiary's delivery to Guarantor of written notice of an Event of Default by or attributable to Contractor under the PPA and demand for payment under this Guaranty Agreement. The foregoing demand for payment shall include, at a minimum, sufficient information to allow Guarantor to evaluate the request for payment and determine the nature of any non-payment by Contractor under the PPA. This Guaranty Agreement is a guaranty of payment and not of collection.

2. Nature of Guaranty. The Guarantor's obligations hereunder shall not be affected by any circumstances relating to the Obligations that might otherwise constitute a legal or equitable discharge of or defense to the Guarantor not available to Contractor. The Guarantor agrees that Beneficiary may resort to the Guarantor for payment of the Obligations whether or not Beneficiary shall have resorted to any collateral therefor or shall have proceeded against

Contractor or any other obligor principally or secondarily obligated with respect to any Obligations under the PPA. Beneficiary shall not be obligated to file any claim relating to the Obligations in the event that Contractor or Guarantor becomes subject to a bankruptcy, reorganization or similar proceeding, and the failure of Beneficiary to so file and any bankruptcy or insolvency of Contractor or Guarantor shall not affect the Guarantor's obligations hereunder. In the event that any payment by Contractor or Guarantor in respect of any Obligations is voided, rescinded or recovered from Beneficiary as a preference or fraudulent transfer under the United States Bankruptcy Code or any applicable state law, Guarantor shall remain liable hereunder in respect to such Obligations as if such payment had not been made and/or this Guaranty Agreement shall be reinstated as necessary. This Guaranty Agreement shall continue to be effective if Contractor or Guarantor merges or consolidates with or into another entity, loses its separate legal identity or ceases to exist.

3. Maximum Liability. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED OR IMPLIED ELSEWHERE IN THIS GUARANTY AGREEMENT, THE MAXIMUM AGGREGATE LIABILITY OF GUARANTOR HEREUNDER IS \$ \_\_\_\_\_.

4. Termination. This is a continuing guaranty of all present and future Obligations. If and only if (i) the PPA has expired or been properly terminated and all Obligations are indefeasibly paid or (ii) this Guaranty Agreement is no longer required to be maintained in effect pursuant to the terms of the PPA, then and only then, Guarantor may terminate this Guaranty Agreement effective thirty (30) days after written notice by the Guarantor to the Beneficiary of Guarantor's intention to terminate this Guaranty Agreement. This Guaranty Agreement may not otherwise be terminated or revoked without Beneficiary's prior written consent. Notwithstanding the provisions of this Section 4, and despite any termination of this Guaranty Agreement, this Guaranty Agreement shall remain in full force and effect and shall continue to apply to (i) all Obligations outstanding or due before the effective date of termination, and (ii) any extensions or renewals of, interest accruing on, or fees, costs or expenses (including attorney's fees) incurred with respect to, such Obligations.

5. No Conditions. This Guaranty Agreement is direct, continuing, unconditional, and absolute and is subject only to the defenses that may be expressly reserved by Guarantor under this Guaranty Agreement. Without limiting the generality of the foregoing, Guarantor agrees that this Guaranty Agreement is not conditioned upon its receipt of any type of notice except as set forth in Section 1 (including, but not limited to, notice of acceptance of this Guaranty Agreement), and Guarantor hereby waives any right it may otherwise have to same.

6. No Discharge. Without limiting the foregoing, to the extent permitted by applicable law, none of the following or any similar event or occurrence shall operate to discharge Guarantor hereunder:

6.1 Any modification of any contract between Beneficiary and Contractor;

6.2 Beneficiary's acceptance of any instrument in substitution for any claim or debt;

- 6.3 Any renewal, extension, modification or substitution of or for any instrument;
- 6.4 Any leniency or failure to pursue collection by Beneficiary with respect to Contractor or Guarantor;
- 6.5 Any release or impairment of collateral, if any, which secures payment of Contractor's obligations to Beneficiary; or
- 6.6 The inclusion by any subsequent separate agreement or by any amendment of this Guaranty Agreement at a later date of additional guarantors of the Obligations guaranteed hereunder; or the subsequent release of any of same.
7. Defaults. For the purposes of this Guaranty Agreement, all sums to become due from Contractor to Beneficiary shall be deemed to have become immediately due and payable without notice or demand upon the occurrence of any of the following: (a) an Event of Default by or attributable to Contractor occurs under the PPA; (b) a petition under any chapter of the Bankruptcy Code, as amended, is filed by or against Contractor or Guarantor; or (c) Contractor makes a general assignment for the benefit of creditors, suspends business, or commits any act amounting to a business failure.
8. Consents, Waivers and Renewals. Guarantor agrees that Beneficiary may, at any time and from time to time, without notice to or consent of Guarantor and without impairing, reducing or releasing this Guaranty Agreement or the obligations of Guarantor hereunder: (1) extend the time of payment of any Obligations or take, exchange or surrender any collateral or security for any Obligations or renew or make any change in the terms of any Obligations or any other liability of Contractor or Guarantor to Beneficiary, (2) take or fail to take any action of any kind in respect of any security for any Obligations or other liability of Contractor or Guarantor to Beneficiary, (3) waive or release or exercise or refrain from exercising any rights against Contractor or Guarantor or others, (4) assign, create, renew, modify, replace, discharge, release, compromise or subordinate the PPA, any Obligations or any other liability of Contractor or Guarantor or any other person to Beneficiary or any security therefor, or (5) enter into, amend, replace or release any agreement effecting or modifying any of the foregoing.
9. Attorney's Fees. The Guarantor will pay for all of Beneficiary's reasonable costs incurred in enforcing its rights under this Guaranty Agreement, by legal process or otherwise, including, but not limited to, Beneficiary's reasonable attorney's fees; provided, however, if Beneficiary is unsuccessful in enforcing its rights under this Guaranty Agreement in the event of a dispute over amounts owing, Beneficiary shall be responsible for Beneficiary's costs and attorneys' fees arising in connection with such attempted enforcement of this Guaranty Agreement.
10. Subrogation. Guarantor waives and will not exercise any rights which it may acquire by way of subrogation until all the obligations of Contractor under the PPA shall have been paid in full and this Guaranty Agreement shall have been terminated. Subject to the foregoing, upon payment of all the obligations of Contractor under the PPA and termination of this Guaranty



Agreement (but not before), Guarantor shall be subrogated to the rights of Beneficiary against Contractor in respect of payments made by Guarantor under this Guaranty Agreement.

11. Assignment. This Guaranty Agreement is assignable by Beneficiary to any Eligible Assignee to whom the PPA has been assigned by Beneficiary in accordance with the provisions of Section \_\_\_\_\_ thereof and shall be construed liberally in Beneficiary's favor and shall inure to the benefit of Beneficiary, its direct and indirect successors and permitted assigns. This Guaranty Agreement is not assignable or delegable by Guarantor without the prior written consent of Beneficiary which will not be unreasonably withheld or delayed.

12. Validity and Defenses. Guarantor represents and warrants to Beneficiary that this Guaranty Agreement has been duly executed and delivered by Guarantor and constitutes the legal, valid and binding obligation of Guarantor, enforceable against Guarantor in accordance with its terms, except as the enforceability of this Guaranty Agreement may be limited by the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and by general principles of equity. The Guarantor hereby reserves to itself all rights, counterclaims and other defenses to which Contractor may have to payment of any amounts arising under the PPA, except for defenses waived in this Guaranty Agreement and except for defenses arising from the bankruptcy or insolvency of Contractor, Beneficiary (but subject to such rights with respect to Beneficiary's bankruptcy or insolvency as expressly reserved to Contractor in the PPA), Guarantor or any other party, or the power or authority of Contractor to enter into the PPA or to perform its obligations thereunder.

13. Governing Law. Legal rights and obligations hereunder shall be determined in accordance with the laws of the State of Beneficiary's principal place of business, without regard to the principles of conflicts of laws thereunder.

14. Severability. Every provision of this Guaranty Agreement is intended to be severable. If any term or provision hereof is declared to be illegal or invalid for any reason whatsoever by a court of competent jurisdiction, such illegality or invalidity shall not affect the balance of the terms and provisions hereof, which terms and provisions shall remain binding and enforceable.

15. Notices. All notices, requests, demands and other communications required or permitted to be made or given under this Guaranty Agreement shall be in writing and shall be deemed to have been given (i) on the date of personal delivery, (ii) five (5) days after the date of deposit in the U.S. Mail, by registered or certified mail, postage prepaid, or (iii) the day after the date of delivery to a reputable overnight courier service for overnight delivery, in each case addressed to the parties as follows:

If to Beneficiary, to: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Attn: \_\_\_\_\_

If to Guarantor, to: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Attn: \_\_\_\_\_

Any party may change its address for receiving notice by written notice given to the other as set forth above.

16. Entire Agreement/No Amendment. This Guaranty Agreement constitutes the entire agreement and understanding of the parties hereto respecting its subject matter and supersedes all prior written and contemporaneous oral agreements, representations and understandings relating to its subject matter. No term hereof may be changed, waived, discharged or terminated unless by an instrument signed by the party against whom enforcement of such change, waiver, discharge or termination is sought.

17. No Waiver; Cumulative Rights. No failure or delay on the part of Beneficiary to exercise, and no delay in exercising, any right, remedy or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise by Beneficiary of any right, remedy or power hereunder preclude any other or future exercise of any right, remedy or power. Each and every right, remedy and power hereby granted to Beneficiary or allowed Beneficiary by law or other agreement shall be cumulative and not exclusive of any other, and may be exercised by Beneficiary at any time or from time to time. Without limiting the foregoing: (i) this Guaranty Agreement shall not release, modify, revoke or terminate any other guaranty heretofore executed by Guarantor; nor shall any other guaranty hereafter executed by Guarantor release, modify, revoke or terminate this Guaranty Agreement except to the extent such subsequent guaranty makes specific reference to this Guaranty Agreement is agreed to in writing by Beneficiary and expressly so provides, and (ii) all of Guarantor's liabilities and obligations and Beneficiary's rights and remedies are cumulative.

18. Waivers. Guarantor waives notice of the PPA and the Obligations, any acceptance of this Guaranty Agreement, presentment, all rights of exemption, demand (except as set forth in Section 1), notice of dishonor, protest, notice of protest, notice of any sale of collateral security, notice of the release or discharge of any person or collateral and, except as expressly set forth above, all other notices.

IN WITNESS WHEREOF, Guarantor has executed this Guaranty Agreement on the date shown below.

\_\_\_\_\_  
**By:** \_\_\_\_\_  
**Its:** \_\_\_\_\_  
**Date:** \_\_\_\_\_

## APPENDIX H

## EXAMPLE CALCULATIONS

## A. Hourly Capacity Calculations, EFMH, and EUH

Pursuant to Section 21.21 of this Agreement, Table H-1 provides the following example calculations: hourly capacity calculations, Equivalent Force Majeure Hours, Equivalent Unavailable Hours, and Monthly Capacity Payment. To facilitate clarity, some simplifying assumptions regarding data have been made. The assumptions for these examples are set forth below and in Lines 1-14 of Table H-1. Each example calculation, using line numbers, is set forth in the second column of the Table H-1.

For purposes of the calculations in Table H-1, the hourly conditions were assumed to exist in every hour of the month and the monthly conditions were assumed to exist in every month of the year. Actual calculations during the term of this Agreement will require build-up of the operating results on an hourly basis.

Assumptions for the examples in Table H-1 are:

• Total Facility Capacity	540 MW	14
• Scheduled Energy	0 MWh	15
• Delivered Energy	0 MWh	16
• Total Affected Capacity (Outage)	100 MW	17
• Total Affected Capacity (Force Majeure)	50 MW	18
• Alternate Resource designated in response to an Outage	55 MW	19
• Alternate Resource designated in response to a Force Majeure Event	25 MW	20
• Energy from an Alternate Resource designated in response to an Outage	0 MWh	21
• Energy from an Alternate Resource designated in response to a Force Majeure Event	0 MWh	22
• Facility Energy	0 MWh	23
• Other Energy agreed by the Parties to be Delivered Energy	0 MWh	24
• Unavailable Alternate Resource Capacity (Outage)	10 MW	25
• Unavailable Alternate Resource Capacity (Force Majeure)	5 MW	26

Table H-1

## Assumptions

Line	Calculations (Using Line Numbers)		Units	Value
1		Total Facility Capacity	MW	540
2		Scheduled Energy	MWH	-
3		Delivered Energy	MWH	-
4		Total Affected Capacity (Outage)	MW	100
5		Total Affected Capacity (Force Majeure)	MW	50
6		Alternate Resource designated in response to an Outage	MW	55
7		Alternate Resource designated in response to a Force Majeure	MW	25
8		Buyer Percentage	%/100	0.648
9		Energy from an Alternate Resource in Line 6	MWH	-
10		Energy from an Alternate Resource in Line 7	MWH	-
11		Facility energy	MWH	-
12		Other energy agreed by the Parties to be Delivered Energy	MWH	-
13		Unavailable Alternate Resource Capacity (Outage)	MW	10
14		Unavailable Alternate Resource Capacity (Force Majeure)	MW	5

## Example Hourly Calculations of Capacity, EFMH, and EUH

15	Lesser of 350 or $1 * 8$	Contract Capacity	MW	350
16	$15 - (17 + 18)$	Available Capacity	MW	253
17	$15 - 23$	Outage Capacity	MW	65
18	$15 - 26$	Force Majeure Capacity	MW	32
19	$3 - (16 + 10)$	Delivered Energy Credit	MWH/Hour	-
20	$17 + 14 - 19 - [(6 - 13) - 19]$	Unavailable Capacity	MW	25
21	$(\text{Lesser of } 540 \text{ or } 1) + 27 - 4$	Total Capacity Unaffected by Outage	MW	440
22	Lesser of 540 or 21	Adjusted Total Unaffected Capacity (Outage)	MW	440
23	$22 * 8$	Unaffected Contract Capacity (Outage)	MW	285
24	$1 - 5$	Total Capacity Unaffected by Force Majeure	MW	490
25	Lesser of 540 or 24	Adjusted Total Unaffected Capacity (Force Majeure)	MW	490
26	$25 * 8$	Unaffected Contract Capacity (Force Majeure)	MW	318
27	$24 - 540$	Unused Excess Capacity	MW	-
28	$18 - 7$	Equivalent force majeure capacity	MW	7
29	$28 / 15$	Equivalent Force Majeure Hour (EFMH)	Hours/Hour	0.021
30	$20 / 15$	Equivalent Unavailable Hour (EUH)	Hours/Hour	0.071

## Example Calculation of Monthly Capacity Payment

Assume hourly case above occurs in every hour of the month

31	15	Contract Capacity	MW	350
32		Contract Capacity Price	\$/kW-mo.	6.18
33		Monthly hours	Hours	744
34		EFMH accumulated for the month	Hours/Month	16
35	$31 * 32 * 1000 * (33 - 34) / 33$	Monthly Capacity Payment (MCP)	\$	2,116,774

Use underlined values only if they result in values that are positive.  
Numbers in *italics* are actual numbers, not line numbers.

B. Capacity Availability Performance Adjustments

Pursuant to Section 21.21 of the Agreement, Table H-2 provides the following example calculations:  
 Capacity Availability Performance Adjustment for a Peak Performance Period, Capacity Availability  
 Performance Adjustment for a Normal Off-Peak Performance Period, and Capacity Availability  
 Performance Adjustment for a Major Maintenance Off-Peak Performance Period.

Each example calculation, using line numbers, is set forth in the second column of Table H-2.

Assumptions for the examples in Table H-2 are:

- Peak Performance Period Hours 3,672 Hours
- EFMH accumulated for the Peak Performance Period 73.4 Hours
- Delivery Excuse hours accumulated for the Peak Performance Period 0 Hours
- EUH accumulated for the Peak Performance Period 20 Hours
  
- Normal Off-Peak Performance Period Hours 5,088 Hours
- EFMH accumulated for the Normal Off-Peak Performance Period 101.8 Hours
- Delivery Excuse hours accumulated for the Normal Off-Peak Performance Period 24 Hours
- EUH accumulated for the Normal Off-Peak Performance Period 2,300 Hours
  
- Major Maintenance Off-Peak Performance Period Hours 5,088 Hours
- EFMH accumulated for the Major Maintenance Off-Peak Performance Period 101.8 Hours
- Delivery Excuse hours accumulated for the Major Maintenance Off-Peak Performance Period 24 Hours
- EUH accumulated for the Major Maintenance Off-Peak Performance Period 1,000 Hours

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Table H-2

## Example Calculation of Capacity Availability Performance Adjustment

## Peak Performance Period

Line	Calculations (Using Line Numbers)	Assumptions	Units	Value
1		Performance Period Hours	Hours	3,672
2		EFMH accumulated for the Performance Period	Hours	73.4
3		Delivery Excuse hours accumulated for the Performance Period	Hours	-
4	1 - 2 - 3	Total Hours	Hours	3,599
5		EUH accumulated for the Performance Period	Hours	20
6	4 - 5	Total Available Hours	Hours	3,579
7	6 / 4	Actual Demand Availability (ADA)		0.994
8	$(7 - 0.98) * 1.5$	Capacity Adjustment Factor for Peak Performance Period (CAF)		0.021
9	$5 * 6.18 * 1,000 * 350 * (1 - 2) / 1$	Sum of Capacity Payments for the Performance Period (ACP)	\$	10,598,700
10	8 * 9	Capacity Availability Performance Adjustment (CAPA) Peak Performance Period	\$	222,573

## Normal Off-Peak Performance Period

1		Performance Period Hours	Hours	5,088
2		EFMH accumulated for the Performance Period	Hours	101.8
3		Delivery Excuse hours accumulated for the Performance Period	Hours	24
4	1 - 2 - 3	Total Hours	Hours	4,962
5		EUH accumulated for the Performance Period	Hours	2,300
6	4 - 5	Total Available Hours	Hours	2,662
7	6 / 4	Actual Demand Availability (ADA)		0.536
8	$(7 - 0.90) * 0.3$	Capacity Adjustment Factor for Normal Off-Peak Performance Period (CAF)		(0.109)
9	$7 * 6.18 * 1,000 * 350 * (1 - 2) / 1$	Sum of Capacity Payments for the Performance Period (ACP)	\$	14,838,180
10	8 * 9	Capacity Availability Performance Adjustment (CAPA) Normal Off-Peak Performance Period	\$	(1,617,362)

## Major Maintenance Off-Peak Performance Period

1		Performance Period Hours	Hours	5,088
2		EFMH accumulated for the Performance Period	Hours	101.8
3		Delivery Excuse hours accumulated for the Performance Period	Hours	24
4	1 - 2 - 3	Total Hours	Hours	4,962
5		EUH accumulated for the Performance Period	Hours	1,000
6	4 - 5	Total Available Hours	Hours	3,962
7	6 / 4	Actual Demand Availability (ADA)		0.798
8	$(7 - 0.83) * 0.3$	Capacity Adjustment Factor for Major Maintenance Off-Peak Performance Period (CAF)		(0.010)
9	$7 * 6.18 * 1,000 * 350 * (1 - 2) / 1$	Sum of Capacity Payments for the Performance Period (ACP)	\$	14,838,180
10	8 * 9	Capacity Availability Performance Adjustment (CAPA) Major Maintenance Off-Peak Performance Period	\$	(148,382)

Numbers in *italics* are actual numbers, not line numbers.

C. Monthly Energy Payment

Pursuant to Section 21.21 of the Agreement, Table H-3 provides an example calculation of the Monthly Energy Payment.

Each example calculation, using line numbers, is set forth in the second column of Table H-3.

Assumptions for the examples in Table H-3 are:

• Delivered Energy (5-16 hr schedules @ 50 MW & 15-16 hr schedules @ 350 MW)	88,000 MWh	6
• Delivered Energy at the Alternate Delivery Point (DEA)	0 MWh	7
• Number of Hours when Seller provides Delivered Energy	320 Hours	8
• Heat Rate (HR)	7.9 MMBtu/MWh	9
• SNG Gas Daily Midpoint Price	5.7850 \$/MMBtu	10
• Gas Contract Premium	0.0200 \$/MMBtu	11
• Variable Zone 0 to Zone 2 Transportation	0.0190 \$/MMBtu	12
• Surcharge: Annual Charge Adjustment - ACA	0.0021 \$/MMBtu	13
• Surcharge: Storage Cost Reconciliation Mechanism - SCRM	0.0010 \$/MMBtu	14
• Quoted Price	5.7500 \$/MMBtu	15
• Resupplied Fuel Volume (FV <sub>R</sub> )	0 MMBtu	16
• Excess Fuel Volume (FV <sub>E</sub> )	0 MMBtu	17

Table H-3

## Example Calculation of Monthly Energy Payment

Line	Calculations (Using Line Numbers)	Monthly Energy Payment Calculation	Units	Value
1		Year		2010
2		Month		Dec
3		Delivered Energy at the Facility Delivery Point (DEF)	MWh	88,000
4		Delivered Energy at the Alternate Delivery Point (DEA)	MWh	-
5		Number of hours when Seller provides Delivered Energy (DH)	Hours	320
6	$((5*16*50/3)*8,550+(15*16*350/3)*7,850)/1,000$	Heat Rate (HR)	MMBtu/MWh	7.9
7		SNG Gas Daily Midpoint price	\$/MMBtu	5.7850
8		Gas contract premium	\$/MMBtu	0.0200
9		Variable Zone 0 to Zone 2 Transportation	\$/MMBtu	0.0190
10		Surcharge: Annual Charge Adjustment (ACA)	\$/MMBtu	0.0021
11		Surcharge: Storage Cost Reconciliation Mechanism (SCRM)	\$/MMBtu	0.0010
12	$(7/(1-0.023))-7$	Fuel Retention	\$/MMBtu	0.1362
13	$7+8+9+10+11+12$	Gas Charges (GC)	\$/MMBtu	5.9633
14		Variable Operations and Maintenance Expense Rate ( $VOM_{MWh}$ )	\$/MWh	0.65
15		Variable Operations and Maintenance Expense Rate ( $VOM_h$ )	\$/hr	735
16	$3*((6*13)+14)$	Facility Energy Charges (FEC)	\$	4,193,336
17	$4*((6*13*0.98)+14)$	Alternate Resource Energy Charges (AREC)	\$	-
18	$7+8$	Gas Price	\$/MMBtu	5.8050
19		Quoted Price	\$/MMBtu	5.7500
20	$19-18$	Incremental Fuel Cost (IFC)	\$/MMBtu	-0.0550
21		Resupplied Fuel Volume ( $FV_R$ )	MMBtu	-
22		Excess Fuel Volume ( $FV_E$ )	MMBtu	-
23	$20*21-20*22$	Monthly Fuel Cost Adjustment (MFCA)	\$	0
24	$16+17+5*15+23$	Monthly Energy Payment (MEP)	\$	4,428,536

Numbers in *italics* are actual numbers, not line numbers.





E. Monthly Fuel Transportation Payment

Pursuant to Section 21.21 of the Agreement, Table H-5 provides an example calculation of the Monthly Fuel Transportation Payment.

