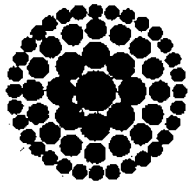


1105



ORIGINAL
COPY

**Florida
Power**
CORPORATION

JAMES A. MCGEE
SENIOR COUNSEL

February 20, 1995

Ms. Blanca S. Bayó, Director
Division of Records and Reporting
Florida Public Service Commission
101 East Gaines Street
Tallahassee, Florida 32399-0870

Re: Docket No. 941101-EQ

Dear Ms. Bayó:

Enclosed for filing in the subject docket are fifteen copies of Exhibit No. _____ (HIS-4), to the Direct Testimony of Henry I. Southwick, III. This exhibit was inadvertently left out of the original testimony filed this date. Therefore, we respectfully request that you include this exhibit (consisting of 24 pages) to the testimony of Mr. Southwick.

ACK _____

AFA _____ Please acknowledge your receipt of the above filings on the enclosed copy
APP _____ of this letter and return to the undersigned. Thank you for your assistance in this
CAF _____ matter.

CMU _____

Very truly yours,

James A. McGee (JB)
James A. McGee

CTR _____

EAC *Futrell*

LED _____

LIT _____

JAM/jb

OFF _____

Enclosure

RCH _____

cc: Parties of Record

SEC _____

WAS _____

OTH _____

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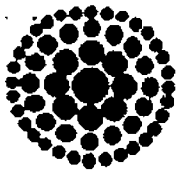
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**FPSC DOCKET NO. 941101-EQ
FPC WITNESS: SOUTHWICK
EXHIBIT NO. ____ (HIS-4)
CONSISTING OF 24 PAGES**

DOCUMENT NUMBER-DATE

02075 FEB 21 88

FPSC FPC WITNESS REPORTING



**Florida
Power**
CORPORATION

FPC Docket No. 941101-EQ
FPC Witness: SOUTHWICK
Exhibit No. _____ (HIS-4)
Page 1 of 24

July 18, 1994

VIA: Overnight and Facsimile

Mr. Macauley Whiting, Jr.
Ridge Generating Station
400 North New York Ave., Suite 101
Winter Park, Florida 32789

Wheelabrator Ridge Energy
3131 K-Ville Avenue
Auburndale, Florida 33823

Re: Negotiated Contract for the Purchase of Firm Capacity and Energy from a Qualifying Facility between Ridge Generating Station Limited Partnership and Florida Power Corporation Dated March 8, 1991

Dear Ladies and Gentlemen:

As we believe you are aware, Florida Power Corporation (FPC) has become very concerned about the reliability and economics of its electric system during and following low load conditions. During mild weather conditions in the fall, winter and spring months, FPC's system load may range from 1,800 mw to 4,200 mw or higher on any given day, with load increases as great as 600 mw per hour. In order to meet our obligation to provide safe, reliable and economic electric service to all of our customers, it is essential for FPC to maintain effective control over all of its generation resources.

FPC has been taking steps to address its minimum load problem for over twelve (12) months. During this period, we have made significant progress in reducing the minimum operational load that our coal plants can maintain. In addition, we have held extensive discussions with the parties involved to identify workable, cooperative solutions. As a result, many of our qualifying facilities have agreed to reduce or curtail their output during minimum load conditions. However, those agreements have not provided an adequate resolution to our minimum load problem. Accordingly, we are in the process of developing a curtailment procedure for implementation pursuant to Rule 25-17.086 of the Florida Public Service Commission (FPSC). We anticipate filing this procedure with the FPSC as soon as it is complete.

In addition, please be advised that FPC has now determined that it would not be operating an "avoided unit" with the characteristics specified in Section 9.1.2 of our Negotiated Contracts for the Purchase of Firm Capacity and Energy from a Qualifying Facility (Negotiated Contracts) during minimum load conditions. As you know, Rule 25-17.0832(4)(b) of the FPSC, Section 9.1.2 of our Negotiated Contracts and FPC's tariff governing the Methodology for

Calculating Avoided Energy Costs on file with the FPSC all provide for the payment of "as available energy costs", rather than "firm energy costs" when the "avoided unit" would not have been operated or is scheduled off. Please be advised that FPC will be implementing these provisions of its contracts, tariffs and the FPSC Rules effective August 1, 1994. To aid you in assessing the potential impacts of the implementation of the indicated contract, tariff, and FPSC Rule provisions, we are attaching data reflecting the manner in which the System Planning Department and the Energy Control Center forecast that the "avoided unit" would be dispatched on FPC's generation system during a typical week day and typical weekend day during the month of August, 1994. The attached data also includes our forecasts of the prices we would pay for "as available energy" to qualifying facilities making sales based upon FPC's as available energy rate for a given hour.

