9 10 am

ORIGINAL
FILE COPY

Florida Power
CORPORATION

JAMES A. McGEE
SENIOR COUNSEL

January 5, 1995

Ms. Blanca S. Bayó, Director
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850

Re: Docket No. 950110-EI

Dear Ms. Bayó:

Enclosed for filing in the subject docket are fifteen copies of the Direct Testimony of Robert D. Dolan on behalf of Florida Power Corporation.

Please acknowledge your receipt of the above filing on the enclosed copy of this letter and return to the undersigned. Also enclosed is a 3.5 inch diskette containing the above-referenced document in WordPerfect format. Thank you for your assistance in this matter.

Very truly yours,

James A. McGee

JAM/jb
Enclosures

cc: Parties of Record

h:\jam\950110\bayo.jam

RECEIVED & FILED
FPSC-BUREAU OF RECORDS

ACK ✓
AFA
APP
CAF
CMU
CTR
EAG Hall
LEG 1
LIN 5
OPC
RCH
SEC 1
WAS
OTH

DOCUMENT NUMBER-DATE
00140 JAN-5 95
FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for declaratory statement regarding eligibility for Standard Offer contract and payment thereunder by Florida Power Corporation.	Docket No. 950110-EI Submitted for filing: January 5, 1996

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the Direct Testimony of Robert D. Dolan has been furnished to Ronald C. LaFace, Esq., and Lorence Jon Bielby, Esq., Greenberg, Traurig, Hoffman, Lipoff, Rosen & Quentel, P.A., 101 East College Ave., Tallahassee, Florida 32301 and Martha Carter Brown, Division of Legal Services, Florida Public Service Commission, 2450 Shumard Oak Blvd., Tallahassee, Florida 32399-0892, this 4th day of January, 1996

OFFICE OF THE GENERAL COUNSEL
FLORIDA POWER CORPORATION

By _____

James A. McGee
Post Office Box 14042
St. Petersburg, FL 33733-4042
Telephone: (813) 866-5786
Facsimile: (813) 866-4931

h:\jam\950110\cert.ser

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for declaratory statement regarding eligibility for Standard Offer contract and payment thereunder by Florida Power Corporation.	Docket No. 950110-EI Submitted for filing: January 5, 1996

DIRECT TESTIMONY OF
ROBERT D. DOLAN

ON BEHALF OF

FLORIDA POWER CORPORATION

FLORIDA POWER CORPORATION

DOCKET NO. 950110-EI

DIRECT TESTIMONY OF ROBERT D. DOLAN

Q. Please state your name and business address.

A. My name is Robert D. Dolan. My business address is Post Office Box 14042, St. Petersburg, Florida 33733.

Q. By whom are you employed and in what capacity.

A. I am employed by Florida Power Corporation ("Florida Power" or "the Company") and I am currently the Manager of Cogeneration Contracts and Administration in Florida Power's System Planning Department.

Q. Please describe your duties and responsibilities in that position.

A. I have responsibility for implementing Florida Power's cogeneration and small power production ("QF") policies, which include contract negotiation and administration. I have been involved in the Company's QF matters since 1986, except for the period of time between December 1990 and February 1991, when I was working on behalf of another subsidiary of Florida Progress. I have been responsible for the administration of all of Florida Power's QF contracts since June 1991. In addition, I am familiar with the measures taken by the Company to administer or clarify its various QF contracts.

Q. Please describe your educational and business background.

A. I have a Bachelor of Science Degree in Electrical Engineering from Christian Brothers University. In 1977, I was employed by Allen & Hoshall Consulting Engineers where I conducted numerous studies for municipal and REA electric utilities.

In 1980, I was employed by Dashiel. My duties there included turn-key substation and transmission line design and construction for industries, industrial cogenerators and utilities.

In 1982, I was employed by Turner, Collie & Braden. My duties included high voltage substation design including structures, equipment selection, configuration, relaying and specifications; process and building electrical design; and site design including electrical distribution, medium voltage substations and lighting.

In 1983, I was employed by Florida Power as an Industrial Services Engineer in the Northern Division located in Monticello. In that capacity, I was responsible for cogeneration and large industrial/commercial customers. My duties included oversight of cogeneration interconnections and participation in the contracting process for various cogeneration projects located in North Florida. In 1986, I assumed the position of Senior Cogeneration Engineer. My responsibilities in that position were to provide project management for QF interconnections. I also performed technical and economic analyses of a wide range of cogeneration projects,

negotiated contracts for firm capacity and energy from QFs, and developed the Company's guidelines for Interconnection Standards.