The example calculation, using line numbers, is set forth in the second column of Table H-5.

Assumptions for the example in Table H-5 are:

- Contract MMBtu/day 58,500 MMBtu
- Contract Rate 6.00 \$/MMBtu

Table H-5

Example Calculation of Monthly Fuel Transportation Payment

Line	Calculations (Using Line Numbers)	Units		
1				2010
2		Month		Jun
3		Contract MMBtu/day	MMBtu	58,500
4		Contract Rate	\$/MMBtu	6.00
5	3 * 4	Monthly Fuel Transportation Payment	\$	351,000

Use underlined values only if they result in values that are positive. Numbers in *italics* are actual numbers, not line numbers.

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CONTRACT FOR THE  
PURCHASE OF CAPACITY AND ENERGY  
BETWEEN  
SOUTHERN COMPANY SERVICES, INC.

AND

FLORIDA POWER CORPORATION D/B/A  
PROGRESS ENERGY FLORIDA, INC.

FROM

PLANT SCHERER UNIT NO. 3

DATED AS OF NOVEMBER 24, 2004

*12-1-06 (entire DN)*  
**DECLASSIFIED**  
**CONFIDENTIAL** (Part 2 of 3)

DOCUMENT NUMBER DATE

13122 DEC 13 2004

FPSC-COMMISSION OF ERK

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**CONTRACT FOR THE PURCHASE OF  
CAPACITY AND ENERGY  
BETWEEN  
SOUTHERN COMPANY SERVICES, INC.,  
AS AGENT FOR  
GEORGIA POWER COMPANY AND GULF POWER COMPANY,  
AND  
FLORIDA POWER CORPORATION D/B/A  
PROGRESS ENERGY FLORIDA, INC.**

This **CONTRACT FOR THE PURCHASE OF CAPACITY AND ENERGY** is made and entered into as of this 24th day of November, 2004 (“Effective Date”), between **SOUTHERN COMPANY SERVICES, INC.**, an Alabama corporation having its principal office and place of business at 600 North 18<sup>th</sup> Street, Birmingham, Alabama 35203, acting as agent (in such capacity hereinafter referred to as “SCS”) for Georgia Power Company (hereinafter referred to as “Georgia Power”), a Georgia corporation having its principal office and place of business at 241 Ralph McGill Boulevard NE, Atlanta, Georgia 30308, and Gulf Power Company (hereinafter referred to as “Gulf Power” and collectively with Georgia Power referred to as “Seller”), a Maine corporation having its principal office and place of business at One Energy Place, Pensacola, Florida 32520, and **FLORIDA POWER CORPORATION**, doing business as Progress Energy Florida, Inc. (hereinafter referred to as “Buyer”), a Florida corporation having its principal office and place of business at 100 Central Avenue, St. Petersburg, Florida 33701. Seller and Buyer are hereafter referred to individually and collectively as a “Party” or the “Parties,” respectively.

**RECITALS:**

Buyer desires to purchase and Seller desires to sell, capacity and energy in accordance with this Agreement.

Subject to the terms and conditions of this Agreement, Seller will provide and sell to Buyer, and Buyer will accept and purchase from Seller, capacity and energy from the Facility or from other resources as provided in this Agreement.

NOW THEREFORE, in consideration of the foregoing recitals and the mutual covenants and agreements hereinafter set forth, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

## ARTICLE 1

### DEFINITIONS

The following terms shall have the respective meanings set forth below.

“Affiliate” means, with respect to a corporation, partnership or other entity, each such other corporation, partnership or other entity that directly or indirectly (through one or more intermediaries) controls, is controlled by, or is under common control with, such corporation, partnership, or other entity. A voting interest of 10 percent or more creates a rebuttable presumption of control.

“After-Tax Basis” means, with respect to any payment under Section 12.2 to any Person, the amount of such payment (“Base Payment”) supplemented by a further payment (“Additional Payment”) to that Person so that the sum of the Base Payment plus the Additional Payment shall, after deduction of the amount of all Federal, state and local income taxes required to be paid by such Person in respect of the receipt or accrual of the Base Payment and the Additional Payment (taking into account the net present value of any reduction in such income taxes resulting from tax benefits realized by the recipient as a result of the payment or the event giving rise to the payment), be equal to the amount required to be received. Such calculations shall be made on the basis of the highest generally applicable Federal, state and



local income tax rates applicable to the Person for whom the calculation is being made for all relevant periods, and shall take into account the deductibility of state and local income taxes for Federal income tax purposes.

“**Agreement**” means this Contract for the Purchase of Capacity and Energy, including, to the extent applicable, any appendices hereto and any amendments that the Parties may execute now or at any time in the future.

“**Alternate Delivery Point(s)**” means, when Seller designates an Alternate Resource(s) pursuant to Section 5.5 or Section 5.6 (including a Replacement Resource), the applicable point(s) of delivery connected to the Southern Company Transmission System designated by Seller.

“**Alternate Resource(s)**” means any resource or resources other than the Facility (whether such other resources are owned, purchased or otherwise controlled by Seller, or that are otherwise available to Seller) that Seller designates pursuant to Section 5.5 or Section 5.6.

“**Available Capacity**” means, at any given time, the Contract Capacity less the sum of: (i) the Force Majeure Capacity at such time; and (ii) the Outage Capacity at such time.

“**Billing Month**” means each Month during the Term beginning with the second Month of the first Contract Year and includes the Month immediately following the expiration or early termination of this Agreement.

“**Btu**” means British Thermal Units.

“**Business Day**” means any Day on which Federal Reserve Member Banks in New York, New York are open for business. A Business Day shall begin at 0800 CPT and end at 1700 CPT.

“**Buyer**” has the meaning set forth in the introductory paragraph hereof.

“**Buyer Delivery Point(s)**” means, for any hour of any Delivery Day, the point(s) on the Southern Company Transmission System to which Buyer intends to transmit energy delivered by Seller under this Agreement.

“**Buyer Percentage**” means 8.77 percent.

“**Central Prevailing Time**” or “**CPT**” means the local time at any point in Birmingham, Alabama.

“**Change in Law**” means the adoption, enactment, promulgation or issuance of, a change in, or a new or changed interpretation by a Government Agency of, any Law after February 6, 2004.

“**Commercially Reasonable**” or “**Commercially Reasonable Efforts**” means, with respect to any purchase, sale, decision, or other action made, attempted or taken by a Party, such efforts as a reasonably prudent business would undertake for the protection of its own interest under the conditions affecting such purchase, sale, decision, or other action, including without limitation, electric system reliability and stability, the amount of notice of the need to take such action, the duration and type of the purchase or sale or other action, and the commercial environment in which such purchase, sale, decision, or other action occurs.

“**Comparable Service**” means transmission service that replaces transmission service previously procured by Buyer (i.e., redirected transmission service) from the Facility Delivery Point that has the same or a higher level of firmness as the replaced transmission service and that does not have a total transmission cost (including any additional congestion costs that Buyer must incur to obtain the replacement service) that is greater than the cost of the replaced transmission service.

“**Contemporaneous Agreements**” means: (i) this Agreement; and (ii) the Contract for the Purchase of Capacity and Energy from Plant Franklin Unit No. 1 dated as of November 24, 2004 between Southern Company Services, Inc. (acting as agent for Southern Power Company) and Buyer.

“**Contest**” means with respect to any Person, a contest of any Governmental Approval or Law, acts or omissions by any Government Agency, a requirement of any Government Agency, or any related matters, so long as the contesting Party could not reasonably be expected to be prevented from performing its material obligations under this Agreement pending the outcome of such contest.

“**Contract Capacity**” means, for the applicable calendar year, the product of: (i) the Buyer Percentage; and (ii) the applicable Total Facility Capacity, rounded down to the nearest whole MW.

“**Contract Year**” means: (i) for the first Contract Year, the Service Commencement Date through the next date that is May 31; and (ii) for each Contract Year thereafter, each twelve (12) Month period beginning June 1 and ending May 31; provided, however, the last Contract Year shall end on the date that this Agreement terminates or expires.

“**Day**” means the period of time beginning at hour ending 0100 CPT and ending at hour ending 2400 CPT.

“**Delivery Day**” means any Day for which Buyer Schedules energy to be delivered in accordance with this Agreement.

“**Delivered Energy**” means, for any hour, the amount of energy (expressed in MWh) delivered by Seller in accordance with this Agreement and shall equal the sum of energy

delivered by Seller to the Delivery Point pursuant to Buyer's Schedule and any energy provided and/or procured by Seller to resolve energy imbalances at the Delivery Point.

**"Delivered Energy Credit"** means, for any hour, to the extent such difference is positive, the difference of: (i) Delivered Energy for such hour; less (ii) Available Capacity plus the portion of Delivered Energy provided from an Alternate Resource(s) designated for such hour pursuant to Section 5.5.1 in response to a Force Majeure Event.

**"Delivery Excuse"** means: (i) an Event of Default by Buyer; (ii) the interruption of transmission service procured by Buyer or the unavailability to Buyer of transmission service beyond the Delivery Point(s); or (iii) any directive from the applicable transmission provider and/or the control area operator to cease deliveries of energy from the Facility.

**"Delivery Point"** means the Facility Delivery Point when Seller designates the Facility as the source of Delivered Energy and/or the Alternate Delivery Point(s) (as applicable) to which Seller shall deliver energy to Buyer hereunder.

**"Effective Date"** has the meaning set forth in the introductory paragraph hereof.

**"Electric Metering Equipment"** means electric meters and associated equipment, including metering transformers and back-up meters.

**"EFMH"** or **"Equivalent Force Majeure Hour"** shall occur in any hour (or portion of an hour) in which a Force Majeure Event affecting the Facility or the electric facilities prior to the Facility Delivery Point is occurring or is continuing. During such an hour, EFMH shall equal the ratio of: (A)(i) Force Majeure Capacity for such hour; less (ii) the amount of electric capacity associated with an Alternate Resource(s), whether available or unavailable, that has been designated for such hour pursuant to Section 5.5.1 in response to the Force Majeure Event causing the Force Majeure Capacity to exist; to (B) the Contract Capacity.

“**EUH**” or “**Equivalent Unavailable Hour**” shall occur in any hour (or portion of an hour) in which there is Unavailable Capacity. For such an hour, EUH shall equal the ratio of: (i) Unavailable Capacity for such hour; to (ii) the Contract Capacity for such hour.

“**Event of Default**” has the meaning set forth in Section 14.1.

“**Facility**” means Seller’s coal fired steam turbine electric generating unit known as Plant Robert W. Scherer Unit No. 3 (as may be modified) and all appurtenant facilities located near Juliette, Georgia which directly interconnects to the Georgia Integrated Transmission System.

“**Facility Delivery Point**” means the substation where the Facility interconnects to the Georgia Integrated Transmission System (or other applicable transmission system) at the transmission system voltage.

“**FERC**” means the Federal Energy Regulatory Commission, or any successor to its functions.

“**Florida Interface**” means the transmission interface between the Southeastern Electric Reliability Council (or its successor) region and the Florida Reliability Coordinating Council (or its successor) region as such regions exist on the Effective Date.

“**Force Majeure Capacity**” means, for any hour in which a Force Majeure Event affecting the Facility or the electric facilities prior to the Facility Delivery Point occurs or is continuing, the product of: (i) the portion of the Total Facility Capacity that is not available from the Facility as a result of such Force Majeure Event; and (ii) the Buyer Percentage.

“**Force Majeure Event**” has the meaning set forth in Section 13.1.

“**Forced Outage**” means any condition or circumstance in which the generating capability of the Facility is eliminated or reduced (in whole or in part) for any reason, including

an actual or threatened component failure. A Forced Outage does not include those times that the Facility's capability is reduced (in whole or in part) due to a Force Majeure Event, Delivery Excuse, or during Scheduled Outages or Maintenance Outages.

**"Georgia Integrated Transmission System"** or **"GITS"** means the electric transmission systems owned individually by Georgia Power, Georgia Transmission Corporation, the Municipal Electric Authority of Georgia and the City of Dalton, Georgia, and operated as an integrated transmission system, as well as any successor transmission system.

**"Georgia Power"** has the meaning set forth in the introductory paragraph hereof.

**"Government Agency"** means any federal, state, local, territorial or municipal government and any department, commission, board, court, bureau, agency, instrumentality, judicial or administrative body thereof.

**"Governmental Approval"** means any authorization, consent, approval, license, ruling, permit, exemption, variance, order, judgment, decree, declarations of or regulation of any Government Agency relating to the Facility or to the execution, delivery or performance of this Agreement.

**"Guarantor"** has the meaning set forth in Section 14.1.

**"Guaranty"** means a guaranty or other instrument guaranteeing a Party's obligations under this Agreement as contemplated under Article 18.

**"Gulf Power"** has the meaning set forth in the introductory paragraph hereof.

**"IIC"** means the Southern Company System Intercompany Interchange Contract among the electric operating companies of Southern Company (or any successor arrangement), as the same may be changed or amended from time to time.

**"Imaged Agreement"** has the meaning set forth in Section 19.17.

“Increased Generation Costs” means the additional costs and expenses associated with the Facility and/or the electricity generated by the Facility that result from complying with or recognizing a Change in Law, including costs and expenses associated with the Plant that are incurred as a result of a Change in Law and benefit the Facility (e.g., the installation of equipment at one unit of the Plant that would be intended to benefit another unit(s) at the Plant or eliminate or delay the need to install equipment at such other unit(s)). Examples of Increased Generation Costs shall include costs and expenses resulting from: (i) compliance with environmental Laws changing existing emissions limits (e.g., NO<sub>x</sub>) or establishing limits for currently uncontrolled substances (e.g., CO<sub>2</sub> and mercury); (ii) increases in Taxes (except for income taxes); (iii) compliance with health and safety Laws; and (iv) the imposition of or increase in Taxes on power and Gas sales. For purposes of calculating the Increased Generation Costs associated with capitalized additions or modifications or other capital expenditures (determined in accordance with Generally Accepted Accounting Principles), the Parties will at that time establish an appropriate annual fixed charge rate for application to the original capital cost (less depreciation) of such additions, modifications, or other capital expenditures. Such fixed charge rate shall incorporate in appropriate proportions: (i) Georgia Power’s and Gulf Power’s costs of debt; (ii) Georgia Power’s and Gulf Power’s costs of preferred stocks; and (iii) Georgia Power’s and Gulf Power’s costs of equity (which costs of equity shall be deemed equal to the applicable rate of return on equity that would be allowed for such capitalized addition, modifications or other expenditures by the Georgia Public Service Commission and the Florida Public Service Commission (as applicable) if the costs of such items were recovered in retail rates) (“Rate of Return”); provided that in the case of Gulf Power, the Rate of Return shall mean the return on equity that is applicable to capital costs Gulf Power is authorized by the Florida

Public Service Commission to recover through the Environmental Cost Recovery Clause (or its  
successor cost recovery mechanism, but if there is no successor, Gulf Power's cost of equity  
shall be the Rate of Return)). This calculation shall take into account Georgia Power's and Gulf  
Power's respective ownership shares of the portion of the Facility dedicated to wholesale  
service. This calculation will represent the total cost associated with the identified addition,  
modifications, or other capital expenditures including depreciation, useful life, carrying costs,  
and any other cost or expense item related to capital investments. Once initially established,  
any fixed charge rate hereunder for a particular addition, modification, or expenditure shall not  
be subject to change with regard to such addition, modification or expenditure. Any costs  
and/or expenses not otherwise reflected in a fixed charge rate calculation shall be treated as  
Increased Generation Costs as incurred. If Buyer disagrees in good faith with Seller's  
determination of Increased Generation Costs, such disagreement shall be resolved pursuant to  
the procedure in Section 11.2.

“kW” means kilowatt(s).

“kWh” means kilowatt hour(s).

“Law” means any act; statute; law; requirement; ordinance; order; ruling or rule;  
regulation; standards and/or criteria contained in any permit, license or other approval;  
legislative or administrative action; or a decree, judgment or order of any Government Agency  
imposed, whether in effect now or at any time in the future.

“Long Term Firm Transmission Service” means firm point-to-point (or other  
equivalent) transmission service for a term of one year or more.

“Maintenance Outage” has the meaning set forth in Section 4.2.

“Minimum Schedule Amount” has the meaning set forth in Appendix D.



“MMBtu” means one million Btu.

“Month” means a calendar month.

“Monthly Capacity Payment” means the payment for Contract Capacity to be made by Buyer to Seller pursuant to Section 6.1.

“Monthly Energy Payment” means the payment for Delivered Energy to be made by Buyer to Seller pursuant to Section 6.2.

“Monthly Start Payment” means the payment for Successful Starts to be made by Buyer to Seller pursuant to Section 6.3.

“Moody’s” has the meaning set forth in Section 17.1.

“MW” means megawatt(s).

“MWh” means megawatt hour(s).

“NERC” means the North American Electric Reliability Council, or any successor to its functions.

“OATT” means the Open Access Transmission Tariff of Southern Companies or a successor tariff governing transmission on the Southern Company Transmission System, as the same may be changed or amended from time to time.

“Operating Committee” has the meaning set forth in Section 4.5.

“Operating Procedures” has the meaning set forth in Section 4.4.

“Outage Capacity” means, for any hour in which a Forced Outage occurs or is continuing, the product of: (i) the portion of the Total Facility Capacity that is not available from the Facility as a result of such Forced Outage; and (ii) the Buyer Percentage.

“Person” means any individual, corporation, limited liability corporation, partnership, joint venture, trust, unincorporated organization, Government Agency or other entity.

“**Plant**” means Seller’s Plant Robert W. Scherer Units 1 through 4 and all appurtenant facilities located near Juliette, Georgia, as such plant and facilities may be modified and/or expanded from time to time (including the addition of generating units).

“**Prior Business Day**” means the Business Day immediately prior to a Delivery Day.

“**Prime Rate**” means, for any Day on which the calculation of an interest amount begins under this Agreement, the “Prime Rate” specified for such Day (or, if such Day is not a Business Day, on the first Business Day following such Day) under the “Money Rate” table of the *Wall Street Journal*. In the event that the *Wall Street Journal* ceases to report a Prime Rate, the Prime Rate shall be the prime rate (or its functional equivalent) charged by the Federal Reserve Bank of Atlanta, Georgia.

“**Prudent Industry Practices**” means any of the practices, methods, standards and acts (including the practices, methods and acts engaged in or approved by a significant portion of the electric power industry in the United States) that, at a particular time, in the exercise of reasonable judgment in light of the facts known or that should reasonably have been known at the time a decision was made, could have been expected to accomplish the desired result consistent with good business practices, reliability, economy, safety and expedition, and which practices, methods, standards and acts generally conform to operation and maintenance standards recommended by equipment suppliers and manufacturers, applicable design limits and applicable Governmental Approvals and Laws.

“**S&P**” has the meaning set forth in Section 17.1.

“**Schedule**” means the right of Buyer to request the delivery of Scheduled Energy in accordance with this Agreement. Any form of the term Schedule (e.g., “Scheduled,” “Schedules” or “Scheduling”) shall refer to the exercise of such right by Buyer.

“**Schedule Shut-Down**” means any time Buyer goes from having some energy Scheduled to having no energy Scheduled.

“**Schedule Start**” means each time that Buyer goes from not having any energy Scheduled to having some amount of energy Scheduled.

“**Scheduled Energy**” means the amounts of energy, expressed in whole MWh, Scheduled by Buyer to be delivered by Seller in accordance with this Agreement.

“**Scheduled Outage**” means maintenance and/or outages conducted and/or taken by Seller pursuant to Section 4.1.

“**Scheduling Parameters**” has the meaning set forth in Appendix D.

“**SEARUC**” means the Southeastern Association of Regulatory Utility Commissioners.

“**Seller**” has the meaning set forth in the introductory paragraph hereof.

“**Service Commencement Date**” means June 1, 2010; provided, however, that such date may be extended by Seller due to a Force Majeure Event for a period equal to the period of delay caused by said Force Majeure Event.

“**Southern Company**” means the Southern Company, a publicly held corporation, organized and existing under the laws of the State of Delaware and having its principal place of business in Atlanta, Georgia.

“**Southern Company Transmission**” means the functional transmission division of Southern Company and its affiliates, as well as any successor transmission service provider.

“**Southern Company Transmission System**” means the integrated transmission systems of the electric operating companies of Southern Company, as such systems may be modified or expanded from time-to-time, as well as any successor transmission system(s).

"Successful Start" means each time that Seller goes from delivering no energy to 1  
 delivering an amount of energy at least equal to the Minimum Schedule Amount during two 2  
 consecutive hours of Buyer's Schedule (or such lesser amount of time for which Buyer has 3  
 requested at least the Minimum Schedule Amount); provided, however, if Seller interrupts the 4  
 delivery of energy during Buyer's Schedule (other than pursuant to Buyer's request or a 5  
 Delivery Excuse), a Successful Start shall not be deemed to have occurred when delivery is 6  
 resumed pursuant to the same Schedule. 7

"Taxes" means any or all ad valorem, property, occupational, severance, emissions, 8  
 generation, first use, conservation, energy, transmission, utility, gross receipts, privilege, sales, 9  
 use, excise and other taxes, governmental charges, licenses, fees, permits and assessments, and 10  
 taxes based on net income or net worth. 11

"Term" has the meaning set forth in Section 2.1. 12

"Total Facility Capacity" means, for each calendar year, the full load capacity rating 13  
 (or equivalent rating) of the Facility (including the portions of the Facility owned by Gulf Power 14  
 and Georgia Power) for such year as set forth in the applicable informational filing(s) under the 15  
 IIC made at FERC, adjusted to transmission voltage level. Total Facility Capacity (as may be 16  
 modified) shall be effective for each applicable calendar year beginning on January 1 of such 17  
 year. 18

"Unavailable Capacity" means, for any hour: (i) Outage Capacity for such hour; less 19  
 (ii) the Delivered Energy Credit; less (iii) if positive, the difference of the available portion of 20  
 capacity associated with an Alternate Resource(s) that has been designated for such hour 21  
 pursuant to Section 5.5.1 in response to the Forced Outage causing Outage Capacity to exist, 22  
 less the Delivered Energy Credit; plus (iv) the unavailable portion of capacity associated with 23

an Alternate Resource(s) designated for such hour pursuant to Section 5.5.1 in response to a Force Majeure Event.

## ARTICLE 2

### TERM OF AGREEMENT

**2.1 Term.** Subject to the survival provisions herein, this Agreement shall continue in full force and effect from the Effective Date until the end of the Service Term, or on such earlier date on which this Agreement is terminated in accordance with its terms (“Term”).

**2.2 Service Term.** Subject to early termination of this Agreement as provided hereunder, Seller’s obligation to provide and sell and Buyer’s obligation to accept and purchase Contract Capacity and Scheduled Energy shall extend from the Service Commencement Date through December 31, 2015 (“Service Term”).