As you know, our cogeneration costs are passed directly to our customers under the applicable FPSC Rules. Accordingly, we have a duty to comply with the provisions of our contracts, tariffs, and the FPSC Rules. At the same time, we would welcome the opportunity to discuss any adverse impacts that you perceive that the operation of these contract, tariff and rule provisions may have upon your business operations to determine whether or not we can agree upon a mechanism to minimize or avoid any such adverse impacts. Representatives of FPC are available to immediately to discuss these matters. Please contact Lee Schuster at (813) 824-6506 regarding any questions concerning the scheduling of the "avoided unit" and Allen Honey at (813) 866-4523 regarding questions about potential curtailments.

Sincerely,



Robert D. Dolan
Manager Cogeneration
Contracts & Administration

RDN/AM

c: L. D. Brousseau
J. P. Fama
M. B. Foley, Jr.
A. J. Honey
L. G. Schuster

Florida Power Corporation
 As-Available Energy Price Forecast
 For the Month of August 1994

18-Jul-94

Hour	Typical Week Day		Typical Weekend Day	
	As Available Energy Price \$/MWH	1991 Avoided Unit Status (Option A)	As Available Energy Price \$/MWH	1991 Avoided Unit Status (Option A)
1	\$18.46	OFF	\$20.14	OFF
2	17.39	OFF	18.42	OFF
3	17.27	OFF	17.38	OFF
4	17.11	OFF	17.48	OFF
5	17.15	OFF	17.35	OFF
6	17.34	OFF	18.43	OFF
7	20.76	OFF	21.23	OFF
8	21.15	OFF	21.41	OFF
9	22.00	OFF	22.19	OFF
10	24.92	ON	24.72	ON
11	29.43	ON	29.08	ON
12	49.72	ON	48.19	ON
13	53.60	ON	50.15	ON
14	55.90	ON	54.21	ON
15	55.20	ON	54.33	ON
16	55.30	ON	48.63	ON
17	55.25	ON	49.54	ON
18	55.18	ON	49.52	ON
19	52.87	ON	56.51	ON
20	53.50	ON	51.55	ON
21	50.30	ON	47.86	ON
22	49.24	ON	30.15	ON
23	26.74	ON	27.67	ON
24	21.47	OFF	22.46	OFF

Note:

- 1) The hourly as-available energy prices shown above apply to qualifying facilities making sales based on FPC's as-available energy rate in that hour. In those hours when a qualifying facility is entitled to firm energy cost payments, those payments will be computed as specified by the qualifying facility's contract with FPC.
- 2) The energy block size used to compute the hourly avoided energy cost is as prescribed by FPSC Rule 25-17.0825. The projected energy block size is determined on an hourly basis based on the terms of FPC's contracts with qualifying facilities.
- 3) The status of the 1991 avoided unit is based on the unit characteristics defined in the contract for purchase of firm capacity and energy from the applicable qualifying facilities.
- 4) This forecast is provided for planning purposes only. Actual as-available energy payments made by FPC will be computed based on the actual energy block size and avoided energy cost for each hour as specified by FPC's cogeneration tariff.

Sent Via Facsimile and Overnight



August 8, 1994

TO: See Attached Distribution List

Dear Ladies and Gentlemen:

As we believe you are aware, Florida Power Corporation (FPC) issued a letter on July 18, 1994 regarding qualifying facility curtailments and as-available energy pricing for the 1991 Negotiated Contract. In response to that letter, FPC has received several requests to more fully explain the implementation of as-available energy pricing during certain hours. We have also received requests to delay this action from the announced date of August 1, 1994.

As stated in our July 18 letter, FPC is in the process of implementing the pricing mechanism defined in Section 9.1.2 of the Negotiated Contract. On July 21, 1994, FPC filed a Petition for Declaratory Statement with the Florida Public Service Commission (FPC) seeking confirmation of our reliance on Section 9.1.2 to determine the periods when as-available energy payments are to be substituted for firm energy payments. The petition discusses the basis for our action as well as the specific steps used to implement Section 9.1.2 of the Negotiated Contract. A copy of this petition has been mailed to you under separate cover. In addition, FPC has made personnel available to discuss and explain this process to all affected qualifying facilities.

The comments received by FPC in response to our July 18 letter suggest that misunderstandings and misconceptions exist regarding FPC's announced actions. In order to dispel any potential confusion, we are taking this opportunity to clarify FPC's position with respect to several issues raised by these responses.

First, some parties have confused FPC's actions regarding energy pricing versus curtailments. For example, one party seemed to be under the impression that scheduling a unit as part of the Section 9.1.2 energy pricing clause is governed by Rule 25-17.086. This is not the case. Rule 25-17.086, "Periods During Which Purchases are not Required," relates to the curtailment of the actual purchase and

delivery of energy from qualifying facilities due to operational or economic circumstances. By contrast, Section 9.1.2 deals only with hourly energy pricing and is being implemented pursuant to Rule 25-17.0832(4)(b).