In February 1990, I was appointed Project Manager, Cogeneration Projects. My responsibilities included continued exploration of cogeneration opportunities for Florida Power Corporation. In June 1991, I was appointed to my current position as Manager, Cogeneration Contracts and Administration.

Q. Are you a member of any professional organizations?

A. Yes. For the past several years I was a member of the Edison Electric Institute Cogeneration Task Force. In addition, I am a member of the Institute of Electrical and Electronic Engineers and the Association of Energy Engineers.

Q. Do you hold any professional certifications or licenses?

A. I am a registered Professional Engineer in the State of Florida. I became registered in 1988.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to support Florida Power's positions (i) that the recently redesigned 115 MW (or larger) facility proposed by Panda-Kathleen L.P. (Panda) is inconsistent with the provisions of Commission Rule 25-17.0832, F.A.C., and the Company's standard offer contract with Panda, both of which limit the availability of the standard offer to small

qualifying facilities less than 75 MW, and (ii) that Commission Rule 25-17.0832, F.A.C., and the Panda standard offer contract limit the duration of capacity payments made under the contract to 20 years, the economic life of the avoided unit. Since Panda, as I understand it, failed to commence construction of its facility prior to January 1, 1996 (which was the extended deadline under the standard offer contract for fulfilling "construction commencement" milestone), I will state Florida Power's position on the effect of that failure.

Q. On what do you base the testimony contained herein?

A. My testimony herein is based on my personal knowledge of the facts, my discussions with Florida Power employees who report to me, and on my review of various documents in Florida Power's files (or produced by Panda or others in discovery).

THE 75 MW LIMITATION

Q. Please briefly summarize the events leading up to the execution of the standard offer contract that is the subject of this proceeding as those events relate to the 75 MW limitation issue?

A. On August 29, 1991, the Florida Public Service Commission (the "Commission") approved a form of standard offer contract, incorporated in Florida Power's tariff filed with the Commission, to be used in conjunction with rules adopted by the Commission by qualified cogeneration facilities in selling electrical power to Florida Power. At the same time, the

Commission also approved a book life of 20 years for Florida Power's avoided unit and a subscription of 80 MW.

In late September, 1991, Florida Power conducted an "open season" solicitation for standard offer contracts to fulfill a subscription limit of 80 MW of the 1997 combustion turbine. On or about October 4, 1991, Panda and numerous other QFs participated in the "open season" and submitted applications for a standard offer contract to Florida Power.

Q. Before Florida Power signed the standard offer contract submitted by Panda, did Panda say or write anything about the size of the facility it proposed to construct?

A. Yes it did. First, on or about October 7, 1991, Panda's general counsel, Edward Gwynn, forwarded to Federal Energy Regulatory Commission ("FERC") an AMENDED AND RESTATED NOTICE OF SELF CERTIFICATION AS A QUALIFYING FACILITY ("Panda's QF Certification") for filing. (Exhibit No. ___ (RDD-1)) In Panda's QF Certification, Panda stated as follows:

> The Facility is a combined cycle cogeneration facility, incorporating three (3) gas fired combustion turbine generators, three (3) waste heat recovery steam generators and one (1) extraction induction steam turbine generator.
>
> The Facility will have an estimated *net maximum capacity at design conditions of 74.9 MW.* (Emphasis added.)

Second, in late October or early November, Panda answered a questionnaire that Florida Power had circulated to Panda and all other parties that had submitted standard offer proposals during the "open season." (Exhibit No. ___ (RDD-2)) The turbines Panda represented it intended to use for its Generator Power Plant were three LM2500 turbines along with a steam turbine that equated to a facility size of approximately 75 MW.

Third, on or about October 29, 1991, Panda described its proposed financing plan for this project to Florida Power as follows:

> This memorandum describes Panda's proposed plan for financing the development and construction of *the 75 MW gas-fired cogeneration facility* near Lakeland, Florida ("Kathleen Project").

An excerpt of the letter in which that statement was made is submitted as (Exhibit No. ___ (RDD-3)) (emphasis supplied).