**2.3 Survival.** All provisions of this Agreement that expressly or by implication come into or continue in force and effect following the expiration or termination of this Agreement shall remain in effect and be enforceable following such expiration or termination.

**2.4 Effect of Termination.** Subject to the exercise of a non-defaulting Party’s rights under Section 14.2, in the event that this Agreement is terminated, the rights and obligations of the Parties hereunder shall continue unaffected until the termination is effective in accordance with the terms and conditions thereof. Any termination of this Agreement shall not relieve Buyer of its obligation to pay any unpaid invoices for any Contract Capacity made available and Delivered Energy prior to the effective date of such termination, relieve Seller of its obligation to provide Contract Capacity and to deliver Scheduled Energy prior to the effective date of such termination, or relieve either Party of any of its other liabilities or obligations accruing prior to termination.

ARTICLE 3

SALE AND PURCHASE OF CAPACITY AND ENERGY

3.1 **Sale and Purchase of Capacity.** Subject to the terms and conditions of this Agreement, beginning on the Service Commencement Date and until the end of the Service Term, Seller shall make available and sell to Buyer, and Buyer shall accept and purchase, the Contract Capacity.

3.2 **Sale and Purchase of Energy.** Subject to the terms and conditions of this Agreement, beginning on the Service Commencement Date and until the end of the Service Term, Seller shall deliver and sell to Buyer, and Buyer shall accept and purchase from Seller, energy up to the Contract Capacity as and when Scheduled by Buyer.

ARTICLE 4

FACILITY MAINTENANCE

4.1 **Scheduled Outages.** Commencing in 2010 and each year thereafter, Seller shall submit to Buyer, before February 1, a schedule of Facility outages during which maintenance and/or the installation of equipment required by Law or Prudent Industry Practices will be performed for the next Contract Year ("Scheduled Outages"). Such maintenance and outages shall be scheduled in accordance with Prudent Industry Practices. Prior to or during any Contract Year, Seller may reschedule any Scheduled Outages in accordance with Prudent Industry Practices.

4.2 **Maintenance Outages.** In addition to Scheduled Outages under Section 4.1, Seller shall be entitled to take an outage at the Facility at any time in order to perform unscheduled maintenance ("Maintenance Outage"), subject to the following. Prior to taking a Maintenance Outage, Seller shall notify Buyer of the amount of Contract Capacity that will not

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be available for Scheduling, the start time and duration for the Maintenance Outage, and the  
reason for the Maintenance Outage. In addition, Seller shall utilize reasonable efforts consistent  
with Prudent Industry Practices to not schedule a Maintenance Outage during hours for which  
Buyer has already submitted a Schedule.

**4.3 Permits and Compliance with Laws.**

4.3.1 Subject to the right of Contest, each Party shall acquire and maintain in  
effect all Governmental Approvals necessary for it to perform its obligations under this  
Agreement.

4.3.2 Subject to the right of Contest, each Party shall at all times comply with  
all Laws and Governmental Approvals applicable to such Party that are necessary for such Party  
to perform its obligations under this Agreement.

**4.4 Operating Procedures.** Buyer and Seller shall begin to develop written  
Operating Procedures no later than six (6) months before the Service Commencement Date.  
Such Operating Procedures shall be completed no later than thirty (30) Days before the Service  
Commencement Date. The Operating Procedures shall establish the protocol under which the  
Parties shall perform their respective responsibilities under this Agreement, including method of  
Day-to-Day communications, key personnel lists, and logging and tracking of hours of EUH  
and EFMH, Scheduled Outages, Maintenance Outages and hours of Delivery Excuse.

**4.5 Operating Committee.** The Parties shall form a committee to act in matters  
relating to the performance of their respective obligations under this Agreement ("Operating  
Committee"). Each Party shall appoint one representative and one alternate representative to  
serve on the Operating Committee. The Parties shall notify each other in writing of such  
appointments and any changes thereto. The Operating Committee shall have no authority to

modify the terms or conditions of this Agreement. Beginning in 2009, the Operating Committee shall meet no less than two times per calendar year (which meetings may be by telephone), and all of its decisions must be the unanimous decision of the representatives.

ARTICLE 5

SCHEDULING AND THE PROVISION OF CAPACITY AND ENERGY

5.1 Scheduling.

5.1.1 On or before 1000 CPT of the Prior Business Day (“Scheduling Deadline”) Buyer shall provide Seller its Schedule for each hour of the applicable Delivery Day. All Schedules must be consistent with the Scheduling Parameters set forth in Appendix D and the terms of this Agreement.

5.1.2 After the Scheduling Deadline, Buyer shall have the right to change its Schedule for any hour of the applicable Delivery Day by providing notice of such change to Seller at least four hours prior to the beginning of such hour; provided, however, Buyer shall be limited to two occasions for requesting changes to its Schedule for any Delivery Day. Any Schedule as changed must be consistent with the Scheduling Parameters and the other terms of this Agreement. To the extent any Schedule change is made after the Scheduling Deadline, the price for energy delivered to Buyer shall be in accordance with the calculation of the Monthly Energy Payment plus all of Seller’s incremental costs incurred in accommodating Buyer’s Schedule change. Regardless of the source of Scheduled Energy, such incremental costs shall be determined as if the Facility were being utilized to satisfy Buyer’s Schedule and accommodate the requested change. Notwithstanding anything to the contrary in this Agreement, if Buyer has not provided Seller a Schedule requesting the delivery of energy for



any Day by the Scheduling Deadline, Buyer shall not be entitled to submit a Schedule for such Day at any time.

**5.2 Transmission and Scheduling Requirements.** Buyer shall be responsible for complying with all transmission reservation, scheduling and tagging requirements associated with energy provided hereunder at and after the Delivery Point.

**5.3 Costs and Expenses.** Except as specifically provided hereunder, all costs and expenses associated with Delivered Energy at and after the Delivery Point shall be the sole responsibility of Buyer. Except as specifically provided hereunder, all costs and expenses associated with Delivered Energy prior to the Delivery Point shall be the responsibility of Seller. Any penalties associated with Delivered Energy shall be the responsibility of the Party whose action or inaction caused the penalty to be assessed.

**5.4 Delivery of Energy.** Subject to the terms of this Agreement and the Scheduling Parameters, energy provided by Seller pursuant to Buyer's Schedule shall be deemed to be delivered at the Delivery Point.

**5.5 Alternate Resources.**

5.5.1 If Seller has notified Buyer pursuant to Section 5.10 and/or Section 13.2 that it expects, for any Day, either: (i) a Forced Outage; and/or (ii) a Force Majeure Event affecting the Facility or the facilities prior to the Facility Delivery Point, Seller shall have the right (but shall not be required) to designate an Alternate Resource(s) for such Day from which it will provide Contract Capacity in an amount equal to the Outage Capacity and/or the Force Majeure Capacity. To designate an Alternate Resource(s) for any Day in this manner, Seller shall provide notice to Buyer (either in writing, facsimile, or electronic form) by no later than 0800 CPT of the prior Business Day identifying the particular generation resource(s)

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comprising the Alternate Resources. Provided, however, if Buyer has procured Long Term Firm Transmission Service for a Day from the Facility Delivery Point to a point(s) of delivery on the Southern Company Transmission System, Seller may not designate a particular generation resource(s) as an Alternate Resource to provide Contract Capacity for such Day unless Seller reasonably believes that Buyer (utilizing Commercially Reasonable Efforts) would be able to obtain Comparable Service to such point(s) of delivery from the Delivery Point for the designated Alternate Resource in an amount equal to the lesser of: (i) the amount of Contract Capacity for which Buyer has procured such Long Term Firm Transmission Service; or (ii) the sum of the Outage Capacity and the Force Majeure Capacity.

5.5.2 Subject to the provisions of this Section 5.5, Seller may, at any time and in its sole discretion, utilize Alternate Resources to satisfy any portion of Buyer's Schedule, whether the Facility is available or unavailable. If Seller intends to satisfy all or part of Buyer's Schedule for any Delivery Day from an Alternate Resource(s), Seller shall provide Buyer notice to that effect no later than 1100 CPT of the Prior Business Day ("Alternate Resource Notice"). Such notice shall identify the Alternate Resource(s), Alternate Delivery Point(s), and the amount of energy to be delivered each hour of such Delivery Day to such Alternate Delivery Point(s) ("Alternate Energy"); provided, however, such notice may only identify an Alternate Resource(s) that Seller reasonably expects will be able to supply Alternate Energy. Such Alternate Resource(s) may, at Seller's discretion, be any Alternate Resource(s) designated under Section 5.5.1 or any other Alternate Resource(s) (or any combination thereof).

5.5.3 In the event that Seller provides Buyer an Alternate Resource Notice for any Delivery Day and to the extent that an Alternate Delivery Point(s) is the Facility Delivery Point, Buyer shall accept and purchase Delivered Energy from the applicable Alternate

Resource(s) at the Facility Delivery Point in accordance with this Agreement. To the extent an Alternate Delivery Point(s) is not the Facility Delivery Point, the following provisions shall apply:

5.5.3.1 By the later of 1000 CPT or 30 minutes after receiving the Alternate Resource Notice, Buyer shall request transmission service to deliver Alternate Energy from the Delivery Point(s) to the Buyer Delivery Point(s) that replaces a quantity (equal to the amount of Alternate Energy) of transmission service previously procured by Buyer (i.e., redirected transmission service) to transmit Scheduled Energy from the Facility Delivery Point to the Buyer Delivery Point(s) and that has the same or a higher level of firmness as the transmission service to be replaced. If Buyer has not procured transmission service from the Facility Delivery Point to the Buyer Delivery Point(s) by the Scheduling Deadline for all of the Scheduled Energy, Buyer shall be deemed to be able to procure (including for purposes of Section 5.5.3.2) Comparable Service for an amount of Alternate Energy equal to the amount of Scheduled Energy for which transmission service was not procured. In the event that service requested from an Alternate Delivery Point(s) would not qualify as Comparable Service because the total cost of such service would be higher than the cost of the transmission service to be replaced, Buyer shall provide Seller reasonable opportunity to offset the incremental cost so that service available from the Alternate Delivery Point(s) will qualify as Comparable Service as defined hereunder. If Seller elects to offset such incremental cost for any service requested from an Alternate Delivery Point(s), (i) such service shall be deemed for purposes of this Section to be Comparable Service, (ii) Buyer shall make Commercially Reasonable Efforts to procure such Comparable Service, and (iii) the remaining procedures of this Section 5.5.3 shall apply. In addition, to the extent that Buyer is unable to procure Comparable Service to the

Buyer Delivery Point(s), Buyer shall notify Seller of such inability, as well as the identity of the Buyer Delivery Point(s), as soon as possible. Upon receiving such notice, Seller shall be entitled to designate another Alternate Resource(s) and the Parties shall comply with the procedures of this Section 5.5.3 with respect to such Alternate Resource(s). If Seller designates another such Alternate Resource(s), Buyer shall make Commercially Reasonable Efforts to procure transmission service for the delivery of energy from such other resource to the Buyer Delivery Point(s), and the procedures of this Section 5.5.3 shall apply.

5.5.3.2 To the extent Buyer is able to procure Comparable Service for Alternate Energy (provided that Buyer must use Commercially Reasonable Efforts to procure such service) or Buyer does not request service as required by the first sentence of Section 5.5.3.1, Buyer shall accept Alternate Energy from the applicable Alternate Resource(s) in satisfaction of its Schedule.

5.5.3.3 To the extent Buyer is unable to procure Comparable Service for Alternate Energy and there is Available Capacity in addition to that already intended by Seller to satisfy Buyer's Schedule (such additional Available Capacity is hereinafter referred to as "Remaining Capacity"), Seller shall designate the Facility as providing energy to satisfy Buyer's Schedule.

5.5.3.4 To the extent that Buyer is unable to procure Comparable Service and the amount of Alternate Energy for which Comparable Service is unavailable exceeds the Remaining Capacity (such excess amount of energy being referenced to as "Excess Alternate Energy"), Seller shall not be required to deliver Excess Alternate Energy to satisfy Buyer's Schedule. In such event, EUH and/or EFMH shall be accumulated as appropriate

unless and to the extent Buyer should have been able to obtain Comparable Service for the Excess Alternate Energy with the exercise of Commercially Reasonable Efforts.

5.5.4 In the event that an RTO (as defined in Section 7.5.1) is formed, it is the intent of the Parties that Seller retain the ability to supply energy hereunder from Alternate Resources. In this regard, the Parties shall interpret the provisions of this Agreement in order to preserve such ability to the maximum extent possible (including those provisions addressing Buyer's ability to obtain Comparable Service).

**5.6 Unavailability of an Alternate Resource(s).** To the extent an Alternate Resource(s) designated or identified by Seller under Section 5.5.2 and/or Section 5.5.3 becomes unavailable for any hour to provide Alternate Energy to satisfy Buyer's Schedule (the amount of such unavailable Alternate Energy is hereinafter referred to as "Unavailable Alternate Energy"), the following procedures shall apply:

5.6.1 To the extent that there is Remaining Capacity, Seller shall as soon as practicable offer to provide energy from another generating resource to satisfy Buyer's Schedule in an amount equal to the lesser of Remaining Capacity or Unavailable Alternate Energy (either another Alternate Resource(s) or the Facility, to be selected at Seller's sole discretion) ("Replacement Resource"), the price of such energy to be determined pursuant to the terms of this Agreement (including Appendix B).

5.6.1.1 To the extent that Buyer is unable to procure transmission service from the Delivery Point to the Buyer Delivery Point(s) for such Replacement Resource energy with the same or a higher level of firmness as, and a cost to Buyer equal to or less than, the transmission service procured by Buyer for the same amount of energy from the unavailable Alternate Resource(s), Buyer shall (as soon as practicable) notify Seller that Buyer either: (i)

declines such offer, in which event Seller shall be excused from delivering such Replacement  
Resource energy and an EUH equal to the ratio of such Replacement Resource energy to the  
Contract Capacity shall be accumulated; or (ii) accepts such offer, in which event Buyer shall  
accept the delivery of such energy from the Replacement Resource. In the case of (ii) of the  
foregoing sentence, to the extent that transmission service to the Buyer Delivery Point(s) for  
Replacement Resource energy accepted by Buyer is interrupted, Seller shall be excused from  
delivering such Replacement Resource energy and an EUH shall be accumulated equal to the  
ratio of the energy for which service was interrupted to the Contract Capacity.

5.6.1.2 To the extent that Buyer is able to procure transmission service  
from the Delivery Point to the Buyer Delivery Point(s) for such Replacement Resource energy  
with the same or a higher level of firmness as, and a cost to Buyer equal to or less than, the  
transmission service procured by Buyer for the same amount of energy from the unavailable  
Alternate Resource(s), then Buyer shall accept such energy from such Replacement Resource.

**5.7 Seller's Rights to the Facility.** To the extent Buyer has not submitted a  
Schedule requesting energy associated with the full Contract Capacity, and/or to the extent  
Scheduled Energy is being provided from Alternate Resources, Seller shall have the right to  
dispatch the Facility to utilize for its own purposes energy from the Facility not Scheduled  
and/or replaced with Alternate Energy.

**5.8 Title and Risk of Loss.** Seller shall be deemed to be in exclusive control of the  
Delivered Energy prior to the Delivery Point. Buyer shall be deemed to be in exclusive control  
of the Delivered Energy at and after the Delivery Point. Custody, title and risk of loss of  
Contract Capacity and Delivered Energy shall transfer from Seller to Buyer at the Delivery  
Point.

**5.9 Force Majeure Event.**

5.9.1 For any hour in which a Force Majeure Event affecting the Facility or the electric facilities prior to the Facility Delivery Point occurs or is continuing, Seller shall only be obligated to deliver to Buyer the lesser of: (i) Scheduled Energy; or (ii) energy associated with the difference of the Contract Capacity less Force Majeure Capacity. In addition, to the extent of such Force Majeure Event, Seller may elect in its sole discretion pursuant to the procedures under Section 5.5 (but shall not be required) to deliver Scheduled Energy from Alternate Resources.

5.9.2 For any hour during which a Force Majeure Event affecting the Facility or the electric facilities prior to the Facility Delivery Point occurs or is continuing, Seller shall be required to accumulate EFMH (as applicable) for such hour. For any Month or portion of a Month in which such a Force Majeure Event has occurred or is continuing, the Monthly Capacity Payment for such Month shall be reduced in the same proportion as the EFMH accumulated during the Month to the total hours in that Month. Such reduction shall appropriately take into account hours in which a Force Majeure Event occurs in only part of the hour. Seller's sole and exclusive liability and Buyer's sole and exclusive remedy with respect to such Force Majeure Event shall be such reduction of the Monthly Capacity Payment.

**5.10 Forced Outages and Unavailable Capacity.**

5.10.1 Seller shall notify Buyer as soon as reasonably practicable of: (i) the occurrence of any Forced Outage that is expected to result in Outage Capacity and the estimated duration of such outage; and (ii) the cessation of such Forced Outage.

5.10.2 For any hour during which there is Unavailable Capacity, Seller shall be required to accumulate EUH (as applicable) for such hour. Seller's sole and exclusive

liability and Buyer's sole and exclusive remedy for Seller's failure to provide capacity and/or energy from any resource under this Agreement shall be the accumulation of EUH and the application of the Capacity Availability Performance Adjustment as set forth in Appendix A.

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**5.11 Delivery Excuse.** For any hour in which a Delivery Excuse is occurring or is continuing, Seller shall not be obligated to deliver, and Buyer shall not be entitled to receive, or submit a Schedule for, Scheduled Energy. In such event, Seller shall not be required to accumulate EFMH or EUH. Buyer shall not be relieved of its performance obligations during a Delivery Excuse, including its obligation to pay Seller the Monthly Capacity Payment.

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**5.12 Scheduled and Maintenance Outages.** Buyer shall not have the right to submit a Schedule for any period of time during which maintenance is being performed and/or outages are taken consistent with Sections 4.1 and 4.2.

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**ARTICLE 6**

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**PAYMENTS**

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**6.1 Capacity Payment.** Commencing on the Service Commencement Date and for each Month of the Service Term, Buyer shall pay to Seller a Monthly Capacity Payment for the Contract Capacity. The calculation of the Monthly Capacity Payment is set forth in Appendix A.

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**6.2 Energy Payment.** Commencing on the Service Commencement Date and for each Month of the Service Term, Buyer shall pay to Seller a Monthly Energy Payment. The calculation of the Monthly Energy Payment is set forth in Appendix B.

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**6.3 Start Payment.** Commencing on the Service Commencement Date and for each Month of the Service Term, Buyer shall pay to Seller a Monthly Start Payment. The calculation of the Monthly Start Payment is set forth in Appendix C.

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6.4 **Additional Payments.** In addition to the payments specified in this Article 6, the Parties shall pay all amounts due pursuant to the other provisions of this Agreement.

ARTICLE 7

TRANSMISSION SERVICE

7.1 **Buyer Obligations.** Buyer, or its designee, shall have the sole and exclusive responsibility at all times to arrange, obtain, contract and pay for any and all transmission service and ancillary services required (including service under any applicable transmission tariff) to deliver any energy hereunder from and beyond the Delivery Point. Buyer assumes all risk associated with the availability, adequacy and cost of such transmission service and ancillary services.

7.2 **Seller Obligations.** Seller, or its designee, shall have the sole and exclusive responsibility at all times to arrange, obtain, contract, and pay for any and all transmission service required to deliver energy hereunder to the Delivery Point.

7.3 **Imbalances and Penalties.** Upon receiving notice of any interruption of the delivery of energy under this Agreement for any reason (e.g., a Forced Outage or a Force Majeure Event), Buyer shall promptly notify the applicable transmission provider and/or system operator in order to avoid any energy imbalances. If Buyer provides such prompt notice, as between the Parties, Seller shall be responsible for any penalties or imbalances (including associated costs) imposed by the transmission provider and/or system operator resulting from the interruption of energy from the time of interruption until the transmission provider and/or system operator modifies the transmission schedule. Any penalties or imbalances that are not the responsibility of Seller under the second sentence of this Section 7.3 (including associated costs) and that result from actions or inactions of Buyer (including the failure to provide

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required notice to the applicable transmission provider and/or system operator), its designee or  
any third party to which Buyer may be supplying the capacity and energy provided hereunder  
will be the responsibility of Buyer as between the Parties. Any penalties or imbalances that are  
not the responsibility of Seller under the second sentence of this Section 7.3 (including  
associated costs) and that result from actions or inactions of Seller or its designee will be the  
responsibility of Seller as between the Parties. If either Party incurs any costs associated with  
penalties or imbalances that are the responsibility of the other Party under this Section, such  
other Party shall provide prompt reimbursement of such costs.

**7.4 Buyer's Request for Transmission Service.**

7.4.1 Within 30 Days after the Effective Date, Buyer shall submit a request in  
accordance with the instructions of Southern Company Transmission (including by submitting  
such request on Southern Company Transmission's OASIS and completing any required  
application(s)) in order for Buyer to procure 74 MW of Long Term Firm Transmission Service  
from the Facility Delivery Point to the Florida Interface, such service to commence on June 1,  
2010 ("Requested Service"). As entered into Southern Company Transmission's OASIS, the  
point of delivery for the Requested Service shall be "FPC." In addition, from the Effective  
Date, Buyer shall make and/or continue Commercially Reasonable Efforts to have Southern  
Company Transmission provide Buyer with an offer to provide the Requested Service no later  
than February 15, 2006 ("Transmission Deadline"); provided, however, the Transmission  
Deadline shall automatically be extended on a Month to Month basis until either Party provides  
timely notice to the other that it does not desire the Transmission Deadline to be extended under  
this Agreement and in Section 7.4.1 of the other Contemporaneous Agreement. Such notice  
must be provided no later than 5 Days prior to the then existing Transmission Deadline (as may

be extended). Notwithstanding the foregoing, the Transmission Deadline in this Agreement shall be extended only to the same extent as such deadline is also extended under Section 7.4.1 of the other Contemporaneous Agreement.

7.4.2 No later than 2 Business Days after the earlier of: (i) the Transmission Deadline; (ii) Southern Company Transmission's notice to Buyer that it will not be able to provide any of the Requested Service to Buyer; or (iii) Southern Company Transmission's notice to Buyer that it will be able to provide some or all of the Requested Service to Buyer, Buyer shall notify Seller ("Transmission Notice") of the total amount of the Requested Service that Southern Company Transmission is able to provide to Buyer at any price and cost ("SCT Service"). In the event that the total cost ("Total Cost") of any portion of the SCT Service is higher than the embedded rate for Long Term Firm Transmission Service under the OATT ("Tariff Rate"), the Transmission Notice shall specify the amount of SCT Service offered at a Total Cost higher than the Tariff Rate and include any and all documentation of such Total Cost provided to Buyer by Southern Company Transmission. For purposes of this Section 7.4, "Total Cost" shall mean those costs that would be imposed on Buyer directly by the applicable transmission provider for the Requested Service.