Second, some parties have suggested that the pricing mechanism should be defined in a manner substantially different from the actual definition contained in Section 9.1.2., which is the pricing method that you as parties to the contract agreed to have govern the energy pricing for your facility. For example, it has been argued that it would not be technically feasible to operate a real generation unit in the manner provided by the pricing clause due to cost factors such as start-up and maintenance costs. However, the characteristics of the unit defined in Section 9.1.2 are explicit and unambiguous, consisting of the average monthly inventory chargeout price of fuel burned at the Avoided Unit Fuel Reference Plant, the Fuel Multiplier, the Avoided Unit Heat Rate, and the Avoided Unit Variable O&M. FPC is implementing this clause precisely as defined by the plain language of the contract.

A third, closely related issue is that some parties have directly challenged the results of the pricing clause apart from any reference to its content. One party went so far as to flatly reject the results of pricing clause, "even if FPC had the contractual ability to do so." For example, it has been suggested that the operation of the Section 9.1.2 pricing mechanism as the basis for the dispatch of a coal plant is not consistent with prudent utility practice and therefore cannot be used to determine periods when as-available energy payments are substituted for firm energy payments.

However, that is exactly the way Section 9.1.2 defines the method for the computation of energy payments under the contract as approved by the FPSC. Section 9.1.2 establishes a precise pricing proxy to be used by agreement of the parties to the contract and FPC has faithfully implemented this method. Accordingly, the validity of the resultant energy pricing should be judged solely on the basis of this provision. Simply put, the pricing clauses included in power purchase agreements often do not function in the same manner as real "bricks-and-mortar" generation units. Therefore, we believe there is no justification for subjecting the terms of Section 9.1.2 to such a test.

In addition to the issues discussed above, FPC has received requests for the supporting data related to the implementation of Section 9.1.2. As these studies were performed with licensed software products, FPC is in the process of determining how best to respond to these requests and will provide more information at a later date.

In summary, FPC is confident that its actions are in compliance with applicable FPSC rules and terms of the Negotiated Contract, and we expect an affirmative order to this effect to be forthcoming from the FPSC. We have carefully reviewed the comments of cogenerators regarding this action and have found no reason to delay

implementation of the pricing provision based on these comments. However, we have experienced a delay in initiating the daily forecasting of avoided unit status and its impact on hourly as-available energy prices. We appreciate the importance of this information as a basis for operational planning for qualifying facilities. Therefore, we will delay the implementation of the pricing provision described in our July 18 letter until Tuesday, August 9, 1994, in order to allow forecasting procedures to be put in place beforehand. FPC hereby serves notice that the above described pricing provision will be implemented as of August 9, 1994 in order to fulfill our fiduciary responsibility to our customers to pay the bargained for, Commission-approved, price for energy purchased from qualifying facilities.

Sincerely,



Lee G. Schuster
Senior Planning Analyst

LGS/kma
Attachment

DISTRIBUTION LIST:

Orange Cogen Limited
c/o Ark/CSW Development
Partnership
23046 Avenida De La Carlota #400
Laguna Hills, CA 92653-1519

NationsBank of Florida, NA
600 Peachtree Street, NE
Atlanta, GA 30308

GECC
1600 Summer Street
Stamford, CT 06927

TIFD-C, Inc.
c/o GECC
1600 Summer Street, 6th Floor
Stamford, CT 06927
Attn: Manager, Energy Portfolio
Administration

Lake Cogen, Ltd.
1551 N. Tustin Avenue, Suite 900
Santa Ana, CA 92701

Mr. Macauley Whiting, Jr.
Ridge Generating Station
400 North New York Ave.,
Suite 101
Winter Park, FL 32789

Wheelabrator Ridge Energy
3131 K-Ville Avenue
Auburndale, FL 33823

Mr. Jerome L. Glazer
Auburndale Power Partners
12500 Fair Lakes Circle, Suite 420
Fairfax, VA 22033

Mr. Don Fields
Executive Director
Auburndale Power Partners
1501 Derby Avenue
Auburndale, FL 33823

Mr. Roger Fernandez
Cargill Fertilizer, Inc.
8813 Highway 41 South
Riverview, FL 33569

Bankers Trust Company
Four Albany Street
New York, NY 10015
Attn: Corporate Trust & Agency
Group

The Prudential Insurance Company
of America
Three Gateway Center
100 Mulberry Street
Newark, NJ 07102-4077
Attn: Asset Unit/IAU Management

Dade Power Incorporated
1551 N. Tustin Avenue, Suite 900
Santa Ana, CA 92701

The Prudential Insurance Company
of America
Four Gateway Center
Newark, NJ 07102-4069
Attn: Project Management Team