7.4.3 Within 2 Business Days after its receipt of the Transmission Notice, Seller may offer to sell to Buyer (including by reassignment) up to 74 MW of Long Term Firm Transmission Service from the Facility Delivery Point to the Florida Interface on any applicable transmission system, such service to commence on June 1, 2010 ("Seller Service"). Such offer shall set forth the amount of Seller Service and the price for such service. For purposes of this Agreement the sum of the Seller Service and the SCT Service shall be referred to as the "Available Service."

7.4.4 Within 2 Business Days after its receipt of the Transmission Notice, Seller shall notify Buyer ("Reduction Notice") whether it will offset the amount by which Total Cost exceeds the Tariff Rate ("Excess Cost") for any portion of the Available Service. Any amount of Available Service for which Seller does not elect to offset the Excess Cost (if applicable) shall be referred to as the "Higher Cost Service." For purposes hereof, the Higher Cost Service shall not be greater than the amount by which 74 MW exceeds the amount of Available Service with a Total Cost less than or equal to the Tariff Rate. Notwithstanding the foregoing, this Section 7.4.4 shall not apply if there is Available Service for at least 74 MW at a Total Cost equal to or less than the Tariff Rate.

7.4.5 Once the procedures in Sections 7.4.1 through 7.4.4 have been completed (as applicable), Buyer may elect to reduce the Contract Capacity for the Service Term by an amount up to the sum of: (i) if Available Service is less than 74 MW, the difference between 74 MW and the amount of Available Service; and (ii) the amount of Higher Cost Service. Buyer shall notify Seller of such election within three (3) Business Days after the later of the date of (if applicable) the Reduction Notice, receipt of Seller's offer under Section 7.4.3 or the Transmission Notice ("Election Deadline"). In addition, after the procedures in Sections 7.4.1 through 7.4.4 have been completed (as applicable), if Available Service of at least 59 MW is not available to Buyer so that Buyer is in effect able to procure Long Term Firm Transmission Service from the Facility at a Total Cost equal to or less than the Tariff Rate (taking into account any offset of Excess Cost by Seller), Buyer may provide notice to Seller that it will terminate this Agreement. Such notice must be provided no later than the Election Deadline.

7.4.6 If Buyer elects, pursuant to Section 7.4.5, to reduce the Contract Capacity by an amount greater than 15 MW, Seller shall be entitled to either: (i) accept the reduction in

Contract Capacity; or (ii) terminate this Agreement. Seller shall provide Buyer with notice of its election of either (i) or (ii) no later than 2 Business Days after its receipt of Buyer's notice to reduce the Contract Capacity. If Seller accepts the reduction in Contract Capacity, the Parties shall mutually agree on modifications to this Agreement in order to reflect such reduction.

7.4.7 In the event that either Party provides notice to the other Party under this section 7.4 that it has elected to terminate this Agreement, this Agreement and the other Contemporaneous Agreement shall immediately terminate. Upon such termination, no Party shall have any further obligation under any of the Contemporaneous Agreements except for any liabilities and/or obligations accruing prior to such termination. The Parties acknowledge that the other Contemporaneous Agreement contains a provision similar to this Section 7.4.7 and that this Agreement is subject to termination as provided in such similar provision.

7.4.8 Nothing in this Section 7.4 shall be construed as requiring Buyer to actually purchase any transmission service.

7.4.9 The MW amounts set forth in this Section 7.4 refer to MW amounts at the Facility Delivery Point. As appropriate and/or required, such amounts shall be adjusted consistent with the OATT (or other applicable transmission tariff) to reflect transmission losses to the Florida Interface (e.g., including for purposes of submitting the required transmission service request through Southern Company's OASIS and/or other required application(s) for such service).

**7.5 Regional Transmission Organizations.**

7.5.1 In the event that a Regional Transmission Organization(s) or similar organization ("RTO") is formed and such formation materially changes the scheduling requirements and/or costs associated with the delivery of energy to and/or from the Delivery

Point, Seller shall be solely responsible for complying with all scheduling requirements and  
paying all such costs to the Delivery Point (including but not limited to all congestion and/or  
basis costs). In addition, Buyer shall be solely responsible for complying with all scheduling  
requirements and paying all such costs at and beyond the Delivery Point to any other point(s) of  
delivery (including but not limited to all congestion and/or basis costs). Seller agrees to  
indemnify and hold harmless Buyer for any costs and expenses incurred by Buyer that are  
Seller's responsibility under this Section 7.5.1. Buyer agrees to indemnify and hold harmless  
Seller for any costs and expenses incurred by Seller that are Buyer's responsibility under this  
Section 7.5.1.

7.5.2 In the event an RTO is formed and the formation and/or  
implementation of such RTO results in: (i) a quantifiable monetary benefit for a Party with  
regard to its performance under this Agreement ("Benefited Party") that is greater than the  
monetary benefit to such Party contemplated on the Effective Date (such additional monetary  
benefit being referred to as the "Incremental Benefit"); and (ii) a quantifiable monetary harm  
for the other Party with regard to its performance under this Agreement ("Harmed Party") that  
results in a monetary burden to such Party that is greater than the monetary burden to such Party  
contemplated on the Effective Date (the amount by which such monetary burden is increased  
being referred to as the "Incremental Burden"), the Parties shall negotiate to reach mutual  
agreement regarding an amendment(s) to this Agreement establishing a method whereby the  
Benefited Party would share some or all of the Incremental Benefit with the Harmed Party. The  
shared amount of the Incremental Benefit shall be equal to the lesser of: (i) the Incremental  
Benefit; or (ii) the Incremental Burden. In no event shall such amendment(s) require the

Benefited Party to bear more of a monetary burden or receive less of a monetary benefit than as originally contemplated in this Agreement for such Party on the Effective Date.

ARTICLE 8

ELECTRIC METERING

8.1 Metering. At no cost to Buyer, Seller shall be responsible for performing, or causing to be performed, the installation, maintenance, testing and calibration of the Electric Metering Equipment owned by Seller and/or its Affiliates at the Delivery Point(s).

8.2 Industry Standards. All Electric Metering Equipment owned by Seller and/or its Affiliates at the Delivery Point(s), shall be operated, maintained and tested by and/or on behalf of Seller in accordance with Prudent Industry Practices.

8.3 Records. The Parties shall maintain accurate and detailed records relating to the metering of energy at the Delivery Point(s) for one year or for such longer period as may be required by an applicable Government Agency or Law. All records shall be available for inspection by either Party upon reasonable notice.

8.4 Meter Errors. If the Electric Metering Equipment at the Delivery Point(s) fails to register, or if the measurement made by a metering device is found upon testing to vary by more than 0.5% from the measurement made by the standard meter used in a test, an adjustment shall be made correcting all measurements of energy made by the Electric Metering Equipment during: (i) the actual period when inaccurate measurements were made, if that period can be determined to the mutual satisfaction of the Parties; or (ii) if such actual period cannot be determined to the mutual satisfaction of the Parties, the latter half of the period from the date of the last test of the Electric Metering Equipment to the date such failure is discovered or such test is made (each being an "Adjustment Period"). If the Parties are unable to agree on the amount

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of the adjustment to be applied to the Adjustment Period, the amount of the adjustment shall be determined: (i) by correcting the error if the percentage of error is ascertainable by calibration, tests or mathematical calculation; or (ii) if not so ascertainable, by estimating on the basis of deliveries under similar conditions during the period since the last test.

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ARTICLE 9

BILLING AND PAYMENT

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9.1 **Timing and Method of Payment.** Seller will submit to Buyer, as promptly as practicable after the first of each Billing Month, an invoice (by mail, facsimile or electronic means) for the amounts due under the terms of this Agreement for the preceding Month. Amounts due pursuant to such invoice shall be due and payable on the later of the 10<sup>th</sup> Day after the Day on which the Buyer receives the invoice or the 20<sup>th</sup> Day of the Month ("Payment Due Date"). Such invoice shall include adjustments (either a charge or a credit, as applicable) as expressly provided pursuant to Appendix B. If the Payment Due Date falls on a Day that is not a Business Day, the Payment Due Date shall be the next Business Day. Payment shall be made, on or before the due date, to Seller in accordance with the invoice in immediately available funds through wire transfer, or other mutually agreeable method.

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9.2 **Late Payment.** Amounts that are owed Seller shall, if not remitted within the time period specified under Section 9.1, be subject to a late payment charge equal to the interest calculated pursuant to Section 19.7, accrued and payable on a Monthly basis with respect to the unpaid amount. Such late payment charge shall accrue from the due date of such amount until the date on which it is paid.

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9.3 **Disputed Billings.** In the event that either Party has a bona fide dispute with any invoice submitted hereunder, such Party shall inform the other Party in writing of its grounds

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for disputing such invoice. Notwithstanding such dispute, the full payment of such invoice shall  
be made to the invoicing Party in accordance with Section 9.1. Upon resolution of the dispute,  
any overpayment shall be refunded with interest as calculated pursuant to Section 19.7 accruing  
from and after the date such overpayment was made until the date on which such refund is paid.

**9.4 Adjustments.** If any overcharge or undercharge in any form whatsoever shall at  
any time be found and the invoice therefor has been paid, the Party that has been paid the  
overcharge shall refund the amount of the overcharge to the other Party, and the Party that has  
been undercharged shall pay the amount of the undercharge to the other Party, within thirty (30)  
Days after final determination thereof; provided, however, that no retroactive adjustment shall  
be made for any overcharge or undercharge unless written notice of the same is provided to the  
other Party within a period of twelve (12) Months from the date of the invoice in which such  
overcharge or undercharge was first included. Any such adjustments shall be made with interest  
calculated in accordance with Section 19.7 from the date that the undercharge or overcharge  
actually occurred.

**9.5 Audit Rights.** The Parties shall keep complete and accurate records of their  
operations under this Agreement and shall maintain such data for a period of at least one (1)  
year after the completion of the relevant Billing Month hereunder; provided, however, records  
relating to a disputed matter shall be retained until the dispute is resolved. Such records shall be  
available for inspection and audit by the other Party upon reasonable request during any regular  
Business Day.

## ARTICLE 10

## REGULATORY

**10.1 Initial Approval of the Florida Public Service Commission.**

10.1.1 No later than 90 Days after the Effective Date, Buyer shall make a filing with the Florida Public Service Commission ("FPSC") seeking approval for Buyer to recover from its retail customers their allocated share of all payments required to be made to Seller under the Contemporaneous Agreements without material modification or condition with respect to such agreements ("FPSC Approval"). After making such filing, Buyer shall utilize diligent efforts to obtain the FPSC Approval for the Contemporaneous Agreements by no later than 180 Days after the Effective Date ("Approval Deadline"). Seller agrees to reasonably assist and support Buyer's efforts to obtain the FPSC Approval. Buyer shall promptly notify Seller when it receives the FPSC Approval.

10.1.2 If FPSC Approval for the Contemporaneous Agreements is not received by the Approval Deadline, but the date of the Transmission Notice under Section 7.4.2 has not yet occurred and the FPSC has not yet issued an order denying the Buyer's request for FPSC Approval ("FPSC Denial"), the Approval Deadline shall automatically be extended until the date of the Transmission Notice. During this extended period, Buyer shall keep Seller closely informed as to the progress of its efforts to obtain FPSC Approval and Buyer shall continue diligent efforts to obtain FPSC Approval.

10.1.3 If FPSC Approval is not received by the Approval Deadline (as extended under Section 10.1.2) or if an FPSC Denial is issued prior to the Approval Deadline, Buyer shall provide notice to Seller within 30 Days after the Approval Deadline or the FPSC Denial (whichever occurs first) that it desires to either: (i) terminate both (but not less than both)

of the Contemporaneous Agreements, in which case both of the Contemporaneous Agreements shall immediately terminate; or (ii) continue both (but not less than both) of the Contemporaneous Agreements regardless of FPSC Approval. If Buyer elects option (ii) under the foregoing sentence, both of the Contemporaneous Agreements shall continue in full force and effect for the Term notwithstanding any subsequent action or inaction of the FPSC (including the subsequent issuance of a FPSC Denial or failure to issue an FPSC Approval).

10.1.4 The Parties acknowledge that the other Contemporaneous Agreement contains provisions that are substantially similar to Sections 10.1.1 through 10.1.3 above and that this Agreement may be subject to termination as provided in such similar provisions.

10.1.5 After the procedures in Sections 10.1.1, 10.1.2 and 10.1.3 (as applicable) have been completed, except as provided under Section 10.3, at no time shall this Agreement be subject to termination or modification due to any action or inaction of any Government Agency or Buyer's inability to recover from its customers amounts to be paid to Seller pursuant this Agreement whether such inability is due to action of any Government Agency or otherwise.

**10.2 Changes in Agreement.** Except for any changes pursuant to Section 10.3, absent the agreement of all Parties to the proposed change, the standard of review for changes to this contract proposed by a Party, a non-Party or the FERC acting sua sponte shall be the "public interest" standard of review set forth in United Gas Pipeline Co. v. Mobile Gas Service Corp., 350 U.S. 332 (1956) and Federal Power Commission v. Sierra Pacific Power Co., 350 U.S. (1956) (the "Mobile-Sierra" doctrine).

### 10.3 Federal Energy Regulatory Commission.

10.3.1 The Parties anticipate that this Agreement is not required to be filed and accepted by FERC because it is a market-based contract. Therefore, this Agreement shall not be contingent on FERC acceptance. Having freely negotiated and agreed upon the economic bargain among them as set forth hereunder, Seller and Buyer waive all rights under Sections 205 and 206 of the Federal Power Act to effect a change in the Agreement. Moreover, it is the Parties' mutual intent that FERC be precluded, to the fullest extent permitted by law, from altering this Agreement in any way. Notwithstanding the foregoing, if at any time FERC takes some action that reduces the economic benefit of this Agreement to either Party ("Impacted Party") as contemplated on the Effective Date ("Original Economic Benefit"), Impacted Party shall be deemed to have retained rights under Section 205 to file for changes in the Agreement, but only to the extent required to restore the Original Economic Benefit.

10.3.2 Impacted Party may exercise its Section 205 rights provided under Section 10.3.1 if at any time it reasonably determines in its sole discretion that it may be able to have some or all of the Original Economic Benefit restored. Before exercising such rights, Impacted Party shall negotiate with the other Party in an effort to reach mutual agreement regarding amendments to this Agreement (including amendments regarding those provisions addressing the determination of payments between the Parties and adjustments to capacity payments due to unavailability) that would restore some or all of the Original Economic Benefit. Impacted Party shall file any resulting amendments for acceptance by FERC, and the other Party shall actively support such filing(s). If the Parties are unable to agree upon such amendment(s), Impacted Party shall be entitled to make unilateral filing(s) at FERC to modify the Agreement in order to restore some or all of the Original Economic Benefit. In this latter

event, the other Party shall actively support Impacted Party's right to recover the Original Economic Benefit, including by making filings at FERC.

10.3.3 Any amendment(s) or unilateral filing(s) contemplated hereunder shall restore the Original Economic Benefit (or any allowed portion thereof) for the remainder of the Term, including any portion of the Original Economic Benefit associated with prior periods (with interest). Such amendment(s) or filing(s) by the Impacted Party shall not require the other Party to bear more of an economic burden than originally contemplated in this Agreement on the Effective Date. Nothing in this Agreement is intended to or shall restrict the number of times that a Party may exercise the above-described Section 205 rights during the Term or within any specific time frame.

## ARTICLE 11

### CHANGE IN LAW

**11.1 Increased Generation Costs.** The Parties acknowledge that during the Term of this Agreement, Changes in Law that increase Seller's cost of providing capacity and/or energy hereunder could occur. Any Increased Generation Costs will be paid by Buyer through an additional payment or surcharge each Month ("Change in Law Surcharge"). Once Seller has incurred Increased Generation Costs, Buyer shall pay for all Increased Generation Costs through the Change in Law Surcharge, as provided below.

**11.2 Determination.** If Seller determines that a Change in Law will or has resulted in Increased Generation Costs and that Buyer is responsible for such costs under this Agreement, Seller shall, within six (6) Months after identifying such costs, notify Buyer of: (a) the applicable Change in Law giving rise to the Increased Generation Costs; and (b) the resulting Increased Generation Costs ("Change in Law Notice"). Provided, however, the failure by Seller

to provide such notice within such time period shall not under any circumstance result in an Event of Default, nor shall such failure prejudice or affect in any way Seller's right to receive reimbursement from Buyer for any Increased Generation Costs under this Agreement. Provided further, such notice by Seller shall include reasonable documentation of the applicable Change in Law and resulting Increased Generation Costs. Within sixty (60) Days after receipt of such notice, Buyer will: (i) make a good faith determination of whether the Increased Generation Costs result from a Change in Law as specified in this Agreement; (ii) make a good faith determination of whether the Increased Generation Costs are determined in accordance with this Agreement; and (iii) provide Seller written notice of its determination. In the event that Buyer does not provide written notice of its determination within such time period, Buyer shall be deemed to have concurred that the specified Increased Generation Costs result from a Change in Law. If Buyer does not concur, the Parties shall commence discussions in an effort to address and resolve the basis for Buyer's disagreement. If the Parties are unable to resolve their disagreement within thirty (30) Days after commencing such discussions, the Parties shall submit the issue to arbitration under the procedures set forth in Section 16.2. The arbitrators shall determine whether a Change in Law has occurred and, if so, the amount of the resulting Increased Generation Costs.

**11.3 Initiation of Surcharge.** In the event that Seller determines that Increased Generation Costs will result from a Change in Law, Seller shall provide Buyer with prior written notice of a Change in Law Surcharge or an increase in an existing Change in Law Surcharge to recover such Increased Generation Costs as calculated by Seller. If the actual Increased Generation Costs are not known to Seller, such notice may include an estimate of such costs and the corresponding Change in Law Surcharge (or increase in an existing

surcharge). After providing this notice and notwithstanding the existence of any disagreement between the Parties regarding a Change in Law and/or the amount of Increased Generation Costs under Section 11.2, Seller may initiate a Change in Law Surcharge (or, if applicable, an increase in an existing Change in Law Surcharge) with a subsequent Monthly invoice consistent with the Increased Generation Costs set forth in such notice; provided, however, Seller may not invoice Buyer any amounts for Increased Generation Costs incurred prior to the date of the Change in Law Notice. In the event that the Change in Law Surcharge is based on an estimate of Increased Generation Costs, Seller shall include a true-up amount in a subsequent Monthly invoice (either a credit or an additional charge, as appropriate) to reflect actual Increased Generation Costs once they are known.

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ARTICLE 12

LIABILITY ALLOCATION; LIMITATIONS ON LIABILITY

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12.1 **Costs, Taxes and Charges.** Except as otherwise provided in this Agreement, in addition to all other amounts due and payable under this Agreement: (i) Seller shall be responsible for all costs, Taxes, and charges of any kind relating to the delivery of energy, capacity, transmission, and/or related services prior to the Delivery Point (by way of clarification of the foregoing, Taxes prior to the Delivery Point include: ad valorem taxes on the Facility (except for any increases in ad valorem taxes, which shall be Increased Generation Costs) and income taxes on Seller or its property; and (ii) Buyer shall be responsible for all costs, Taxes, and charges of any kind relating to the delivery of energy, capacity, transmission, and/or related services at and after the Delivery Point (by way of clarification of the foregoing, Taxes at and after the Delivery Point include: income taxes on Buyer or its property and any taxes incurred in connection with sales of the Delivered Energy). Each Party shall provide the

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other Party upon written request a certificate of exemption or other reasonably satisfactory evidence of exemption if any exemption from or reduction of any Tax is applicable. Each Party shall exercise Commercially Reasonable Efforts to obtain and to cooperate in obtaining any exemption from or reduction of any Tax.

**12.2 Indemnification.** Unless otherwise agreed in writing by the Parties, Seller and Buyer shall each defend, indemnify and save harmless, on an After-Tax Basis, the other and their respective officers, directors, servants, agents, employees and representatives from and against any and all claims, demands, costs or expenses (including reasonable attorneys' fees) for loss, damage or injury to any person, property or interest arising out of or in any way related to this Agreement to the extent such loss, damage or injury occurs on its own side of the Delivery Point, irrespective of negligence, whether actual or claimed, of the other. Nothing in this Agreement shall create a contractual relationship between one Party and the customers of the other Party, nor shall it create a duty of any kind to such customers.

**12.3 Limitation of Liability.**

**12.3.1 THERE ARE NO WARRANTIES UNDER THIS AGREEMENT EXCEPT TO THE EXTENT SPECIFICALLY SET FORTH HEREIN. THE PARTIES HEREBY SPECIFICALLY DISCLAIM AND EXCLUDE ALL IMPLIED WARRANTIES, INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY AND OF FITNESS FOR A PARTICULAR PURPOSE.**

**12.3.2 SUBJECT TO SECTION 14.2, NEITHER PARTY SHALL BE LIABLE TO THE OTHER FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES SUFFERED BY THAT PARTY OR BY ANY CUSTOMER OF THAT PARTY, FOR LOST PROFITS OR OTHER BUSINESS**



INTERRUPTION DAMAGES, WHETHER BY VIRTUE OF ANY STATUTE, IN TORT OR CONTRACT, UNDER ANY PROVISION OF INDEMNITY OR OTHERWISE. THE PARTIES INTEND THAT THE LIMITATIONS HEREIN IMPOSED ON REMEDIES AND THE MEASURE OF DAMAGES BE WITHOUT REGARD TO THE CAUSE OR CAUSES RELATED THERETO, INCLUDING, WITHOUT LIMITATION, THE NEGLIGENCE OF ANY PARTY, WHETHER SUCH NEGLIGENCE BE SOLE, JOINT OR CONCURRENT, OR ACTIVE OR PASSIVE. TO THE EXTENT ANY DAMAGES REQUIRED TO BE PAID HEREUNDER ARE LIQUIDATED, THE PARTIES ACKNOWLEDGE THAT THE DAMAGES ARE DIFFICULT OR IMPOSSIBLE TO DETERMINE, THAT OTHERWISE OBTAINING AN ADEQUATE REMEDY IS INCONVENIENT, AND THAT THE LIQUIDATED DAMAGES CONSTITUTE A REASONABLE APPROXIMATION OF THE HARM OR LOSS.

12.3.3 In the event that any provision of this Section 12.3 is held to be invalid or unenforceable, this Section shall be void and of no effect solely to the extent of such invalidity or unenforceability, and no claim arising out of such invalidity or lack of enforceability shall be made by one Party against the other or its officers, agents, or employees. Notwithstanding the foregoing, this Section 12.3 shall not limit or negate the right of either Party to be fully indemnified as provided in Section 12.2 or limit the remedies set forth in this Agreement for an Event of Default.

12.3.4 Without prejudice to the obligations and liabilities of an entity pursuant to an Eligible Guaranty, neither any Affiliate of a Party nor any stockholder, officer, director or employee of a Party or of any Affiliate of a Party (collectively, the "Nonrecourse Persons") shall have any liability to the other Party for the payment of any sums now or hereafter owing

by such Party or for the performance of any of the obligations of such Party contained herein, and each of the Parties hereto agrees that all of the obligations of the other Party under this Agreement shall be obligations solely of such other Party and recourse in enforcing said obligations shall only be had against the assets of such other Party; provided that the foregoing provision shall not constitute a waiver, release or discharge of any of the terms, covenants or conditions of this Agreement or any Eligible Guaranty and the same shall continue until fully paid, discharged, observed or performed.

### ARTICLE 13

#### FORCE MAJEURE EVENT

##### 13.1 Force Majeure Event Defined.

13.1.1 As used herein, an Event of Force Majeure with respect to a Party means an occurrence, non-occurrence, or set of circumstances that is beyond the reasonable control of such Party and is not caused by the fault or negligence of such Party, including but not limited to acts of God, strike, flood, earthquake, storm, fire, hurricane, lightning, epidemic, war, riot, civil disturbance, sabotage, or terrorism, which, by the exercise of due diligence, it is unable to overcome.

13.1.2 Notwithstanding anything contained in Section 13.1.1, the term Force Majeure shall not include any of the following:

- (i) the inability of Buyer, for any reason, to obtain or maintain adequate transmission service from and after the Delivery Point;
- (ii) a change or circumstance in market conditions that affect the cost, price, or demand for capacity and/or energy from the Facility;

- (iii) a change or circumstance in market conditions or otherwise that affects the economic value of this Agreement to any Party;
- (iv) an increase in costs or expenses to any Party as a result (either directly or indirectly) of such Party's performance under this Agreement;
- (v) a change in Law, action or inaction by any Governmental Agency or the inability to comply with any Law; or
- (vi) any event or circumstance that qualifies as a Delivery Excuse.

**13.2 Applicability of Force Majeure Event.** Neither Party shall be in breach or liable for any delay or failure in its performance under this Agreement (except for such Party's performance of its payment obligations hereunder, which shall not be excused by any Force Majeure Event) to the extent such performance is prevented or delayed due to a Force Majeure Event, provided that:

13.2.1 The non-performing Party shall give the other Party written notice within three (3) Business Days of the commencement of the Force Majeure Event, with available details to be supplied within fifteen (15) Days after the commencement of the Force Majeure Event further describing the particulars of the occurrence of the Force Majeure Event;

13.2.2 The delay in performance shall be of no greater scope and of no longer duration than is directly caused by the Force Majeure Event;

13.2.3 The Party whose performance is delayed or prevented shall proceed with Commercially Reasonable Efforts to overcome the events or circumstances preventing or delaying performance and shall, as requested (but not more often than weekly), provide written progress reports to the other Party during the period that performance is delayed or prevented describing actions taken and to be taken to remedy the consequences of the Force Majeure

Event, the schedule for such actions and the expected date by which performance shall no longer be affected by the Force Majeure Event; and

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13.2.4 When the performance of the Party claiming the Force Majeure Event is no longer being delayed or prevented, that Party shall give the other Party written notice to that effect.

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**13.3 Effect of Force Majeure Event.**

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13.3.1 Except for the obligation of either Party to make any required payments under this Agreement, the Parties shall be excused from performing their respective obligations under this Agreement and shall not be liable in damages or otherwise if and to the extent that they are unable to so perform or are prevented from performing by a Force Majeure Event.

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13.3.2 To the extent Seller is unable to provide Contract Capacity or Scheduled Energy from the Facility due to a Force Majeure Event, Seller shall be excused from performance hereunder and shall not be required to provide capacity and/or energy from other resources (including Alternate Resources) in order to satisfy Buyer's Schedule; provided, however, to the extent Seller does provide capacity and/or energy at its sole option to satisfy Buyer's Schedule consistent with this Agreement, EFMH shall not be accumulated and Buyer shall purchase, receive and pay for such capacity and energy pursuant to this Agreement.

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**ARTICLE 14**

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**EVENT OF DEFAULT**

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14.1 **Event of Default.** The occurrence of any one or more of the following events with respect to a Party shall constitute an "Event of Default" attributable to such Party under this Agreement:

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14.1.1 The failure by a Party to make payment to the other Party for amounts  
 due under this Agreement after said amounts have become due and payable and such failure is  
 not cured within fifteen (15) Days after receiving written notice of such failure from the Party to  
 which such payments are due;

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14.1.2 A Party or any Person guaranteeing such Party's obligations hereunder  
 (a "Guarantor") shall: (i) admit in writing its inability to pay its debts as such debts become  
 due; (ii) make a general assignment or an arrangement or composition with or for the benefit of  
 its creditors; (iii) take any action for the purpose of effectuating any of the foregoing; or (iv) fail  
 to comply with the terms and conditions of its Guaranty;

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14.1.3 A proceeding or case shall be commenced by a Party or against a Party  
 with the consent of such Party or by its Guarantor or against its Guarantor with the consent of  
 such Guarantor, in any court of competent jurisdiction, seeking: (i) its liquidation,  
 reorganization of its debts, dissolution or winding-up, or the composition or readjustment of its  
 debts; (ii) the appointment of a receiver, custodian, liquidator or the like of the Party or its  
 Guarantor or of all or any substantial part of its assets or the assets of its Guarantor; or (iii)  
 similar relief in respect of such Party or its Guarantor under any law relating to bankruptcy,  
 insolvency, reorganization of its debts, winding-up, composition or adjustment of debt;

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14.1.4 A proceeding or case shall be commenced without the consent of a  
 Party against such Party or without the consent of its Guarantor against such Guarantor, in any  
 court of competent jurisdiction, seeking: (i) its liquidation, reorganization of its debts,  
 dissolution or winding-up, or the composition or readjustment of its debts; (ii) the appointment  
 of a receiver, custodian, liquidator or the like of the Party or its Guarantor or of all or any  
 substantial part of its assets or the assets of its Guarantor; or (iii) similar relief in respect of such

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Party or its Guarantor under any law relating to bankruptcy, insolvency, reorganization of its  
 debts, winding-up, composition or adjustment of debt, unless such proceeding or case is  
 dismissed within sixty (60) days of the filing thereof;

14.1.5 The failure of any Party to comply with the requirements of Article 18  
 regarding creditworthiness and/or security;

14.1.6 The failure of a Party to comply with the requirements of Article 17  
 regarding assignment;

14.1.7 Any representation or warranty made by a Party under Article 15  
 proves to have been false or misleading in any material respect when made and such  
 representation or warranty is not made true within thirty (30) Days after such Party has obtained  
 actual knowledge thereof or has been provided notice thereof by the other Party; provided,  
 however, that the cure must also remove any adverse effect on the Non-Defaulting Party;

14.1.8 A Party or its Guarantor shall fail to pay when due (subject to any  
 applicable cure or grace period), whether by acceleration or otherwise, any principal or interest  
 on indebtedness aggregating in excess of \$100,000,000 in principal amount; or any  
 indebtedness aggregating in excess of \$100,000,000 shall be declared due and payable or be  
 required to be prepaid (other than by a regularly scheduled payment) prior to the stated maturity  
 of such indebtedness; or

14.1.9 The material failure by a Party to comply with any material provision of  
 this Agreement if such failure is not the result of a Force Majeure Event or is not otherwise  
 excused in accordance with this Agreement, and such failure continues uncured for thirty (30)  
 Days after written notice thereof from the other Party; provided, however, if such failure is not  
 capable of being cured within such period of thirty (30) Days with the exercise of reasonable

diligence, then such cure period shall be extended for an additional reasonable period of time (not to exceed ninety (90) Days), so long as the Party is exercising reasonable diligence to cure such failure. Provided, however, this Section 14.1.9 shall not apply to: (i) any event described in Sections 14.1.1 through 14.1.8; (ii) any event described in Sections 5.9 and 5.10 for which a remedy is expressly provided in those Sections; or (iii) Seller's failure to provide capacity and/or energy pursuant to any provision of this Agreement.

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The Party in default or the Party to whom an Event of Default is attributable as provided in this Section 14.1 shall be referred to as the "Defaulting Party" and the other Party shall be referred to as the "Non-Defaulting Party."

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**14.2 Exclusive Remedies.**

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14.2.1 Upon and after the occurrence of an Event of Default, the Non-Defaulting Party's sole and exclusive remedy (whether arising in contract, tort or otherwise) shall be to suspend its performance under this Agreement and declare an Early Termination Date with the relevant remedies as provided below.

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14.2.2 If an Event of Default has occurred, the Non-Defaulting Party shall have the right, in its sole discretion, by no more than twenty (20) Days notice to the Defaulting Party, to designate a Day no earlier than the Day such notice is effective as the date on which the Agreement shall terminate ("Early Termination Date"). Subject to Sections 19.3 and 19.15, this Agreement shall terminate on the Early Termination Date and neither Party shall have any further liability or obligation to the other hereunder, except (i) the Defaulting Party shall pay to the Non-Defaulting Party on demand \$2,200,000 in liquidated damages and (ii) as provided in Sections 14.2.3 or 14.2.4 below. The exercise by a Party of its rights under this Section 14.2 shall be the sole and exclusive remedy of such Party for an Event of Default by or attributable to

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the other Party. The Parties acknowledge and agree that in the event of termination of this Agreement due to an Event of Default, all or a portion of the amount of damages arising therefrom are not susceptible to an accurate determination. The Parties further acknowledge and agree that the liquidated damages set forth above are not intended as a penalty and represent a fair and reasonable approximation of all or a portion of the damages a Non-Defaulting Party may incur in each particular case.

14.2.3 With respect to an Event of Default by or attributable to Buyer, within fifteen (15) Days after Seller's notice under Section 14.2.2, the Parties shall each select an independent party to determine the Seller's Damages. Within thirty (30) Days after such notice, the two independent parties shall select a third independent party to determine the Seller's Damages. Within sixty (60) Days after such notice, the three (3) independent parties shall provide the Parties with their respective estimates of the Seller's Damages. The actual Seller's Damages shall equal the arithmetic average of the three estimates. If one Party disputes the actual Seller's Damages, within five (5) Business Days of notice of the Seller's Damages determined by the independent parties, such Party may submit the dispute for resolution pursuant to the arbitration procedures of Article 16 and the arbitration order or finding regarding the Seller's Damages shall be conclusive, provided, however, in no event shall the Seller's Damages be less than \$0 nor greater than \$15,000,000 at any time whether or not arbitrated. Subject to such qualification, the Seller's Damages will be paid by Buyer to Seller within three (3) Business Days after being determined by the independent parties unless disputed and arbitrated pursuant to the terms of this Agreement in which event it shall be paid within three (3) Business Days of the relevant arbitration finding or order. As used herein, "Seller's Damages" means the dollar amount equal to the difference between: (a) all dollar amounts

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Seller reasonably would have been expected to receive for Contract Capacity under this Agreement had Buyer continued to perform as required by this Agreement for the remainder of the original Term had there not been an Early Termination Date; less (b) the dollar amount Seller reasonably would be expected to receive at then prevailing market conditions (utilizing Commercially Reasonable Efforts) from the sale to a third party of the Contract Capacity for the remainder of the original Term had there not been an Early Termination Date.

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14.2.4 With respect to an Event of Default by or attributable to Seller, within fifteen (15) Days after Buyer's notice under Section 14.2.2, the Parties shall each select an independent party to determine the Buyer's Damages. Within thirty (30) Days after such notice, the two independent parties shall select a third independent party to determine the Buyer's Damages. Within sixty (60) Days after such notice, the three (3) independent parties shall provide the Parties with their respective estimates of the Buyer's Damages. The actual Buyer's Damages shall equal the arithmetic average of the three estimates. If one Party disputes the actual Buyer's Damages, within five (5) Business Days of notice of the Buyer's Damages determined by the independent parties, such Party may submit the dispute for resolution pursuant to the arbitration procedures of Article 16 and the arbitration order or finding regarding the Buyer's Damages shall be conclusive, provided, however, in no event shall the Buyer's Damages be less than \$0 nor greater than \$15,000,000 at any time whether or not arbitrated. Subject to such qualification, the Buyer's Damages will be paid by Seller to Buyer within three (3) Business Days after being determined by the independent parties unless disputed and arbitrated pursuant to the terms of this Agreement in which event it shall be paid within three (3) Business Days of the relevant arbitration finding or order. As used herein, "Buyer's Damages" means the dollar amount equal to the difference between (a) the dollar amount that

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Buyer reasonably would be expected to pay at then prevailing market conditions (utilizing  
 Commercially Reasonable Efforts) to buy from a third party the Contract Capacity for the  
 remainder of the original Term had there not been an Early Termination Date less (b) all dollar  
 amounts Buyer reasonably would have been expected to pay for Contract Capacity under this  
 Agreement had Seller continued to perform as required by this Agreement for the remainder of  
 the original Term had there not been an Early Termination Date.

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ARTICLE 15

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REPRESENTATIONS AND WARRANTIES

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15.1 Execution. Each Party represents and warrants to the other Party as of the  
 Effective Date that: (i) it has all the necessary corporate and legal power and authority and has  
 been duly authorized by all necessary corporate action to enable it to lawfully execute, deliver  
 and perform under this Agreement; and (ii) it is a valid legal entity duly organized and validly  
 existing in good standing under the laws of the state of its formation and is, to the extent  
 required, qualified to do business in the state where it is organized.

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15.2 Permits. Each Party represents and warrants to the other Party that as of the  
 Effective Date it has all permits, licenses or approvals necessary to lawfully perform its  
 obligations contained herein in the manner prescribed by this Agreement.

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15.3 Binding Obligations. Each Party represents and warrants to the other Party that  
 as of the Effective Date this Agreement is the valid and binding obligation of such Party,  
 enforceable against such Party in accordance with its terms, except as such enforceability may  
 be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or  
 other similar laws affecting enforcement generally, and by equitable principles regardless of  
 whether such principals are considered in a proceeding at law or in equity.

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**15.4 Execution and Consummation.** Each Party represents and warrants to the other Party that as of the Effective Date the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby and the fulfillment of and compliance with the provisions of this Agreement do not and will not conflict with any of the terms, conditions or provisions of its organizational documents or any law applicable to it or result in a breach or default under any evidence of its indebtedness or any other agreement or instrument to which it is a party or by which it or any of its property is bound which has a reasonable likelihood of materially and adversely affecting the consummation of the transactions contemplated hereby or the performance by the Party of any of its obligations under this Agreement.

**15.5 Actions and Proceedings.** Each Party represents and warrants to the other that as of the Effective Date there is no pending or, to the knowledge of such Party, threatened action or proceeding affecting such Party before any Government Agency that has a reasonable likelihood of materially adversely affecting or reasonably threatening the ability of such Party to perform its obligations under this Agreement or the validity or enforceability of this Agreement against it and that there are no bankruptcy proceedings pending or being contemplated by it or, to its knowledge, threatened against it.

**15.6 Absence of Certain Events.** Each Party represents and warrants to the other Party that as of the Effective Date no Event of Default attributable to it has occurred and is continuing and no such event or circumstance would occur as a result of its entering into or performing its obligations under this Agreement.

## ARTICLE 16

## DISPUTE RESOLUTION

**16.1 Senior Officers.**

16.1.1 Each of the Parties will designate in writing to the other Parties a representative who will be authorized to resolve any dispute arising under this Agreement and, unless otherwise expressly provided herein, to exercise the authority of such Party to make decisions by mutual agreement.

16.1.2 If such designated representatives are unable to resolve a dispute under this Agreement, such dispute will be referred by each Party's representative, respectively, to a designated senior officer.

16.1.3 The Parties hereto agree: (i) to attempt to resolve all disputes arising hereunder promptly; and (ii) to provide each other with reasonable access during normal business hours to any and all non-privileged and non-confidential records, information and data pertaining to any such dispute. Non-privileged and non-confidential information shall be made available to a Party pursuant to a confidentiality agreement consistent with the confidentiality provisions of this Agreement.

**16.2 Arbitration.**

16.2.1 All disputes arising under, out of, or in relation to any provision of this Agreement that are not resolved pursuant to Section 16.1 within 30 Days after either Party's receipt of notice referring the dispute to the senior officers of the Parties (and in any event within the time which legal or equitable proceedings based on such claim, dispute, or controversy would not be barred by the applicable statute of limitations) will be submitted upon written request of any Party to binding arbitration. Each Party will have the right to designate

an arbitrator of its choice, who need not be from the American Arbitration Association ("AAA") panel of arbitrators but who (a) will be an expert in the independent power electric generation field and (b) will not be and will not have been previously an employee or agent of or consultant or counsel to either Party or any of its Affiliates and will not have a direct or indirect interest in either Party or any of its Affiliates or the subject matter of the arbitration. Such designation will be made by notice to the other Party and to the AAA within ten (10) Days or, in the case of payment disputes, five (5) Days after the date of the giving of notice of the demand for arbitration. The arbitrators designated by the Parties will designate a third arbitrator, who will have a background in legal and judicial matters (and who will act as chairman), within ten (10) Days or, in the case of payment disputes, five (5) Days after the date of the designation of the last of the arbitrators to be designated by the Parties, and the arbitration will be decided by the three arbitrators. If the two arbitrators cannot or do not select a third independent arbitrator within such period, either Party may apply to the AAA for the purpose of appointing any person listed with the AAA as the third independent arbitrator under the expedited rules of the AAA. Such arbitration will be held in alternating locations of the home offices of the Parties, commencing with Buyer's home office, or in any other mutually agreed upon location. The rules of the AAA will apply to the extent not inconsistent with the rules herein specified. Each Party will bear its own expenses (including attorneys' fees) with respect to the arbitration. The Parties shall share the expenses of the arbitrators equally.

16.2.2 Subject to Section 14.2, the arbitrators conducting an arbitration proceeding under this Section shall have no authority to award to any Party consequential, incidental, punitive, exemplary or indirect damages or any lost profits or business interruption damages, whether by virtue of any Law or otherwise. Provided further, the fact that any

arbitration proceeding is conducted hereunder and the decision of the arbitrators shall be deemed Confidential Information under Section 19.2; provided further, notwithstanding any provision in Article 19, Confidential Information, to the extent relevant, may be disclosed by any Party to the arbitrators conducting the arbitration and any court of competent jurisdiction enforcing the arbitrators' award.

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**16.3 Binding Nature of Proceedings.** Each Party understands that this Agreement contains an agreement to arbitrate with respect to specified disputes. After signing this Agreement, each Party understands that it will not be able to bring a lawsuit concerning any dispute that may arise that is covered by this arbitration provision. Instead, each Party agrees to submit any such dispute to arbitration pursuant to Section 16.2. Any award of the arbitrator may be enforced by the Party in whose favor such award is made in any court of competent jurisdiction.

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**ARTICLE 17**

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**ASSIGNMENT**

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**17.1 Assignment.** Either Party may assign outright or collaterally this Agreement and its rights and obligations hereunder subject to the written consent of the other Party (which consent shall not be unreasonably withheld); provided that either Party may assign outright this Agreement and its rights and obligations hereunder without the consent of the other Party to any person with a Standard & Poor's or its successor ("S&P"; if S&P ceases to exist or publish such ratings, S&P shall mean a nationally recognized rating agency mutually agreed upon by the Parties, which agreement will not be unreasonably withheld or delayed) issuer credit rating (or senior unsecured rating if an issuer rating is not available) of BBB (or future equivalent) or better and a Moody's Investors Service or its successor ("Moody's"; if Moody's ceases to exist

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or publish such ratings, Moody's shall mean a nationally recognized rating agency mutually  
agreed upon by the Parties, which agreement will not be unreasonably withheld or delayed)  
issuer rating (or senior unsecured rating if an issuer rating is not available) of Baa2 (or future  
equivalent) or better who has the legal power and authority, licenses and technical ability to  
perform and satisfy the obligations of the assigning Party under this Agreement (an "Eligible  
Assignee"). The assigning Party will notify the other Party in writing prior to any assignment  
with respect to which consent is not required hereunder. No assignment by a Party of this  
Agreement or its rights or obligations hereunder shall relieve the assigning Party of liability for  
its obligations under this Agreement without the written release of the other Party. Such release  
shall not be withheld if the Assignment Conditions (defined below) are satisfied.

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**17.2 Assignment Conditions.** The non-assigning Party's obligation to recognize or  
perform for any person claiming rights in this Agreement by outright assignment or through  
collateral assignment (an "Assignee") shall be subject to such Assignee: (i) establishing that it  
satisfies the qualifications of an Eligible Assignee; (ii) having cured all existing Events of  
Default under this Agreement; and (iii) having executed and delivered to the non-assigning  
Party an assignment and assumption agreement whereby the Assignee assumes and agrees to  
satisfy all conditions and pay and perform all obligations in favor of the non-assigning Party  
then existing and/or thereafter arising under this Agreement (the "Assignment Conditions").  
Any attempted assignment, directly or indirectly, by way of merger or otherwise, which is not in  
compliance with the terms hereof shall be void and ineffective.

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## ARTICLE 18

## CREDITWORTHINESS AND SECURITY

**18.1 Buyer's Provision of a Letter of Credit or Guaranty.** On and after June 1, 2008, if and for so long as (A) Buyer's (i) Moody's issuer rating (or senior unsecured rating if an issuer rating is not available) is Baa3 (or future equivalent) or below, or (ii) S&P issuer credit rating (or senior unsecured rating if an issuer rating is not available) is BBB- (or future equivalent) or below or (B) Buyer does not have both an issuer credit rating (or senior unsecured rating if an issuer rating is not available) by S&P and an issuer rating (or senior unsecured rating if an issuer rating is not available) by Moody's, then Buyer shall provide to and maintain in favor of Seller either (a) a letter of credit in an amount not less than the Seller's Required Amount in substantially the form attached hereto as Appendix E issued by a major U.S. commercial bank with assets of at least \$25 billion and a senior unsecured credit rating of at least A2 (or future equivalent) by Moody's or at least A (or future equivalent) by S&P (the "Eligible Letter of Credit") or (b) a continuing parent guaranty in substantially the form attached hereto as Appendix F in an amount not less than the Seller's Required Amount issued by an entity who has and maintains (i) an issuer rating (or senior unsecured rating if an issuer rating is not available) of at or above Baa2 (or future equivalent) by Moody's and (ii) an issuer credit rating (or senior unsecured rating if an issuer rating is not available) of at or above BBB (or future equivalent) by S&P (the "Eligible Guaranty"). Such Eligible Letter of Credit or Eligible Guaranty shall be provided to Seller within ten (10) Days of receipt of notice from the Seller of the requirement to provide an Eligible Letter of Credit or Eligible Guaranty pursuant to the provisions of this Section. For purposes hereof, the "Seller's Required Amount" shall mean (i) \$5,750,000 if and so long as Buyer has and maintains an issuer rating (or senior unsecured



rating if an issuer rating is not available) of at or above Baa3 (or future equivalent) by Moody's and an issuer credit rating (or senior unsecured rating if an issuer rating is not available) of at or above BBB- (or future equivalent) by S&P, but shall mean (ii) \$17,200,000 if Buyer (a) has or attains an issuer rating (or senior unsecured rating if an issuer rating is not available) below Baa3 (or future equivalent) by Moody's or an issuer credit rating (or senior unsecured rating if an issuer rating is not available) below BBB- (or future equivalent) by S&P or (b) does not have or fails to maintain both an issuer credit rating (or senior unsecured rating if an issuer rating is not available) by S&P and an issuer rating (or senior unsecured rating if an issuer rating is not available) by Moody's. If on any anniversary of the date of Buyer's provision of an Eligible Letter of Credit or Eligible Guaranty hereunder, the Seller's Required Amount shall be less than the amount of such Eligible Letter of Credit or Eligible Guaranty, Buyer (at its expense) may request and have such Eligible Letter of Credit or Eligible Guaranty reduced by the amount of the difference subject to the obligation to thereafter have such Eligible Letter of Credit or Eligible Guaranty increased or replaced in order to comply with the provisions of this Article.