Pasco Cogen, Ltd.
220 East Madison Street, Suite 526
Tampa, FL 33602
Attn: Elliott White

Tiger Bay Limited Partners
2500 City West Boulevard
Houston, TX 77042

The Sumitomo Bank Limited,
New York Branch
One World Trade Center, Ste. 954G
New York, NY 10048

The Fuji Bank and Trust Company
Two World Trade Center
New York, NY 10048

Mr. Dennis Carter
Assistant City Manager
Metro-Dade Center
111 NW 1st Street, 29th Floor
Miami, FL 33128

Mr. Juan Portuando
President
Montenay International
3225 Aviation Avenue, 4th Floor
Coconut Grove, FL 33133

Ms. Gail Fels
Assistant County Attorney
Metro-Dade Center
111 NW 1st Street, Suite 2800
Miami, FL 33128

Polk Power Partner, L.P.
c/o Polk Power GP, Inc.
1027 South Rainbow Boulevard
Suite 360
Las Vegas, NV 89128

TIFD VIII-J, Inc.
c/o General Electric Capital
Corporation
1600 Summer Street
Stamford, CT 06927

Mr. Wayne A Hinman, President
Orlando Cogen Limited, L.P.
c/o Air Products and Chemicals
7201 Hamilton Boulevard
Allentown, PA 18595-1501

Sent Via Facsimile and Overnight Mail



September 15, 1994

To: See Attached Distribution List

Dear Ladies and Gentlemen:

As you are aware, Florida Power Corporation (FPC) implemented the as-available energy pricing provision of its contract with your facility during the month of August. This contract provision provides for the substitution of as-available energy payments for firm energy payments during certain hours. FPC has petitioned the Florida Public Service Commission (FPSC) for a declaratory order that its reliance on the pricing mechanism specified in Section 9.1.2 of the subject contracts is correct and proper.

These actions by FPC have been disputed by several affected qualifying facilities (QFs). In particular, some of these QFs have claimed that the reduction in energy payments resulting from as-available energy payments in certain hours will subject their projects to financial distress and possibly result in an event of financial default. In order to alleviate the risk of financial default for individual projects, FPC will agree to adjust energy payments rendered to those affected QFs in order to maintain the debt coverage level required by the project lender, provided that the affected QF provides FPC with adequate security to ensure that FPC can recover amounts that may be determined to be overpayments to QFs upon the eventual resolution of this dispute. Assuming that such security is furnished, FPC will adjust monthly energy payments according to the following:

1. In any period that the reduction in payments from FPC to the affected QF due to the substitution of as-available energy payments for firm energy payments results in a failure to meet the debt coverage requirements of the project's primary lender, FPC will make an adjustment to the energy payment rendered. The energy payment adjustment will be the lesser of, (a) the amount required to restore the debt coverage ratio to a level equal to the minimum level required by the primary lender plus ten basis points or, (b) the amount corresponding to firm energy payments for all hours of the period in question.

September 15, 1994
Page 2

2. When the affected QF first receives an adjustment in the energy payment as described in (1) above, FPC will establish an Energy Account. In each month that an energy payment adjustment as described in (1) is required, the Energy Account will be credited with the amount of the adjustment. The monthly balance of the Energy Account will accrue interest at the annual rate of 9.96%, or 0.79436% per month. Prior to establishing the Energy Account, the affected QF will execute a promise to repay any balance in the Energy Account, provided that the entity issuing such promise, the form of the promise, and the means of securing payment all will be acceptable to FPC.
3. After the creation of the Energy Account, in any period that a balance remains in the account and no adjustment is made as described in (1) above, the energy payment rendered will be reduced by the lesser of, (a) the outstanding balance of the Energy Account or, (b) an amount that will reduce the debt coverage ratio to a level equal to the minimum level required by the primary lender plus ten basis points.
4. The affected QF will be responsible for providing FPC with the financial documents necessary to compute and verify the debt coverage ratio and the amount of any energy payment adjustment. The required documents will include, but not be limited to: (a) the final long-term financial projections submitted to the project lender in order to obtain construction and term loan financing, (b) the construction and term loan agreements which relate to construction and term loan financing, (c) all annual audited and monthly unaudited financial statements from the commercial in-service date of the project to the present, (d) the most current financial forecast and budget or revised budget available for the project and, (e) the current officer's certificate of compliance with the minimum debt coverage ratio.
5. In order to protect the continuing financial viability of the subject project, the affected QF will agree that no equity will be withdrawn from the project or distributed to the partners in the project during the term provided in (6) below or while a balance remains in the Energy Account.
6. FPC will agree to adjust the energy payments rendered until the termination of the FPSC proceeding regarding the energy pricing provisions of Section 9.1.2 of the contract, or for one year from the date of execution of an agreement, whichever occurs first. The sole purpose of an agreement will be to provide financial support for the subject project, and will not constitute or imply any concession by either party or any waiver of their respective positions

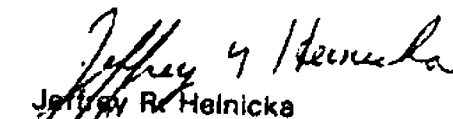
September 15, 1994
Page 3

in this dispute. Upon resolution of the dispute, any outstanding balance of the Energy Account will be settled in a manner consistent with the resolution of the dispute, and the security furnished by the affected QF will be returned or applied, as appropriate, in a manner consistent with that resolution.

As you know, August payments to QFs are to be made at the end of September. If you are of the opinion that your project may be adversely affected by FPC's announced actions regarding energy pricing and would like to alleviate this risk by entering into an agreement with FPC as outlined above, please contact Lee Schuster at (813) 824-6506.

Very Truly Yours,

FLORIDA POWER CORPORATION


Jeffrey R. Helnicka
Senior Vice President
and Chief Financial Officer

DISTRIBUTION LIST:

NationsBank of Florida, NA
600 Peachtree Street, NE
Atlanta, GA 30308

GECC
1600 Summer Street
Stamford, CT 06927

TIFD-C, Inc.
c/o GECC
1600 Summer Street, 6th Floor
Stamford, Ct 06927
Attn: Manager, Energy Portfolio
Administration

Bruce L. Levy
Energy Initiatives, Inc.
One Upper Pond Road
Parsippany, NJ 07054-1050

Lake Cogen, Ltd.
1551 N. Tustin Avenue, Suite 900
Santa Ana, CA 92701

Robert Scheffel Wright, Esq.
Landers & Parsons
310 West College Avenue
Tallahassee, FL 32302

Pasco Cogen, Ltd.
220 East Madison Street, Suite 526
Tampa, FL 33602
Attn: Elliott White

Bankers Trust Company
Four Albany Street
New York, New York 10015
Attn: Corporate Trust & Agency Group

Ansley Watson, Jr., Esq.
Macfarlane, Ausley, Ferguson
& McMullen
227 S. Cathoun Street
Tallahassee, FL 32301

The Prudential Insurance Company
of America
Three Gateway Center
100 Mulberry Street
Newark, NJ 07102-4077
Attn: Asset Unit/IAU Management

Dade Power Incorporated
1551 N. Tustin Avenue, Suite 900
Santa Ana, CA 92701

The Prudential Insurance Company
of America
Four Gateway Center
Newark, NJ 07102-4069
Attn: Project Management Team

Tiger Bay Limited Partners
2500 City West Boulevard
Houston, TX 77042

The Fuji Bank and Trust Company
Two World Trade Center
New York, NY 10048

Bob Taylor
DESTEC
2500 City West Blvd., Suite 150
Houston, TX 77042

September 15, 1994
Page 5

Mr. Dennis Cartner
Assistant City Manager
Metro-Dade Center
111 NW 1st Street, 29th Floor
Miami, FL 33128

Mr. Juan Portuando
President
Montenay International
3225 Aviation Avenue, 4th Floor
Coconut Grove, FL 33133

Ms. Gail Fels
Assistant County Attorney
Metro-Dade Center
111 NW 1st Street, Suite 2800
Miami, FL 33128

Polk Power Partner, L.P.
c/o Polk Power GP, Inc.
1027 South Rainbow Boulevard
Suite 360
Las Vegas, NV 89128

TIFD VIII-J, Inc.
c/o General Electric Capital
Corporation
1600 Summer Street
Stamford, CT 06927
Attn: Manager Energy Portfolio
Administration

Mr. Wayne A. Hinman, President
Orlando Cogen Limited, L. P.
c/o Air Products and Chemicals
7201 Hamilton Boulevard
Allentown, PA 18595-1501

The Sumitomo Bank Limited
New York Branch
One World Trade Center
Suite 954G
New York, NY 10048

Gregory Presnell, Esq.
Akerman, Senterfitt & Eidson
255 S. Orange Avenue
Orlando, FL 32802-0231

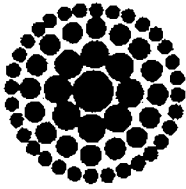
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400 North New York Avenue
Suite 101
Winter Park, FL 32789

Wheelabrator Ridge Energy
3131 K-Ville Avenue
Auburndale, FL 33823

Mr. Jerome L. Glazer
Auburndale Power Partners
12500 Fair Lakes Circle, Suite 420
Fairfax, VA 22033

Mr. Don Fields
Executive Director
Auburndale Power Partners
1501 Derby Avenue
Auburndale, FL 33823

Mr. Roger Fernandez
Cargill Fertilizer, Inc.
8813 Highway 41 South
Riverview, FL 33569



**Florida
Power**
CORPORATION

Sent by Facsimile and Overnight Mail

October 4, 1994

To: See Attached Distribution List

Ladies and Gentlemen:

As you know, Florida Power Corporation has been wrestling for some time with the question of how to deal effectively and fairly with the problem of excess generation during minimum load periods. The Company has been successful in its efforts to arrive at voluntary low load curtailment plans with a number of QF suppliers. However, other suppliers have chosen not to enter into such arrangements, although we have encouraged everyone to do so. Therefore, the Company has found it necessary to develop a set of procedures for its system operations personnel to follow when available generation exceeds the total system load.