**18.2 Seller's Provision of a Letter of Credit or Guaranty.** On and after June 1, 2008, if and for so long as (A) both Georgia Power's and Gulf Power's (i) Moody's issuer rating (or senior unsecured rating if an issuer rating is not available) is Baa3 (or future equivalent) or below, or (ii) S&P issuer credit rating (or senior unsecured rating if an issuer rating is not available) is BBB- (or future equivalent) or below or (B) neither Georgia Power nor Gulf Power has both an issuer credit rating (or senior unsecured rating if an issuer rating is not available) by S&P and an issuer rating (or senior unsecured rating if an issuer rating is not available) by Moody's, then Seller shall provide to and maintain in favor of Buyer either (a) a letter of credit in an amount not less than the Buyer's Required Amount in substantially the form attached

hereto as Appendix E issued by a major U.S. commercial bank with assets of at least \$25 billion and a senior unsecured credit rating of at least A2 (or future equivalent) by Moody's or at least A (or future equivalent) by S&P (the "Eligible Letter of Credit") or (b) a continuing parent guaranty in substantially the form attached hereto as Appendix F in an amount not less than the Buyer's Required Amount issued by an entity who has and maintains (i) an issuer rating (or senior unsecured rating if an issuer rating is not available) of at or above Baa2 (or future equivalent) by Moody's and (ii) an issuer credit rating (or senior unsecured rating if an issuer rating is not available) of at or above BBB (or future equivalent) by S&P (the "Eligible Guaranty"). Such Eligible Letter of Credit or Eligible Guaranty shall be provided to Buyer within ten (10) Days of receipt of notice from the Buyer of the requirement to provide an Eligible Letter of Credit or Eligible Guaranty pursuant to the provisions of this Section. For purposes hereof, the "Buyer's Required Amount" shall mean (i) \$5,750,000 if and so long as either or both Georgia Power or Gulf Power has and maintains an issuer rating (or senior unsecured rating if an issuer rating is not available) of at or above Baa3 (or future equivalent) by Moody's and an issuer credit rating (or senior unsecured rating if an issuer rating is not available) of at or above BBB- (or future equivalent) by S&P, but shall mean (ii) \$17,200,000 if both Georgia Power and Gulf Power (a) have or attain an issuer rating (or senior unsecured rating if an issuer rating is not available) below Baa3 (or future equivalent) by Moody's or an issuer credit rating (or senior unsecured rating if an issuer rating is not available) below BBB- (or future equivalent) by S&P or (b) do not have or fail to maintain both an issuer credit rating (or senior unsecured rating if an issuer rating is not available) by S&P and an issuer rating (or senior unsecured rating if an issuer rating is not available) by Moody's. If on any anniversary of the date of Seller's provision of an Eligible Letter of Credit or Eligible Guaranty hereunder,

the Buyer's Required Amount shall be less than the amount of such Eligible Letter of Credit or Eligible Guaranty, Seller (at its expense) may request and have such Eligible Letter of Credit or Eligible Guaranty reduced by the amount of the difference subject to the obligation to thereafter have such Eligible Letter of Credit or Eligible Guaranty increased or replaced in order to comply with the provisions of this Article.

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ARTICLE 19

MISCELLANEOUS

19.1 Governing Law; Waiver of Jury Trial. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF FLORIDA, EXCLUSIVE OF ITS CONFLICTS OF LAW PROVISIONS, AND, TO THE EXTENT APPLICABLE, BY THE FEDERAL LAW OF THE UNITED STATES OF AMERICA. BY CHOOSING TO HAVE THIS AGREEMENT GOVERNED BY AND CONSTRUED UNDER THE LAW OF THE STATE OF FLORIDA, THE PARTIES ARE IN NO WAY SUBMITTING TO OR INCORPORATING INTO THIS AGREEMENT ANY FLORIDA STATUTE, REGULATION, OR ORDER, OR ANY OF THE SAME INVOLVING THE GENERATION, SALE, PURCHASE OR TRANSMISSION OF ELECTRIC CAPACITY OR ELECTRIC ENERGY IN, OR FOR CONSUMPTION IN, THE STATE OF FLORIDA. EACH PARTY HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT.

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## 19.2 Confidentiality.

### 19.2.1 Scope of Protection.

(i) For purposes of this Section 19.2: (a) "Seller Confidential Information" means the terms of this Agreement and all drafts of the same, together with any documents, data or drafts labeled or otherwise expressly identified as "Confidential" by Seller when provided to Buyer; (b) "Buyer Confidential Information" means the terms of this Agreement and all drafts of the same, together with any documents, data or drafts labeled or otherwise expressly identified as "Confidential" by Buyer when provided to Seller; and (c) "Confidential Information" means collectively the Seller Confidential Information and the Buyer Confidential Information.

(ii) Seller shall not disclose to third parties any Buyer Confidential Information; provided that nothing contained herein shall prohibit Seller from providing any such Buyer Confidential Information to its or its Affiliates' agents, employees, officers, directors, representatives, contractors, advisors, accountants, rating agencies, underwriters, investors, counsel, prospective or actual purchasers, prospective or actual lenders or such other Persons in connection with the acquisition of all or a significant portion of the assets or stock of Georgia Power or Gulf Power or any of their Affiliates or in connection with the analysis, issuance or rating of any debt or equity securities or other financing activities by Georgia Power or Gulf Power or any of their Affiliates who in the reasonable judgment of Seller should have access to such Buyer Confidential Information and are bound by an obligation to maintain such confidentiality provided that Seller shall be responsible for any use or disclosure of such Buyer Confidential Information by any of its or its Affiliates' agents, employees, officers, directors, representatives, contractors, advisors, accountants, rating agencies, underwriters, investors,

counsel, prospective or actual purchasers, prospective or actual lenders or such other Persons inconsistent with this Section 19.2; provided further that nothing contained herein shall prohibit Seller from providing Buyer Confidential Information to the NERC or SEARUC solely to the extent that (i) Seller determines in its reasonable discretion that the provision of such information is required to enhance and/or maintain reliability; (ii) such entity is obligated to maintain such confidentiality; and (iii) Seller has notified Buyer of its intention to release such information no less than five (5) Business Days prior to the release subject to the requirements of applicable law and regulation.

(iii) Buyer shall not disclose to third parties any Seller Confidential Information; provided that nothing contained herein shall prohibit Buyer from providing any such Seller Confidential Information to its or its Affiliates' agents, employees, officers, directors, representatives, contractors, advisors, accountants, rating agencies, underwriters, investors, counsel, prospective or actual purchasers, prospective or actual lenders or such other Persons in connection with the acquisition of all or a significant portion of the assets or stock of Buyer or any of its Affiliates or in connection with the analysis, issuance or rating of any debt or equity securities or other financing activities by Buyer or any of its Affiliates who in the reasonable judgment of Buyer should have access to such Seller Confidential Information and are bound by an obligation to maintain such confidentiality provided that Buyer shall be responsible for any use or disclosure of such Seller Confidential Information by any of its or its Affiliates' agents, employees, officers, directors, representatives, contractors, advisors, accountants, rating agencies, underwriters, investors, counsel, prospective or actual purchasers, prospective or actual lenders or such other Persons inconsistent with this Section 19.2; provided further that nothing contained herein shall prohibit Buyer from providing Seller Confidential

Information to the NERC or SEARUC solely to the extent that (i) Buyer determines in its reasonable discretion that the provision of such information is required to enhance and/or maintain reliability, (ii) such entity is obligated to maintain such confidentiality, and (iii) Buyer has notified Seller of its intention to release such information no less than five (5) Business Days prior to the release subject to the requirements of applicable law and regulation.

(iv) Notwithstanding the foregoing, either Party may disclose Confidential Information (i) to the extent relevant, to the independent parties determining Seller's Damages or Buyer's Damages (as appropriate), and (ii) to its and its Affiliates' employees, officers, directors, accountants, counsel and other advisors who need to know such information in connection with the performance of their duties or services for the disclosing Party or its Affiliates; provided, however, that such Persons shall be required to maintain the confidentiality of such information consistent with the requirements of this Agreement.

#### 19.2.2 Required and Other Disclosure.

(i) Notwithstanding anything in this Section 19.2 to the contrary, if Buyer is required by applicable law or regulation, or in the course of administrative or judicial proceedings or investigations, to disclose to third parties, Seller Confidential Information or otherwise intends to disclose Seller Confidential Information to FERC or its staff (other than at the request or requirement of FERC or its staff) or pursuant to the request or requirement of any appropriate state regulatory commission or body, Buyer may make disclosure of such Seller Confidential Information; provided, however, that all reasonable steps are taken by Buyer to assure continued confidential treatment by the relevant administrative, regulatory or judicial agencies or other recipient and provided further that as soon as Buyer learns of the disclosure request or requirement or otherwise intends to disclose any Seller Confidential Information

pursuant hereto and prior to making disclosure, Buyer shall, to the extent permitted by law, notify Seller of the requirement, request or intention and the terms thereof and any Party may challenge the disclosure requirement, request or intention or seek a protective order or other appropriate remedy. Buyer, at Seller's expense, shall cooperate with Seller to the maximum extent practicable to minimize the disclosure of the Seller Confidential Information consistent with applicable law. Buyer shall cooperate with Seller to obtain proprietary or confidential treatment of such Seller Confidential Information by the Person to whom such Seller Confidential Information will be disclosed (and if practicable, reasonably prior to any such disclosure). If, in the absence of a protective order or other appropriate remedy or the receipt of a waiver by Seller, Buyer is nonetheless, in the written opinion of counsel, legally compelled to disclose Seller Confidential Information or otherwise may become subject to contempt or other censure or penalty, Buyer may, in such instance but not otherwise, without liability hereunder, disclose that portion of the Seller Confidential Information which and to whom such counsel advises Buyer is legally required to be disclosed (but none other), provided that Buyer exercises Commercially Reasonable Efforts to preserve the confidentiality of the Seller Confidential Information, including by cooperating with Seller to obtain an appropriate protective order or other reliable assurance that the Seller Confidential Information shall be accorded confidential treatment. Seller shall be liable for all reasonable legal costs incurred by Buyer in cooperating with Seller to obtain such an appropriate protective order or confidential treatment.

(ii) Notwithstanding anything in this Section 19.2 to the contrary, if Seller is required by applicable law or regulation, or in the course of administrative or judicial proceedings or investigations, to disclose to third parties, Buyer Confidential Information or otherwise intends to disclose Buyer Confidential Information to FERC or its staff (other than at

the request or requirement of FERC or its staff) or pursuant to the request or requirement of any appropriate state regulatory commission or body, Seller may make disclosure of such Buyer Confidential Information; provided, however, that all reasonable steps are taken by Seller to assure continued confidential treatment by the relevant administrative, regulatory or judicial agencies or other recipient and provided further that as soon as Seller learns of the disclosure request or requirement or otherwise intends to disclose any Buyer Confidential Information pursuant hereto and prior to making disclosure, Seller shall, to the extent permitted by law, notify Buyer of the requirement, request or intention and the terms thereof and any Party may challenge the disclosure requirement, request or intention or seek a protective order or other appropriate remedy. Seller, at Buyer's expense, shall cooperate with Buyer to the maximum extent practicable to minimize the disclosure of the Buyer Confidential Information consistent with applicable law. Seller shall cooperate with Buyer to obtain proprietary or confidential treatment of such Buyer Confidential Information by the Person to whom such Buyer Confidential Information will be disclosed (and if practicable, reasonably prior to any such disclosure). If, in the absence of a protective order or other appropriate protective remedy or the receipt of a waiver by Buyer, Seller is nonetheless, in the written opinion of counsel, legally compelled to disclose Buyer Confidential Information or otherwise may become subject to contempt or other censure or penalty, Seller may, in such instance but not otherwise, without liability hereunder, disclose that portion of the Buyer Confidential Information which and to whom such counsel advises Seller is legally required to be disclosed (but none other), provided that Seller exercises Commercially Reasonable Efforts to preserve the confidentiality of the Buyer Confidential Information, including, without limitation, by cooperating with Buyer to obtain an appropriate protective order or other reliable assurance that the Buyer Confidential



Information shall be accorded confidential treatment. Buyer shall be liable for all reasonable legal costs incurred by Seller in cooperating with such Buyer to obtain an appropriate protective order or confidential treatment.

(iii) Nothing in this Section 19.2 shall prohibit or otherwise limit the use or disclosure of Confidential Information if such Confidential Information: (a) was previously known to the disclosing or using Party unrelated to this Agreement without an obligation of confidentiality; (b) was developed by or for the disclosing or using Party unrelated to this Agreement using nonconfidential information; (c) was acquired by the disclosing or using Party from a third party which is not, to the disclosing or using Party's knowledge, under an obligation of confidence with respect to such information; (d) is or becomes publicly available other than through a manner inconsistent with this Section 19.2; or (e) is provided or made available for inspection by Seller or Buyer under public records or public disclosure laws but only to the extent required to be so provided or made available.

(iv) The provisions of this subsection shall supersede any contrary provisions of this Section 19.2 regarding the disclosure of information to FERC or its staff pursuant to the request or requirement of FERC or its staff. In providing Buyer Confidential Information to FERC or its staff pursuant to the request or requirement of FERC or its staff, Seller shall, consistent with 18 C.F.R. § 388.112, request that the information be treated as confidential and non-public by FERC and its staff and that the information be withheld from public disclosure. To the extent permitted by law, Seller shall promptly notify Buyer when it is required or requested by FERC or its staff to disclose Buyer Confidential Information. Seller shall not be prohibited to make or liable for the disclosure to FERC or its staff of any Buyer Confidential Information pursuant to the request or requirement of FERC or its staff consistent

with this subsection. In providing Seller Confidential Information to FERC or its staff pursuant to the request or requirement of FERC or its staff, Buyer shall, consistent with 18 C.F.R. § 388.112, request that the information be treated as confidential and non-public by FERC and its staff and that the information be withheld from public disclosure. To the extent permitted by law, Buyer shall promptly notify Seller when it is required or requested by FERC or its staff to disclose Seller Confidential Information. Buyer shall not be prohibited to make or liable for the disclosure to FERC or its staff of any Seller Confidential Information pursuant to the request or requirement of FERC or its staff consistent with this subsection.

(v) The Parties agree to seek confidential treatment of the Confidential Information from the FPSC to the maximum extent possible pursuant to Chapter 366.093, Florida Statutes, and Rule 25-22.006 of the Florida Administrative Code. In the event any Confidential Information will need to be disclosed in connection with the application for the FPSC Approval, Buyer shall consult and cooperate with Seller prior to such disclosure, including, without limitation, in determining the extent to which confidential treatment will be sought for such terms, conditions and provisions.

(vi) Seller may file this Agreement with the Securities and Exchange Commission ("Commission") as may be necessary under the Public Utility Holding Company Act and the rules and regulations thereunder in connection with Seller's application to the Commission for such orders and approvals as may be required for financing and/or the issuance and sale of interests in or debt issued or to be issued by Seller and/or its Affiliates. Seller shall request confidential treatment of the Buyer Confidential Information in this Agreement in connection with such filing; however, the Parties acknowledge that such request may be denied in whole or in part, and accordingly, that confidential treatment may not be afforded by the

Commission to such information. In addition, Seller may disclose such Buyer Confidential  
 Information as required by the Commission pursuant to the Securities and Exchange Act of  
 1934, as amended, and any rule or regulation promulgated thereunder.

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(vii) Except for filings with the Commission or other regulatory  
 authorities, any public statement and/or press release by a Party hereto concerning this  
 Agreement (except statements or releases by the Non-Defaulting Party after an Event of  
 Default) shall be reviewed and agreed upon by the Parties before release, which agreement shall  
 not be unreasonably withheld or delayed.

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The obligations under this Section 19.2 with respect to any Party shall survive  
 until the earlier of the second anniversary of the termination or expiration of this Agreement.

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**19.3 Survivorship of Obligations.** Termination of this Agreement shall not  
 discharge any Party from any obligation it owes the other Party under this Agreement by reason  
 of any transaction, loss, cost, damage, expense or liability occurring, accruing or arising prior to  
 such termination. It is the intent of the Parties that any such obligation owed (whether the same  
 shall be known or unknown as of the termination or cancellation of this Agreement) will survive  
 the termination or cancellation of this Agreement in favor of the Party to which such obligation  
 is owed. The Parties also intend that the indemnification and limitation of liability provisions  
 contained in Sections 12.2 and 12.3 shall remain operative and in full force and effect and that  
 any specific survivability provisions in any other sections be given full effect.

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**19.4 No Third Party Beneficiaries.** This Agreement is not intended to, and shall not,  
 create rights, remedies or benefits of any character whatsoever in favor of any Persons,  
 corporations, associations, or entities other than the Parties and their permitted successors and  
 assigns, and the rights and obligations of each of the Parties under this Agreement are solely for

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the use and benefit of, and may be enforced solely by the Parties, their permitted successors and assigns.

**19.5 Section Headings Not to Affect Meaning.** The descriptive headings of the various Articles and Sections of this Agreement have been inserted for convenience of reference only and shall in no way modify or restrict any of the terms and provisions thereof. References to "Articles", "Sections" and "Appendices" in this Agreement shall mean the Articles, Sections and Appendices of this Agreement unless otherwise expressly noted.

**19.6 Computation of Time.** In computing any period of time prescribed or allowed by this Agreement, the designated period of time shall begin to run on the Day immediately following the Day of the act, event or default that precipitated the running of the designated period of time. The designated period shall expire on the last Day of the period so computed unless that Day is not a Business Day, in which event the period shall run until the end of the next Business Day.

**19.7 Interest.** Whenever the provisions of this Agreement require the calculation of an interest rate, such rate shall be computed at an annual rate equal to the Prime Rate as of the date on which the calculation begins, but not to exceed the maximum rate which may be lawfully charged. Interest on obligations arising under this Agreement shall be compounded daily and be calculated based on a 360 day year.

**19.8 Entire Agreement.** Except for the two letter agreements between Buyer and Southern Company Services, Inc. dated November 24, 2004, this Agreement constitutes the entire agreement between the Parties relating to the subject matter hereof and supersedes any other agreements, written or oral, between the Parties concerning such subject matter. The Parties have entered into this Agreement in reliance upon the representations and mutual

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understandings contained herein and not in reliance upon any oral or written representation or information provided by one Party to another Party not contained or incorporated herein.

**19.9 Counterparts.** This Agreement may be executed simultaneously in multiple counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

**19.10 Amendments.** This Agreement may only be amended by written agreement signed by duly authorized representatives of the Parties.

**19.11 Waivers.** Waivers of the provisions of this Agreement or excuses of any violations of this Agreement shall be valid only if in writing and signed by an authorized officer of the Party issuing the waiver or excuse. A waiver or excuse issued under one set of circumstances shall not extend to other occurrences under similar circumstances.

**19.12 No Partnership Created.** Any provision of this Agreement to the contrary notwithstanding, the Parties do not intend to create hereby any joint venture, partnership, association taxable as a corporation, or other entity for the conduct of any business for profit. If it should appear that one or more changes to this Agreement would be required in order not to create an entity referenced in the preceding sentence, the Parties agree to negotiate promptly and in good faith with respect to such changes.

**19.13 Character of Sale.** The sale of capacity and energy hereunder shall not constitute a sale, lease, transfer or conveyance to Buyer or any other party of any contractual rights or ownership interests in any generating unit or other equipment comprising the Facility, nor does the sale of capacity and energy hereunder constitute a dedication of ownership of any generating unit or other equipment comprising the Facility.

19.14 Notices. Any notice, demand, request, statement, or correspondence provided for in this Agreement, or any notice which a Party may desire to give to the other, shall be in writing (unless otherwise expressly provided by this Agreement) and shall be considered duly delivered when received by hand delivery, first-class mail, facsimile, or by overnight delivery, at the address(es) and to the attention of the person(s) listed below; provided, however, if actual delivery occurs at a time other than between the hours of 0800 and 1700 CPT on a Business Day (each a "Business Hour"), delivery shall be deemed to have occurred in the next Business Hour after actual delivery.

(i) **To Seller:**

Vice President, Business Development  
Southern Company Generation and Energy Marketing  
Bin 935  
270 Peachtree Street, NW  
Atlanta, Georgia 30303

Telephone: 404-506-0346  
Facsimile: 404-506-0399

**With a copy to:**

Senior Vice President and General Counsel  
Georgia Power Company  
241 Ralph McGill Boulevard  
Atlanta, Georgia 30308

Telephone: 404-506-2700  
Facsimile: 404-506-7985

**And**

Vice President, Chief Financial Officer and Comptroller  
Gulf Power Company  
1 Energy Place  
Pensacola, Florida 32520

Telephone: 850-444-6385  
Facsimile: 850-444-6744

And

Vice President, Fleet Operations and Trading  
Southern Company Services, Inc.  
600 North 18<sup>th</sup> Street, GS-8259  
Birmingham, Alabama 35203

Telephone: 205-257-6139  
Facsimile: 205-257-4441

(ii) **To Buyer:**

Vice President, Regulated Commercial Operations  
Progress Energy Florida  
410 South Wilmington Street  
Raleigh, North Carolina 27601

Telephone: 919-546-4552  
Facsimile: 919-546-4670

And

General Counsel  
Progress Energy Florida  
410 South Wilmington Street  
Raleigh, North Carolina 27601

Telephone: 919-546-5362  
Facsimile: 919-546-3805

Either Party may change the information set forth in this Section 19.14 by giving written notice to the other Party in the manner prescribed by this Section.

**19.15 Survival.** Any provision(s) of this Agreement that expressly comes into or remains in force following the termination or expiration of this Agreement shall, subject to the express terms of the relevant provision, survive the termination or expiration of this Agreement.

**19.16 Construction.** The language used in this Agreement is the product of both Parties' efforts. Accordingly, each Party irrevocably waives the benefit of any rule of contract

construction that disfavors the drafter of a contract or the drafter of specific language in a contract.

**19.17 Imaged Agreement.** Any original executed Agreement, schedule confirmation or other related document may be photocopied and stored on computer tapes and disks (the "Imaged Agreement"). The Imaged Agreement, if introduced as evidence on paper, the schedule confirmation, if introduced as evidence in automated facsimile form, the transaction tape, if introduced as evidence in its original form and as transcribed onto paper, and all computer records of the foregoing, if introduced as evidence in printed format, in any judicial, arbitration, mediation or administrative proceedings, will be admissible as between the Parties to the same extent and under the same conditions as other business records originated and maintained in documentary form. Neither Party shall object to the admissibility of the transaction tape, the schedule confirmation or the Imaged Agreement (or photocopies of the transcription of the transaction tape, the schedule confirmation or the Imaged Agreement) on the basis that such were not originated or maintained in documentary form under either the hearsay rule, the best evidence rule or other rule of evidence.

**19.18 Severability.** If any provision or provisions of this Agreement or the application thereof to any Person or circumstance or in any jurisdiction is found by a court of competent jurisdiction to be illegal, invalid, unlawful, void or unenforceable as written for any reason, then it is the intent of each of the Parties that any such provision or provisions shall be given force and effect to the fullest possible extent that they are legal, valid and enforceable, that the remainder of this Agreement and the application of such provision or provisions to other Persons or circumstances or in other jurisdictions shall be deemed valid and enforceable to the fullest extent possible and continue in force and effect. If the determination that any provision



or provisions hereof are illegal, invalid, unlawful, void or unenforceable (even after such provision or provisions are given force and effect to the fullest extent possible) results in a significant material deviation from the Parties' original intent or economic expectations regarding this Agreement, the Parties shall negotiate to (and/or the applicable court, in its discretion, may) replace any such illegal, invalid, unlawful, void or unenforceable provision or provisions with valid provision(s) which result in the least deviation from the Parties' intent and economic expectations.

**19.19 Agency of Southern Company Services, Inc.** Seller hereby designates Southern Company Services, Inc. to serve as its agent for purposes of the implementation and administration of this Agreement. Seller may designate a new agent from time to time under this Agreement by giving Buyer sixty (60) Days written notice in which event Southern Company Services, Inc.'s role, as agent, shall cease and the newly-designated agent shall be substituted for the sole purpose of serving and acting as agent for Seller hereunder.

**19.20 Include.** As used herein, the words "include" or "including" shall be deemed to be followed by the words "without limitation."

**19.21 Examples.** Examples of calculations pursuant to the provisions of this Agreement are set forth in Appendix G. Such calculations are for example purposes only and are not intended to, and shall not, modify any of the terms of this Agreement. To the extent there is a conflict between any of these examples and the other terms of this Agreement, such other terms shall govern. Moreover, such examples shall be given no weight in interpreting or construing the provisions of this Agreement.

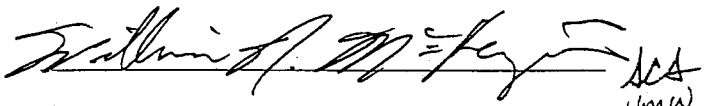
**19.22 Transmission Provider Deadlines.** In the event that the applicable provider of transmission service for Delivered Energy modifies any of its deadlines after the Effective Date

such that the Parties' originally intended performance and/or rights under this Agreement would be materially affected (e.g., a Party no longer has sufficient time to fulfill its obligations or exercise any options as intended by the Parties), the Parties shall utilize Commercially Reasonable Efforts to agree on appropriate modifications to this Agreement in order to preserve the Parties' original intent hereunder. Provided, however, that such modifications shall not have the effect of causing any Party to bear more of a financial burden or receive less of a financial benefit than as originally contemplated on the Effective Date.

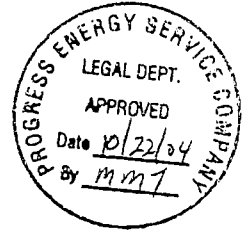
**[The Next Page is the Signature Page.]**

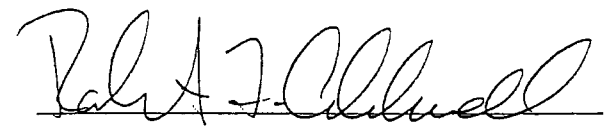
IN WITNESS WHEREOF, Seller and Buyer have caused this Agreement to be executed in duplicate by their respective duly authorized officers as of the Effective Date.

SOUTHERN COMPANY SERVICES, INC.  
As Agent for  
Georgia Power Company and  
Gulf Power Company

BY:  SCS  
NAME: William N. McKenzie HNW  
TITLE: Vice President

FLORIDA POWER CORPORATION D/B/A  
PROGRESS ENERGY FLORIDA, INC.



BY:   
NAME: Robert F. Caldwell  
TITLE: Vice President, Regulated Commercial Operations

APPENDIX A

MONTHLY CAPACITY PAYMENT CALCULATION

A. Monthly Capacity Price

The Monthly Capacity Price for each Month of the Service Term shall be \$12.94/kW-month.

B. Monthly Capacity Payment

For each Month, the Monthly Capacity Payment ("MCP") shall be calculated as follows:

MCP = (Contract Capacity \* Capacity Price \* 1000) \* (Monthly Hours - EFMH accumulated during such Month) / Monthly Hours

Where:

Contract Capacity = Contract Capacity (in MW) for the applicable calendar year.

Capacity Price = Monthly Capacity Price in Section A of this Appendix A.

Monthly Hours = the total hours in the applicable Month.

In the event that Buyer's obligation to purchase Contract Capacity begins on a Day other than the first Day of a Month, or if Buyer's obligation to purchase Contract Capacity ends on a Day other than the last Day of a Month, the calculation of the Monthly Capacity Payment and/or Capacity Availability Performance Adjustment will be determined on a pro rata basis.

C. Capacity Availability Performance Adjustment

Within 30 Days after the conclusion of a Contract Year, Seller shall calculate a Capacity Availability Performance Adjustment ("CAPA") for the most recently completed Contract Year. For each Contract Year, the CAPA shall be determined as follows:

CAPA = CAF \* ACP

Where:

CAF = Capacity Adjustment Factor = ADA - .940

ACP = the sum of the Monthly Capacity Payments that were required to be paid by Buyer in such Contract Year.

ADA shall be determined by Seller for each Contract Year as follows:

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ADA = Total Available Hours / Total Hours, rounded to the nearest thousandth.

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Where:

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Total Hours = Total number of hours in the Contract Year, less: (i) hours in which Scheduled Outages or Maintenance Outages occurred; (ii) EFMH accumulated during such Contract Year; and (iii) hours during which a Delivery Excuse occurred.

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Total

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Available

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Hours = Total Hours less EUH accumulated during such Contract Year.

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If the CAPA is positive, then Buyer owes Seller the amount of the CAPA. If the CAPA is negative, then Seller owes Buyer the absolute value of the CAPA. After CAPA is calculated by Seller, Seller shall adjust the next Monthly invoice to Buyer to reflect CAPA as either a credit to Buyer or an additional amount owed to Seller (as applicable).

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APPENDIX B

ENERGY PAYMENT CALCULATION AND EMISSIONS ADJUSTMENT

A. Monthly Energy Payment.

The Monthly Energy Payment shall be determined for each Month as follows:

MEP = \sum\_{k=1}^n DE \* [(HR \* BFC) + VOM + FH]

Where:

MEP = the Monthly Energy Payment, expressed in dollars;

n = number of hours in the applicable Month;

k = each hour, in the applicable Month;

DE = the Delivered Energy for hour k of the applicable Month, expressed in MWh;

HR = the average heat rate for the Facility, expressed in MMBtu per megawatt-hour (MMBtu/MWh), derived from "Informational Schedule No. 2 (Energy Costs by Sources)" (or other applicable informational Schedule or filing) under the IIC in effect for such Month, adjusted to the transmission voltage level;

BFC = the blended fuel cost for the Facility for such Month, in dollars per MMBtu (\$/MMBtu), determined as the weighted average cost of: (i) the actual delivered fuel cost for the Facility for the immediately previous approximately thirty (30) Day period; and (ii) the projected delivered fuel cost for the Facility for the next approximately thirty (30) Day period, as calculated by Georgia Power or its agent, and as such period may be adjusted by Georgia Power or its agent, in its discretion, during the Term of the Agreement (Georgia Power's and its agent's current practice, as of the Effective Date, is to calculate such actual and projected delivered fuel costs on a Monthly basis; but, Georgia Power may change the approximately thirty (30) Day time period to be used in such calculations in Georgia Power's or its agent's reasonable discretion) in accordance with the IIC;

VOM = the variable operations and maintenance expense rate for the Facility, expressed in dollars per megawatt-hour (\$/MWh), as shown in "Informational Schedule No. 2 (Energy Costs by Sources)" (or other

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applicable informational Schedule or filing) under the IIC in effect for such Month adjusted to the transmission voltage level;

FH = the fuel handling expense rate for the Facility, expressed in dollars per megawatt-hour (\$/MWh), as shown in "Informational Schedule No. 2 (Energy Costs by Sources)" (or other applicable informational Schedule or filing) under the IIC in effect for such Month adjusted to the transmission voltage level.

B. Fuel Cost Adjustment.

Each Monthly invoice will also include a fuel cost adjustment ("FCA") (as a credit or an additional charge, as applicable) for the Month prior to the Month for which such invoice is issued ("Prior Month") in order to reflect any difference in the Prior Month between actual fuel costs and the BFC for such Prior Month. If FCA is negative, Seller shall provide Buyer a credit equal to the absolute value of such amount. If FCA is positive, Buyer shall pay Seller such amount. The fuel cost adjustment ("FCA") will be calculated as follows:

$$FCA = DEP * (AFC * HRA - BFC \text{ Prior Month} * HR \text{ Prior Month})$$

Where:

FCA = the fuel cost adjustment, expressed in dollars

DEP = the total amount of Delivered Energy provided by Seller to Buyer during the Prior Month, expressed in MWh.

AFC = the actual fuel costs at the Facility for the Prior Month, in dollars per MMBtu (\$/MMBtu), which shall be equal to the net booked expenses (including the monthly netting of stockpile adjustments) for coal and related MMBtu associated with the total amount of energy generated by the Facility during such Month (as recorded in FERC account 501 or other applicable FERC account(s)).

HRA = the actual heat rate for the Facility, expressed in MMBtu per megawatt-hour (MMBtu/MWh), which shall be equal to the actual MMBtu fuel burn for the Facility recorded in FERC account 501 (or other applicable FERC account(s)) for the Prior Month divided by the total amount of energy (in MWh) generated by the Facility during such Month.

BFC Prior Month = BFC for the Prior Month

HR Prior Month = HR for the Prior Month

C. VOM Adjustment.

As soon as practicable after the end of each calendar year, Seller shall determine the amount of variable operations and maintenance expenses (based on net booked expenses as recorded in the applicable FERC account(s)) that would have been incurred in providing Delivered Energy to Buyer during such year as if all of such energy had been provided from the Facility ("Actual VOM"). In calculating Actual VOM, Seller shall consider the total amount of energy generated by the Facility during the year and the total of operation and maintenance expenses for the Facility during the year. If the VOM expenses billed to Buyer for such year are greater than Actual VOM, then Seller shall provide Buyer with a credit equal to the excess amount in a subsequent Monthly invoice to Buyer. If the VOM expenses billed to Buyer for such year are less than Actual VOM, then Seller shall invoice Buyer for the deficiency in a subsequent Monthly invoice and Buyer shall pay such amount pursuant to Article 9 of this Agreement.

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D. Fuel Handling Expenses Adjustment.

As soon as practicable after the end of each calendar year, Seller shall determine the amount of fuel handling expenses (based on net booked expenses as recorded in FERC account 501 or other applicable FERC account(s)) that would have been incurred in providing Delivered Energy to Buyer during such year as if all of such energy had been provided from the Facility ("Actual FH"). In calculating Actual FH, Seller shall consider the total amount of energy generated by the Facility during the year and the total of fuel handling expenses for the Facility during the year. If the fuel handling expenses billed to Buyer for such year are greater than Actual FH, then Seller shall provide Buyer with a credit equal to the excess amount in a subsequent Monthly invoice to Buyer. If the fuel handling expenses billed to Buyer for such year are less than Actual FH, then Seller shall invoice Buyer for the deficiency in a subsequent Monthly invoice and Buyer shall pay such amount pursuant to Article 9 of this Agreement.

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E. Emissions Adjustment.

No later than December 31 (or if December 31 is not a Business Day, the next previous Business Day) prior to the beginning of each Compliance Period (as defined below) for each of NOx emissions and SO2 emissions, Buyer shall notify Seller that it elects, for such Compliance Period, to either: (i) supply Seller with a number of allowances (either NOx or SO2 as applicable) equal to the Allowance Deficit (as defined below) ("Supply Option"); or (ii) pay to Seller an amount equal to Seller's Allowance Costs (as defined below) ("Payment Option"). If Buyer fails to timely make such election for any Compliance Period, Buyer shall be deemed to have elected the Payment Option for such Compliance Period. For purposes hereof, there shall be separate Compliance Periods for each of NOx emissions and SO2 emissions, and each such period shall be that defined period of time for which the applicable state and/or federal government agency allocates a number of the applicable emissions allowances to the Facility (e.g., as of the Effective Date, the Compliance Period for NOx emissions is the period May through September, and the Compliance Period for SO2 emissions is a calendar year).

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No later than 20 Business Days after the end of each Compliance Period for NOx emissions and each Compliance Period for SO2 emissions, Seller shall, as applicable, calculate an Emissions Difference for NOx emissions and an Emissions Difference for SO2 emissions. The Emissions Difference shall be calculated as follows:

Emissions Difference = Allowance Allocation – Buyer Emissions

Allowance Allocation = Buyer Percentage \* Total Facility Allowances.

Total Facility Allowances = the number of allowances allocated to the Facility (for NOx or SO2 as applicable) by the applicable state and/or federal governmental agency at no charge to Seller for the applicable Compliance Period.

Buyer Emissions = (Period Delivered Energy / Period Facility Energy) \* Total Emissions

Period Delivered Energy = the total amount of Delivered Energy provided by Seller to Buyer during the applicable Compliance Period from any generating resource under the terms of this Agreement.

Period Facility Energy = the total amount of energy produced by the Facility during the Compliance Period.

Total Emissions = the total emissions from the Facility (either NOx or SO2, as applicable) for the Compliance Period, as measured by the continuous emissions monitoring system (“CEMS”) at the Facility.

Within 5 Business Days after calculating the Emissions Difference, Seller shall provide Buyer with notice of the same. If the Emissions Difference is positive, Seller shall provide Buyer a credit in a subsequent Monthly invoice to Buyer in an amount equal to the product of the Emissions Difference and the Cantor Index Price. For purposes hereof, the term “Cantor Index Price” shall mean the price per allowance (for either NOx or SO2 as applicable) as published in the Cantor Environmental Brokerage Monthly Market Price index (or its successor index) on the last Business Day of first Month after the end of the applicable Compliance Period. In the event that the Cantor Index Price is no longer published, the Parties shall mutually agree on a replacement index that reflects the allowance price previously represented by the Cantor Index Price.

If the Emissions Difference is negative (in such case the absolute value of the Emissions Difference shall be referred to as the “Allowance Deficit”) and Buyer previously elected the Supply Option for the applicable Compliance Period, Buyer shall provide Seller (at Buyer’s sole cost and expense) with a number of allowances (either NOx or SO2 as applicable) equal to the Allowance Deficit by transferring such allowances to Seller’s account on or before the 10<sup>th</sup> Business Day of the second Month following the end of the Compliance Period (e.g., for SO2, the 10<sup>th</sup> Business Day of February where the

Compliance Period ends on December 31). If the Emissions Difference is negative and Buyer previously elected the Payment Option for the applicable Compliance Period, Seller shall include Seller's Allowance Costs in a subsequent invoice to Buyer and Buyer shall pay Seller such amount pursuant to Article 9 of this Agreement. For purposes hereof, Seller's Allowance Costs shall equal the sum of: (i) the costs and expenses incurred by Seller (including brokerage fees and attorneys' fees) in procuring allowances to remedy all or a portion of the Allowance Deficit; and (ii) an amount equal to the product of the Cantor Index Price and the number of allowances transferred by Seller from other generating resources of Seller for the benefit of the Facility in order to remedy all or a portion of the Allowance Deficit as determined by Seller.

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F. When initially included in any Monthly invoice provided by Seller, any adjustment under this Appendix B (i.e., either a charge or a credit, as applicable) shall not include interest.

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APPENDIX C

CALCULATION OF START PAYMENT

The Monthly Start Payment ("MSP") for each Month shall be calculated as follows:

$$\text{MSP} = n * \text{Start Charge}$$

Where:

n = number of Successful Starts in the applicable Month;

Start Charge = \$3,500 (increasing 3.5 percent every June 1 beginning on June 1, 2011) for each Successful Start.

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APPENDIX D

SCHEDULING PARAMETERS

The Scheduling Parameters are as follows:

**Minimum Amount of Scheduled Energy for any hour ("Minimum Schedule Amount"):**

Fifty percent (50%) of the Contract Capacity, rounded down to the nearest whole MW.

**Minimum Duration of Schedule:**

Twenty-four (24) consecutive hours

**Minimum Time between a Schedule Shut-Down and a Schedule Start:**

Twenty-four (24) consecutive hours

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APPENDIX E

LETTER OF CREDIT

Beneficiary

Applicant

\_\_\_\_\_  
\_\_\_\_\_  
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Attn: \_\_\_\_\_

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\_\_\_\_\_  
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Attn: \_\_\_\_\_

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We hereby issue our Irrevocable Standby Letter of Credit No. \_\_\_\_\_ in your favor for \$ \_\_\_\_\_ U.S. Dollars available for payment at sight in immediately available funds against your drafts drawn on us and accompanied by a Certificate signed by a purported authorized agent, officer or representative of \_\_\_\_\_ or its direct or indirect successor, transferee or assignee containing one or more of the following statements:

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(a) "An Event of Default by or attributable to \_\_\_\_\_ or any of its direct or indirect successors or assignees has occurred under that certain Contract for the Purchase of Capacity and Energy originally between Southern Company Services, Inc., as agent for Georgia Power Company and Gulf Power Company, and Florida Power Corporation d/b/a Progress Energy Florida, Inc. entered into as of \_\_\_\_\_, 2004, as amended, replaced or assigned (the "Agreement"), and the amount of the draft provided herewith does not exceed the amount owed or reasonably expected to be owed to the Beneficiary under the Agreement."

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(b) "Beneficiary has determined or been notified that the expiration date of Letter of Credit No. \_\_\_\_\_ will not be extended and \_\_\_\_\_ is required to but has not provided Beneficiary with an acceptable substitute letter of credit or guaranty and it is less than twenty days until the expiration date of such Letter of Credit No. \_\_\_\_\_."

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(c) "Beneficiary or its direct or indirect successor or assignee has designated an Early Termination Date resulting from an Event of Default by or attributable to \_\_\_\_\_ or any of its direct or indirect successors or assignees under that certain Contract for the Purchase of Capacity and Energy originally between Southern Company Services, Inc., as agent for Georgia Power Company and Gulf Power Company, and Florida Power Corporation d/b/a Progress Energy Florida, Inc. entered into as of \_\_\_\_\_, 2004, as amended, replaced or assigned (the "Agreement"), and the amount of the draft provided herewith does

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not exceed the amount owed or reasonably expected to be owed to the Beneficiary under the Agreement.”

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Special Conditions

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1. Multiple and partial drawings are permitted.

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2. Any drafts drawn under this Letter of Credit must bear the clause “Drawn under \_\_\_\_\_ Letter of Credit No. \_\_\_\_\_ Dated \_\_\_\_\_, \_\_\_\_\_.”

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3. This Letter of Credit expires at the counters of \_\_\_\_\_ at the close of business on \_\_\_\_\_, 200\_\_ [insert date which is at least one year after the date of issuance of the letter of credit] (which date as may be extended in the manner provided herein is referred to as the “expiration date”). The expiration date shall be deemed automatically extended without amendments for one year from the initial expiration date and thereafter for one year from each anniversary of the initial expiration date unless at least twenty (20) business days prior to the then applicable expiration date we notify Beneficiary in writing by facsimile at \_\_\_\_\_, Attention: \_\_\_\_\_, and by overnight courier to \_\_\_\_\_, Attention: \_\_\_\_\_ with a copy to \_\_\_\_\_ that we are not going to extend the expiration date.

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4. We hereby engage with the Beneficiary that drafts drawn under and in compliance with the terms and conditions of this Letter of Credit will be duly honored by us upon presentation to ourselves by payment in accordance with the Beneficiary’s payment instructions. If requested by the Beneficiary, payment under this Letter of Credit will be made by wire transfer of immediately available funds to Beneficiary’s account at any financial institution located in the continental United States. All payments under this Letter of Credit will be made in our own funds.

5. This Letter of Credit is subject to and governed by the ICC Uniform Customs and Practice for Documentary Credits (1993 Revision) International Chamber of Commerce Publication Number 500 (the “UCP”), and, to the extent not inconsistent therewith, the laws of the State of [\_\_\_\_\_]. Anything to the contrary in Article 41 of the UCP notwithstanding, this Letter of Credit is intended to remain in full force and effect until it expires in accordance with its terms. Any failure by you to draw upon this Letter of Credit shall not cause this Letter of Credit to be unavailable for any future drawing. If this Letter of Credit expires during an interruption of business as described in Article 17 of the UCP, we hereby specifically agree to effect payment if this Letter of Credit is drawn against within 30 days after the resumption of business.

6. Anything to the contrary in Article 48 of the UCP notwithstanding, this Letter of Credit is transferable any number of times, but only in the full unutilized balance hereof and not in part. Transfer shall be effective upon execution and delivery by Beneficiary to us of our standard transfer form together with the original of this Letter of Credit and payment of our standard transfer fee. Transfer may be made only to any person or entity which is a direct or indirect permissible assignee of you or successor to you under that certain Contract for the Purchase of

Capacity and Energy originally between Southern Company Services, Inc., as agent for Georgia Power Company and Gulf Power Company, and Florida Power Corporation d/b/a Progress Energy Florida, Inc. entered into as of \_\_\_\_\_, 2004, as amended, replaced or assigned.

7. Our obligation under this Letter of Credit is our individual obligation and is in no way contingent upon reimbursement with respect thereto, or upon our ability to perfect any lien, security interest or any other reimbursement.

8. This Letter of Credit is assignable and transferable by Beneficiary and its direct and indirect successors and assignees in whole but not in part.

(Signed)

APPENDIX F

GUARANTY AGREEMENT

This Guaranty Agreement ("Guaranty Agreement") is made and entered into as of the \_\_\_\_\_ day of \_\_\_\_\_, 200\_\_ by \_\_\_\_\_, a \_\_\_\_\_ (together with its successors, "Guarantor"), in favor of \_\_\_\_\_, a \_\_\_\_\_ (collectively with its successors and permitted assigns, "Beneficiary").

RECITALS:

A. \_\_\_\_\_, a \_\_\_\_\_ (collectively with its successors and permitted assigns, "Contractor"), and Beneficiary directly and/or through their respective agents have entered into that certain Contract for the Purchase of Capacity and Energy, dated as of \_\_\_\_\_, 200\_\_ (as may be amended, restated, replaced and/or assigned, the "PPA").