We are enclosing a draft of the Generation Curtailment plan for your review and comment. Because the Company anticipates experiencing minimum load conditions very soon, we expect to file this plan with the Florida Public Service Commission on October 12, 1994, and to implement it (or any modified version that may result from input from QFs) as soon as necessary. Before doing so, however, we would like to invite you to an open house forum so that we may receive your input and attempt to address any concerns. That forum will be held on Friday, October 7, 1994, at 9:30 a.m. at Florida Power's Line Assembly Room, Line and Dispatch Building, 2501 25th Street North, St. Petersburg, Florida.

An important goal of this plan is fairness. If you believe that the plan causes unanticipated hardships or operates inequitably, we invite your ideas as to how any such problems might be alleviated. Similarly, if individual suppliers believe that they can accept greater curtailments at certain times, then this may reduce the need to impose involuntary curtailments on others.

GENERAL OFFICE

October 4, 1994
Page 2

FPSC Docket No. 941101-EQ
FPC Witness: SOUTHWICK
Exhibit No. _____, (HIS-4)
Page 15 of 24

We will continue to listen to, and where possible address, the reasonable operational requirements of the Company's QF suppliers. Toward that end, we encourage you to attend the October 7th session. If you have any questions before that date, please feel free to call me at (813) 384-7814 or Chuck Harper at (813) 384-7819.

Very truly yours,



Linda D. Brousseau
Supervisor, Power Supply

DISTRIBUTION LIST:

Mr. Don E. Wentworth
Timber Energy Resources, Inc.
7801 Peterson Point Road
Milton, FL 32583

Mr. Ed Peters
Timber Energy Resources, Inc.
7801 Peterson Point Road
Milton, FL 32583

Tiger Bay Limited Partners
2500 City West Boulevard
Houston, TX 77042

The Fuji Bank and Trust Company
Two World Trade Center
New York, NY 10048

Tiger Bay Limited Partners
2500 City West Boulevard
Houston, TX 77042

The Fuji Bank and Trust Company
Two World Trade Center
New York, NY 10048

Chuck Cook
DESTEC
2500 City West Blvd. Suite 150
Houston, TX 77042

Mr. J. J. Zebroski
Manager Commercial Policy
Westinghouse Electric Corp.
Resource Energy Systems
1501 Ardmore Boulevard
Pittsburgh, PA 15221

James M. Leddy
Plant Manager
Bay County Energy Systems, Inc.
6510 Bay Line Drive
Panama City, FL 32404

Mr. Dennis Carter
Assistant City Manager
Metro-Dade Center
111 NW 1st Street, 29th Fl.
Miami, FL 33128

Mr. Juan Portuando
President
Montenay International
3225 Aviation Avenue, 4th Fl.
Coconut Grove, FL 33133

Ms. Gail Fels
Assistant County Attorney
Metro-Dade Center
111 NW 1st Street, Suite 2800
Miami, FL 33128

Mr. Jerome Glazer
Auburndale Power Partners
12500 Fair Lakes Circle, Suite 420
Fairfax, VA 22033

Mr. Don Fields
Executive Director
Auburndale Power Partners
1501 Derby Avenue
Auburndale, FL 33823

Henry A. Lyczak
LFC Financial Corp.
Three Radnor Corporate Center
Suite 400
Radnor, PA 19087

Keith Trostle
Lake Cogen, Ltd.
1551 N. Tusdin Avenue
Suite 900
Santa Ana, CA 92701

TIFD-C Inc.
c/o GECC
1600 Summer Street, 6th Floor
Stamford, Connecticut 06927
Attn: Manager Energy Portfolio Admin.