B. Guarantor has agreed to execute, deliver and perform this Guaranty Agreement in order to satisfy the terms and conditions of the PPA.

NOW, THEREFORE, with reference to the above recitals and in reliance thereon, in consideration of Beneficiary entering into and performing the PPA and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, Guarantor agrees in favor of Beneficiary as follows:

1. General. Capitalized terms not otherwise defined in this Guaranty Agreement shall have the same meaning as ascribed to such terms in the PPA. Subject to the provisions of Sections 2 and 3 below, Guarantor hereby absolutely, irrevocably and unconditionally guarantees and promises to pay to Beneficiary, its successors and permitted assigns, when due all of Contractor's present and future obligations, debts and liabilities of all kinds to Beneficiary under or relating to the PPA (as may be extended, amended, restated or replaced, the "Obligations"). Any payments made by Guarantor to Beneficiary hereunder shall be made in the lawful money of the United States in the amount(s) required under the PPA no later than four (4) Business Days following Beneficiary's delivery to Guarantor of written notice of an Event of Default by or attributable to Contractor under the PPA and demand for payment under this Guaranty Agreement. The foregoing demand for payment shall include, at a minimum, sufficient information to allow Guarantor to evaluate the request for payment and determine the nature of any non-payment by Contractor under the PPA. This Guaranty Agreement is a guaranty of payment and not of collection.

2. Nature of Guaranty. The Guarantor's obligations hereunder shall not be affected by any circumstances relating to the Obligations that might otherwise constitute a legal or equitable discharge of or defense to the Guarantor not available to Contractor. The Guarantor agrees that Beneficiary may resort to the Guarantor for payment of the Obligations whether or not Beneficiary shall have resorted to any collateral therefor or shall have proceeded against Contractor or any other obligor principally or secondarily obligated with respect to any Obligations under the PPA. Beneficiary shall not be obligated to file any claim relating to the Obligations in the event that Contractor or Guarantor becomes subject to a bankruptcy, reorganization or similar proceeding, and the failure of Beneficiary to so file and any bankruptcy or insolvency of Contractor or Guarantor shall not affect the Guarantor's obligations hereunder. In the event that any payment by Contractor or Guarantor in respect of any



Obligations is voided, rescinded or recovered from Beneficiary as a preference or fraudulent transfer under the United States Bankruptcy Code or any applicable state law, Guarantor shall remain liable hereunder in respect to such Obligations as if such payment had not been made and/or this Guaranty Agreement shall be reinstated as necessary. This Guaranty Agreement shall continue to be effective if Contractor or Guarantor merges or consolidates with or into another entity, loses its separate legal identity or ceases to exist.

3. Maximum Liability. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED OR IMPLIED ELSEWHERE IN THIS GUARANTY AGREEMENT, THE MAXIMUM AGGREGATE LIABILITY OF GUARANTOR HEREUNDER IS \$ \_\_\_\_\_.

4. Termination. This is a continuing guaranty of all present and future Obligations. If and only if (i) the PPA has expired or been properly terminated and all Obligations are indefeasibly paid or (ii) this Guaranty Agreement is no longer required to be maintained in effect pursuant to the terms of the PPA, then and only then, Guarantor may terminate this Guaranty Agreement effective thirty (30) days after written notice by the Guarantor to the Beneficiary of Guarantor's intention to terminate this Guaranty Agreement. This Guaranty Agreement may not otherwise be terminated or revoked without Beneficiary's prior written consent. Notwithstanding the provisions of this Section 4, and despite any termination of this Guaranty Agreement, this Guaranty Agreement shall remain in full force and effect and shall continue to apply to (i) all Obligations outstanding or due before the effective date of termination, and (ii) any extensions or renewals of, interest accruing on, or fees, costs or expenses (including attorney's fees) incurred with respect to, such Obligations.

5. No Conditions. This Guaranty Agreement is direct, continuing, unconditional, and absolute and is subject only to the defenses that may be expressly reserved by Guarantor under this Guaranty Agreement. Without limiting the generality of the foregoing, Guarantor agrees that this Guaranty Agreement is not conditioned upon its receipt of any type of notice except as set forth in Section 1 (including, but not limited to, notice of acceptance of this Guaranty Agreement), and Guarantor hereby waives any right it may otherwise have to same.

6. No Discharge. Without limiting the foregoing, to the extent permitted by applicable law, none of the following or any similar event or occurrence shall operate to discharge Guarantor hereunder:

6.1 Any modification of any contract between Beneficiary and Contractor;

6.2 Beneficiary's acceptance of any instrument in substitution for any claim or debt;

6.3 Any renewal, extension, modification or substitution of or for any instrument;

6.4 Any leniency or failure to pursue collection by Beneficiary with respect to Contractor or Guarantor;

6.5 Any release or impairment of collateral, if any, which secures payment of Contractor's obligations to Beneficiary; or

6.6 The inclusion by any subsequent separate agreement or by any amendment of this Guaranty Agreement at a later date of additional guarantors of the Obligations guaranteed hereunder; or the subsequent release of any of same.

7. Defaults. For the purposes of this Guaranty Agreement, all sums to become due from Contractor to Beneficiary shall be deemed to have become immediately due and payable without notice or demand upon the occurrence of any of the following: (a) an Event of Default by or attributable to Contractor occurs under the PPA; (b) a petition under any chapter of the Bankruptcy Code, as amended, is filed by or against Contractor or Guarantor; or (c) Contractor makes a general assignment for the benefit of creditors, suspends business, or commits any act amounting to a business failure.

8. Consents, Waivers and Renewals. Guarantor agrees that Beneficiary may, at any time and from time to time, without notice to or consent of Guarantor and without impairing, reducing or releasing this Guaranty Agreement or the obligations of Guarantor hereunder: (1) extend the time of payment of any Obligations or take, exchange or surrender any collateral or security for any Obligations or renew or make any change in the terms of any Obligations or any other liability of Contractor or Guarantor to Beneficiary, (2) take or fail to take any action of any kind in respect of any security for any Obligations or other liability of Contractor or Guarantor to Beneficiary, (3) waive or release or exercise or refrain from exercising any rights against Contractor or Guarantor or others, (4) assign, create, renew, modify, replace, discharge, release, compromise or subordinate the PPA, any Obligations or any other liability of Contractor or Guarantor or any other person to Beneficiary or any security therefor, or (5) enter into, amend, replace or release any agreement effecting or modifying any of the foregoing.

9. Attorney's Fees. The Guarantor will pay for all of Beneficiary's reasonable costs incurred in enforcing its rights under this Guaranty Agreement, by legal process or otherwise, including, but not limited to, Beneficiary's reasonable attorney's fees; provided, however, if Beneficiary is unsuccessful in enforcing its rights under this Guaranty Agreement in the event of a dispute over amounts owing, Beneficiary shall be responsible for Beneficiary's costs and attorneys' fees arising in connection with such attempted enforcement of this Guaranty Agreement.

10. Subrogation. Guarantor waives and will not exercise any rights which it may acquire by way of subrogation until all the obligations of Contractor under the PPA shall have been paid in full and this Guaranty Agreement shall have been terminated. Subject to the foregoing, upon payment of all the obligations of Contractor under the PPA and termination of this Guaranty Agreement (but not before), Guarantor shall be subrogated to the rights of Beneficiary against Contractor in respect of payments made by Guarantor under this Guaranty Agreement.

11. Assignment. This Guaranty Agreement is assignable by Beneficiary to any Eligible Assignee to whom the PPA has been assigned by Beneficiary in accordance with the provisions of Section \_\_\_\_\_ thereof and shall be construed liberally in Beneficiary's favor and shall inure to the benefit of Beneficiary, its direct and indirect successors and permitted assigns. This Guaranty Agreement is not assignable or delegable by Guarantor without the prior written consent of Beneficiary which will not be unreasonably withheld or delayed.

12. Validity and Defenses. Guarantor represents and warrants to Beneficiary that this Guaranty Agreement has been duly executed and delivered by Guarantor and constitutes the legal, valid and

binding obligation of Guarantor, enforceable against Guarantor in accordance with its terms, except as the enforceability of this Guaranty Agreement may be limited by the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and by general principles of equity. The Guarantor hereby reserves to itself all rights, counterclaims and other defenses to which Contractor may have to payment of any amounts arising under the PPA, except for defenses waived in this Guaranty Agreement and except for defenses arising from the bankruptcy or insolvency of Contractor, Beneficiary (but subject to such rights with respect to Beneficiary's bankruptcy or insolvency as expressly reserved to Contractor in the PPA), Guarantor or any other party, or the power or authority of Contractor to enter into the PPA or to perform its obligations thereunder.

13. Governing Law. Legal rights and obligations hereunder shall be determined in accordance with the laws of the State of Beneficiary's principal place of business, without regard to the principles of conflicts of laws thereunder.

14. Severability. Every provision of this Guaranty Agreement is intended to be severable. If any term or provision hereof is declared to be illegal or invalid for any reason whatsoever by a court of competent jurisdiction, such illegality or invalidity shall not affect the balance of the terms and provisions hereof, which terms and provisions shall remain binding and enforceable.

15. Notices. All notices, requests, demands and other communications required or permitted to be made or given under this Guaranty Agreement shall be in writing and shall be deemed to have been given (i) on the date of personal delivery, (ii) five (5) days after the date of deposit in the U.S. Mail, by registered or certified mail, postage prepaid, or (iii) the day after the date of delivery to a reputable overnight courier service for overnight delivery, in each case addressed to the parties as follows:

If to Beneficiary, to: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Attn: \_\_\_\_\_

If to Guarantor, to: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Attn: \_\_\_\_\_

Any party may change its address for receiving notice by written notice given to the other as set forth above.

16. Entire Agreement/No Amendment. This Guaranty Agreement constitutes the entire agreement and understanding of the parties hereto respecting its subject matter and supersedes all prior written and contemporaneous oral agreements, representations and understandings relating to its subject matter. No term hereof may be changed, waived, discharged or terminated unless by an instrument signed by the party against whom enforcement of such change, waiver, discharge or termination is sought.

17. No Waiver; Cumulative Rights. No failure or delay on the part of Beneficiary to exercise, and no delay in exercising, any right, remedy or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise by Beneficiary of any right, remedy or power hereunder preclude any other or future exercise of any right, remedy or power. Each and every right, remedy and power hereby granted to Beneficiary or allowed Beneficiary by law or other agreement shall be cumulative and not exclusive of any other, and may be exercised by Beneficiary at any time or from time to time. Without limiting the foregoing: (i) this Guaranty Agreement shall not release, modify, revoke or terminate any other guaranty heretofore executed by Guarantor; nor shall any other guaranty hereafter executed by Guarantor release, modify, revoke or terminate this Guaranty Agreement except to the extent such subsequent guaranty makes specific reference to this Guaranty Agreement is agreed to in writing by Beneficiary and expressly so provides, and (ii) all of Guarantor's liabilities and obligations and Beneficiary's rights and remedies are cumulative.

18. Waivers. Guarantor waives notice of the PPA and the Obligations, any acceptance of this Guaranty Agreement, presentment, all rights of exemption, demand (except as set forth in Section 1), notice of dishonor, protest, notice of protest, notice of any sale of collateral security, notice of the release or discharge of any person or collateral and, except as expressly set forth above, all other notices.

IN WITNESS WHEREOF, Guarantor has executed this Guaranty Agreement on the date shown below.

\_\_\_\_\_

By: \_\_\_\_\_  
Its: \_\_\_\_\_  
Date: \_\_\_\_\_

## APPENDIX G

## EXAMPLE CALCULATIONS

## A. Hourly Capacity Calculations, EFMH and EUH

Pursuant to Section 19.21 of this Agreement, Table G-1 provides the following example calculations: hourly capacity calculations, Equivalent Force Majeure Hours, Equivalent Unavailable Hours, Monthly Capacity Payment, and Capacity Availability Performance Adjustment. To facilitate clarity, some simplifying assumptions regarding data have been made. The assumptions for these examples are set forth below and in Lines 1-14 of Table G-1. Each example calculation, using line numbers, is set forth in the second column of the Table G-1.

For purposes of the calculations in Table G-1, the hourly conditions were assumed to exist in every hour of the month and the monthly conditions were assumed to exist in every month of the year. Actual calculations during the term of this Agreement will require build-up of the operating results on an hourly basis.

Assumptions for the examples in Table G-1 are:

• Total Facility Capacity	843 MW	15
• Scheduled Energy	0 MWh	16
• Delivered Energy	0 MWh	17
• Total Affected Capacity (Forced Outage)	175 MW	18
• Total Affected Capacity (Force Majeure)	290 MW	19
• Alternate Resource designated in response to a Forced Outage	10 MW	20
• Alternate Resource designated in response to a Force Majeure Event	20 MW	21
• Energy from an Alternate Resource designated in response to a Forced Outage	0 MWh	22
• Energy from an Alternate Resource designated in response to a Force Majeure	0 MWh	23
• Facility Energy	0 MWh	24
• Other Energy agreed by the Parties to be Delivered Energy	0 MWh	25
• Unavailable Alternate Resource Capacity (Forced Outage)	5 MW	26
• Unavailable Alternate Resource Capacity (Force Majeure)	10 MW	27
• Scheduled or Maintenance Outages	672 Hours	28
• Delivery Excuse hours accumulated for the year	0 Hours	29

Table G-1

Assumptions

Line	Calculations (Using Line Numbers)		Units	Value
1		Total Facility Capacity	MW	843
2		Scheduled Energy	MWH	-
3		Delivered Energy	MWH	-
4		Total Affected Capacity (Forced Outage)	MW	175
5		Total Affected Capacity (Force Majeure)	MW	290
6		Alternate Resource designated in response to a Forced Outage	MW	10
7		Alternate Resource designated in response to a Force Majeure	MW	20
8		Buyer Percentage	%/100	0.0877
9		Energy from an Alternate Resource in Line 6	MWH	-
10		Energy from an Alternate Resource in Line 7	MWH	-
11		Facility energy	MWH	-
12		Other energy agreed by the Parties to be Delivered Energy	MWH	-
13		Unavailable Alternate Resource Capacity (Forced Outage)	MW	5
14		Unavailable Alternate Resource Capacity (Force Majeure)	MW	10

Example Hourly Calculations of Capacity, EFMH, and EUH

15	1 * 8	Contract Capacity	MW	74
16	15 - (17 + 18)	Available Capacity	MW	33
17	4 * 8	Outage Capacity	MW	15
18	5 * 8	Force Majeure Capacity	MW	25
19	3 - (16 + 10)	Delivered Energy Credit	MWH/Hour	-
20	17 + 14 - 19 - [(6 - 13) - 19]	Unavailable Capacity	MW	20
21	18 - 7	Equivalent force majeure capacity	MW	5
22	21 / 15	Equivalent Force Majeure Hour (EFMH)	Hours/Hour	0.073
23	20 / 15	Equivalent Unavailable Hour (EUH)	Hours/Hour	0.275

Example Calculation of Monthly Capacity Payment

Assume hourly case above occurs in every hour of the month

24	15	Contract Capacity	MW	74
25		Monthly Capacity Price	\$/kW-mo.	12.94
26		Monthly Hours	Hours	744
27	22 * 26	EFMH accumulated for the month	Hours/Month	54.7
28	24 * 25 * 1,000 * (26 - 27) / 26	Monthly Capacity Payment (MCP)	\$	886,365

Example Calculation of Capacity Availability Performance Adjustment

Assume monthly case above occurs in every month of the year

29		Scheduled or Maintenance Outages	Hours	672
30		Contract Year Hours	Hours	8,760
31		EFMH accumulated for the year	Hours	656
32		Delivery Excuse hours accumulated for the year	Hours	-
33	30 - 29 - 31 - 32	Total Hours	Hours	7,432
34		EUH accumulated for the year	Hours	2,411
35	33 - 34	Total Available Hours	Hours	5,021
36	35 / 33	Actual Demand Availability (ADA)		0.676
37	36 - 0.940	Capacity Adjustment Factor (CAF)		(0.264)
38	12 * 28	Annual Capacity Payment (ACP)	\$	10,636,385
39	37 * 38	Capacity Availability Performance Adjustment (CAPA)	\$	(2,808,006)

Use underlined values only if they result in values that are positive.  
Numbers in *italics* are actual numbers, not line numbers.

**B. Monthly Energy Payment and Adjustments**

Pursuant to Section 19.21 of the Agreement, Table G-2 provides the following example calculations: Monthly Energy Payment, Fuel Cost Adjustment (Monthly), VOM Adjustment (Annual), Fuel Handling Adjustment (Annual), and Emissions Adjustment (Compliance Period).

Each example calculation, using line numbers, is set forth in the second column of the example tables.

Assumptions for the examples in Table G-2 are:

• Delivered Energy	44,045 MWh	7
• Average Heat Rate (HR)	10.5 MMBtu/MWh	8
• Blended Fuel Cost (BFC)	2.00 \$/MMBtu	9
• Variable Operations and Maintenance Expense Rate (VOM)	1.29 \$/MWh	10
• Fuel Handling Expense Rate (FH)	0.07 \$/MWh	11
• Actual Fuel Burn by the Facility	5,121,260 MMBtu	12
• Total Energy Generated by the Facility (Month)	492,429 MWh	13
• Total Energy Generated by the Facility (Year)	5,909,146 MWh	14
• Actual Fuel Cost (AFC)	1.95 \$/MMBtu	15
• Actual VOM for 2011	\$8,568,261	16
• Actual FH for 2011	\$2,068,201	17
• Total Facility Allowances for SO <sub>2</sub> ,	9,600 tons	18
• Total Facility Allowances for NO <sub>x</sub>	1,750 tons	19
• Total Emissions for SO <sub>2</sub> (2,000 tons/month for 12 months)	24,000 tons	20
• Total Emissions for NO <sub>x</sub> (400 tons/month for 5 months)	2,000 tons	21
• Allowance Costs for SO <sub>2</sub>	500 \$/ton	22
• Allowance Costs for NO <sub>x</sub>	3,000 \$/ton	23

Table G-2  
Example Calculation of Monthly Energy Payment & Adjustments

Line	Calculations (Using Line Numbers)	Monthly Energy Payment Calculation	Units	Value
1		Contract Year		6/11-5/12
2		Month		Dec
3		Delivered Energy	MWh	44,045
4		Average Heat Rate (HR)	MMBtu/MWh	10.5
5		Blended Fuel Cost (BFC)	\$/MMBtu	2.00
6		Variable Operations and Maintenance Expense Rate (VOM)	\$/MWh	1.29
7		Fuel Handling Expense Rate (FH)	\$/MWh	0.07
8	3 * ((4 * 5) + 6 + 7)	Monthly Energy Payment (MEP)	\$	984,842

**Fuel Cost Adjustment (Monthly)**

12		Actual Fuel Burn by the Facility	MMBtu	5,121,260
13		Total Energy Generated by the Facility	MWh	492,429
14	12 / 13	Actual Heat Rate (HRA)	MMBtu/MWh	10.4
15		Actual Fuel Cost (AFC)	\$/MMBtu	1.95
16	3 * ((15 * 14) - (5 * 4))	Fuel Cost Adjustment (FCA)	\$	(31,712)

**VOM Adjustment (Annual)**

17		Calendar Year		2011
18		Annual Delivered Energy to PEF	MWh	528,538
19	6 * 18	Annual VOM Expenses PEF required to pay in 2011	\$	681,814
20		Actual VOM for 2011	\$	8,568,261
21		Total Energy Generated by the Facility in 2011	MWh	5,909,146
22	20 / 21	Actual VOM Rate for the Facility	\$/MWh	1.45
23	18 * 22	Actual VOM for Delivered Energy to PEF	\$	766,380
24	23 - 19	VOM Adjustment (Annual)	\$	84,566

**FH Adjustment (Annual)**

27		Calendar Year		2011
28		Annual Delivered Energy to PEF	MWh	528,538
29	7 * 28	Annual FH Expenses PEF required to pay in 2011	\$	36,998
30		Actual FH for 2011	\$	2,068,201
31		Total Energy Generated by the Facility in 2011	MWh	5,909,146
32	30 / 31	Actual FH Rate for the Facility	\$/MWh	0.35
33	28 * 32	Actual FH for Delivered Energy to PEF	\$	184,988
34	33 - 29	FH Adjustment (Annual)	\$	147,991

**Emissions Adjustment (Compliance Period)**

Line	Calculations (Using Line Numbers)	Compliance Period	SO2	NOx
37		Option	Payment	Payment
38		Buyer Percentage	0.0877	0.0877
39		Total Facility Allowances	9,600	1,750
40		Allowance Allocation	842	153
41	40 * 39	Period Delivered Energy	528,538	220,224
42	<i>12 months for SO<sub>2</sub> and 5 months for NO<sub>x</sub></i>	Period Facility Energy	5,909,146	2,462,144
43		Total Emissions	24,000	2,000
44	(42 / 43) * 44	Buyer Emissions	2,147	179
45	41 - 45	Emissions Difference	(1,305)	(25)
46		Allowance Costs	500	3,000
47	46 * 47	Seller's Allowance Costs	(652,368)	(76,239)

Numbers in *italics* are actual numbers, not line numbers.

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C. Monthly Start Payment

Pursuant to Section 19.21 of the Agreement, Table G-3 provides an example calculation of the Monthly Start Payment. The example calculation, using line numbers, is outlined in the second column of the example table.

Assumptions for the example in Table G-s are:

- Successful Starts = 1

Table G-3

Example Calculation of Monthly Start Payment

Line	Calculations (Using Line Numbers)		Value
1		Contract Year	2010
2		Month	Dec
3	$\$8,000 * 1.035^{(1 - 2010)}$	Start Charge	\$ 8,000
4		Successful Starts	1
5	$3 * 4$	Monthly Start Payment (MSP)	\$ 8,000

Numbers in *italics* are actual numbers, not line numbers.

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**CONFIDENTIAL**

Progress Energy Florida  
Docket No. \_\_\_\_\_-EI  
Exhibit "C" to  
Petition for Approval of UPS  
Agreements for Cost Recovery Purposes

**CONFIDENTIAL**

**Summary of Costs and Benefits of the Unit Power Sales Agreement with the Southern**

Companies

041393-EI

NPV Costs, 2004\$:

Capacity Charges for Scherer and Franklin ( \$106,880,000)

Transmission Charges ( \$28,180,000)

Gas Pipeline Reservation Charges ( \$13,740,000)

Additional Equity Cost ( \$9,300,000)

NPV Benefits, 2004\$:

Capacity Deferral Benefit \$68,010,000

Energy Savings, net \$73,110,000

Economy Energy from Southern System \$5,985,000 - \$11,969,000

Net Benefit/Cost to PEF: (\$5,011,000) – (\$10,995,000), NPV

12-1-06 (entire DN)

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1 of 1

(Part 3 of 3)  
DOCUMENT NUMBER-DATE

13122 DEC 13 8

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