NationsBank of Florida, NA
600 Peachtree Street, NE
Atlanta, GA 30308

GECC
1600 Summer Street
Stamford, Connecticut 06927

Robert Scheffel Wright, Esq.
Landers & Parsons
310 West College Avenue
Tallahassee, FL 32302

Bruce L. Levy
Energy Initiatives, Inc.
One Upper Pond Road
Parsippany, NJ 07054-1050

Mr. Kyle Garrett
Manager of Facility
Administration
Ogden Martin Systems of
Lake County
3830 Rogers Industrial Park Road
Okahumpka, FL 34762

Polk Power Partner, L.P.
c/o Polk Power GP, Inc.
1027 South Rainbow Boulevard
Suite 360
Las Vegas, NV 89128

TIFD VIII-J, Inc.
c/o General Electric Capital Corp.
1600 Summer Street
Stamford, CT 06927
Attn: Manager Energy Portfolio
Administration

Orange Cogen Limited
c/o Ark/CSW Development Partnership
23293 South Pointe Drive
Laguna Hills, CA 92653

Mr. Wayne A. Hinman, President
Orlando Cogen Limited, L.P.
c/o Air Products and Chemicals
7201 Hamilton Boulevard
Allentown, PA 18595-1501

The Sumitomo Bank Limited
New York Branch
One World Trade Center
Suite 954G
New York, NY 10048

Gregory Presnell, Esq.
Akerman, Senterfitt & Eidson
255 S. Orange Avenue
Orlando, FL 32802-0231

Mr. Ted Hollon
Panda-Kathleen L.P.
4100 Spring Valley, Suite 1001
Dallas, TX 75244

Bankers Trust Company
Four Albany Street
New York, NY 10015
Attn: Corporate Trust & Agency Group

The Prudential Insurance
Company of America
Three Gateway Center
100 Mulberry Street
Newark, NJ 07102-4077
Attn: Asset Unit/IAU
Management

Dade Power Incorporated
1551 N. Tustin Avenue, Suite 900
Santa Ana, CA 92701

The Prudential Insurance Company of America
Four Gateway Center
Newark, NJ 07102-4069
Attn: Project Management Team

Pasco Cogen, Ltd.
220 East Madison Street, Suite 526
Tampa, FL 33602
Attn: Elliott White

Ansley Watson, Jr., Esq.
Macfarlane, Ausley, Ferguson & McMullen
227 S. Calhoun Street
Tallahassee, FL 32302

Mr. John J. Gallagher
County Administrator
Pasco Government Center
7530 Little Road
New Port Richey, FL 34654

Mr. Noel Phillips
St. Joe Forest Products
Highway 98
Port St. Joe, FL 32456

Mr. Bob Sitz
Facility Manager
Ogden Martin Systems, Inc.
P. O. Box 5478
14230 Hayes Road
Spring Hill, FL 34610

Michael Rudd
Director, Pinellas County Department
of Solid Waste Management
2800 110th Avenue North
St. Petersburg, FL 33716

Mr. Macauley Whiting, Jr.
Ridge Generating Station
400 North New York Avenue
Suite 101
Winter Park, FL 32789

Wheelabrator Ridge Energy
3131 K-Ville Avenue
Auburndale, FL 33823

Mr. Roger Fernandez
Cargill Fertilizer, Inc.
8813 Highway 41 South
Riverview, FL 33569

Mr. Richard D. Kennedy
Citrus World
650 Highway 27 North
Lake Wales, FL 33583

Mr. Fred A. Salzmann
Central Power & Line
10311 Cement Plant Road
Brooksville, FL 34601

Mr. Don Dilworth
Occidental Chemical
County Road 137 off U.S.
41 North
White Springs, FL 32096

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MINIMUM LOAD EMERGENCY CURTAILMENT PROCEDURES

In the event of an anticipated Minimum Load Emergency, Florida Power Corporation's system operations personnel shall follow the procedures set forth below to the extent that the circumstances allow. Any significant deviation from these procedures shall be documented at the time.

Level 1 Minimum Load Alert

- A. A declaration of a minimum load alert will be called by noon of the business day preceding the expected event when the forecasted minimum load is 2,500 MW or below and system generation is expected to exceed the forecasted load levels.
- The minimum load period will be identified and communicated to all NUGs.
 - Where appropriate, the notice may cover an entire weekend or holiday period.
 - This notice will be indicated on the as-available estimate price sheets that are sent each business day morning, or it may be provided by another method which is at least as prompt and will include:
 1. A warning that compliance by Group A NUGs with the agreed-upon hourly reductions is expected.
 2. A request to all NUGs to communicate their willingness to make voluntary reductions before curtailments are initiated.

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- B. For the upcoming minimum load period, or periods if a weekend or holiday is involved, Power Supply personnel will collect the following information:
1. Estimates of NUG energy expected during the minimum load period(s), including scheduled maintenance outages and daily curtailment amounts.
 2. Calculation of additional NUG energy which can be curtailed using discretionary curtailment options with the Group A NUGs.
 3. Minimum operational limits of baseload units, firm contract purchase minimums, and associated ramp rates.
- C. Based on available information, Power Supply personnel will formulate a strategy for the minimum load period.
- This strategy will include consideration of a general plan for most effectively realizing the annual benefits of discretionary curtailment rights agreed to by the Group A NUGs.
 - Written documentation of the information collected and the strategy defined will be prepared and distributed to ECC System Control personnel.

Level 2 Preliminary Dispatcher Review

- A. Dispatcher review of system operating conditions is ongoing. Approximately four (4) hours prior to the minimum load period (typically 1900 hours), the System Control Supervisor and/or the generation dispatcher will specifically review all the documentation prepared by Power Supply personnel

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- for the upcoming minimum load period and verify the data with FPC plant personnel.
- B. Any changes in operating conditions, NUG unit status, etc., must be noted and the plan adjusted as needed.
 - C. In addition, the generation dispatcher will attempt to arrange economic off-system sales.

Level 3 Minimum Load Warning

- A. As the minimum load period approaches (typically between 2100 and 2300 hours), or after any subsequent system re-evaluation, and upon determination by the generation dispatcher that the planned strategy will not meet the forecasted minimum load, the generation dispatcher will:
 - 1. Attempt economic off-system sales.
 - 2. Reduce all FPC baseload units to normal minimum operating levels. Communicate with plant operators to reassess the ability to reduce FPC coal units to emergency operating minimums. In either case, allowance for AGC and system operating requirements must be considered in establishing minimum operating levels. Reduce such units if practicable.
 - 3. Reduce all utility purchased power to contract minimums.
 - 4. Cycle off any remaining steam (oil or gas fired) units.
- B. A final re-evaluation of the system shall be performed by the generation dispatcher.
 - Actual unit performance and system conditions

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(falling load, NUG ramps, FPC unit ramps, etc.)
must be reviewed to determine a plan to meet
the next step.

- C. If, based on available load information and the measures already taken, the generation dispatcher determines that a Minimum Load Emergency is imminent (*i.e.*, the anticipated generation will exceed the anticipated load), the generation dispatcher will notify appropriate supervisory personnel and then issue a Minimum Load Warning Message to all NUGS.

The message will include:

1. A notification to all NUGs that reductions are anticipated to occur in order to match generation with system load. This notification will identify the probable time period for expected curtailments.
2. A reminder that the agreed upon hourly reductions should be implemented.
3. A reminder that the additional voluntary curtailment offered in response to the Minimum Load Alert should be implemented if not done already.

Level 4 Minimum Load Emergency

- A. When the generation dispatcher determines that the system generation can no longer match the decreasing load for the upcoming hour, the following additional steps will be taken and repeated hourly, or more frequently as required throughout the Minimum Load Emergency, as system operating conditions require:
1. Notify NUGs in Group C to reduce deliveries of as-available energy by up to 100%.

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2. Notify NUGs in Group B to reduce output by X% up to a maximum of 50% of committed capacity. This may take place in several steps to allow for control of the system to meet falling load.
3. Notify NUGs in Group A to reduce output by X% up to a maximum of 50% of committed capacity.

This may take place in several steps to allow for control of the system to meet falling load.

NOTE: During calendar year 1995, Dade County Resource Recovery shall not be curtailed in this step, but shall be curtailed together with other NUGs under step 4 below.
4. Notify NUGs in all Groups to reduce by X%. This may take place in several steps as necessary to allow for control of the system to meet falling load.
5. Steps 1 - 4 will be followed in reverse order as increasing system load allows.
6. Issue notification that the Minimum Load Emergency has ended.

Level 5 Reporting

- A. Following the conclusion of a Minimum Load Emergency, the System Control Supervisor and the Power Supply Supervisor will gather all available documentation prepared during the minimum load period. All documentation will be compiled into a summary curtailment report, and made available to NUGs upon request.
- B. The Company will notify the Florida Public Service Commission of the occurrence of the Minimum Load Emergency and the need to make NUG curtailment.

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GENERATION CURTAILMENT PLAN
FOR MINIMUM LOAD CONDITIONS
ISSUED: October 4, 1994
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**GROUPS OF NON-UTILITY GENERATORS
October 4, 1994**

- A. Dade RR (DCRR)
Auburndale (AUDC)
Mulberry (MLBC)
Ridge (RDGS)
Pasco RR (PSRR)
Tiger Bay (TIGC)
- B. Orlando Cogen (ORCL)
Cargill (CARG)
Pasco Cogen (PLC)
Timber (TMBR)
Lake Cogen (LCL)
Pinellas RR (PCRR)
Lake RR (LCRR)
Bay County (BAYC)
Orange (Not on-line until 1995)
Panda (Not on-line until 1997)
- C. Citrus World (CITW)
Occidental Suwannee (OS01)
Occidental Swift Creek (OSC2)
St. Joe Forest Products (SJFP)
U.S. Agri-Chemical (USAC)
Florida Crushed Stone (FCS)

Plus: all amounts in excess of NUG
Committed Capacities