Fourth, on November 25, 1991, Panda and Florida Power accepted the Panda Standard Offer Contract (Exhibit No. ___ (RDD-4)) (the "Panda Contract") pursuant to Rule 25-17.032(3), F.A.C. As I understand it, that rule makes standard offer contracts available to "small qualifying facilities less than 75 megawatts . . . ." Consistent with this provision, the Panda Contract states in its title that it is from a "Qualifying Facility *Less Than 75 MW* . . . ." (Emphasis added). Specifically, the Panda Contract is titled STANDARD OFFER CONTRACT FOR THE PURCHASE OF FIRM CAPACITY AND ENERGY FROM A QUALIFYING FACILITY LESS THAN 75 MW OR A SOLID WASTE FACILITY.

Q. What size facility did Florida Power understand Panda intended to build?

A. In accepting the standard offer from Panda, Florida Power understood that the size of the facility Panda was proposing to build would be a facility of approximately 75 MW. The Commission approved the Panda standard offer proposal with its Order Granting Petition for Authority for Florida Power Corporation to Refuse all Standard Offer Contracts Except that Submitted by Panda Kathleen, L.P. in Docket 911142-EQ dated October 22, 1992. (Exhibit No. ___ (RDD-5))

Q. Please briefly describe the essence of the communications between Panda and Florida Power on the subject of Panda's facility size between when the Panda Contract was signed in 1991 and mid-1994.

A. From the time the contract was signed in late 1991 and approved by the Commission in early 1992 through mid-1994, it is my understanding that Panda consistently represented that it intended to construct a facility with a net capacity of 74.9 MW. The only variance from that 74.9 MW size that were discussed between Florida Power and Panda representatives was the possibility that their would occasionally be infrequent times when the output would be slightly above 74.9 MW for short periods of time.

For example, the first time I recall variances in the intended output of Panda's facility being discussed was in a meeting with Don Kinney and Joe Brinson (of Panda) on or about April 15, 1992 that I attended. At that time, we were discussing the electrical interface between Panda and Florida

Power. In that context, they assured Florida Power that the facility output would be 74.9 MW with the potential for transient conditions as high as 78 MW to 80 MW. An increase of 3 MW to 5 MW lasting only a short time does not require redundant circuit design to assure system reliability. At no time during this meeting did Panda representatives suggest that the facility size would ever even approach 115 MW.

On or about May 1, 1992, I attended another meeting with a Panda representative, Joe Brinson, who asked me if Panda could build a facility greater than 75 MW. I told him at the time that I believed such a facility would not be entitled to use the standard offer contract, or words to that effect. I also told him, however, that the *Polk Power Partners* case that was then pending before the Commission probably would better answer his question, or words to that effect.

In July 1992, it appears from a document that Panda produced in discovery, that Panda read about the *Polk Power Partners* decision of the Commission in a publication known as the SOUTHEAST POWER REPORT. That publication reported that "the PSC determined that *75 MW is the limit for a project's total size* under Florida Administrative Code Rule 25-17.0832(3)(a)." (Exhibit No. ___ (RDD-6) emphasis added.)

Panda's Darol Lindloff contacted Florida Power's Allen Honey in September or October 1992 and again mentioned the possibility that Panda might construct a facility greater than the 74.9 MW permitted under the terms of

the contract -- specifically, that it might, during irregular short periods, produce as much as 80 MW. Panda did not inform Florida Power at this time that it was contemplating a facility as large as 115 MW.

On or about November 12, 1992, Allen Honey faxed to Panda a full copy of the Commission's *Polk Power Partners* decision to Panda. (Exhibit No. ___ (RDD-7)). After Mr. Honey faxed Panda a copy of the *Polk Power Partners* decision, I am not aware that facility size was ever again mentioned between Florida Power and Panda until June, 1994.

Q. Please briefly describe the events that prompted Florida Power, in early 1995, to believe an actual controversy had developed between Panda and Florida Power regarding the size of Panda's facility that needed to be resolved by the Commission through this proceeding.

A. In June 1994, Florida Power learned that Panda had in fact abandoned its plan to build a 75 MW and now intended to build a 115 MW (or larger) facility. At a meeting in late June, 1994, Panda's representative informed Florida Power's representatives for the first time that it was now planning to construct a facility with a net capacity of 115 MW. Florida Power's representative responded at the time by advising Panda that Florida Power did not consider a facility of this size to be consistent with the standard offer contract's 75 MW limitation adopted and approved under the Commission's rules, and by urging Panda, if it intended to pursue the

enlarged facility, to obtain a ruling from the Commission regarding the continued availability of the standard offer contract.

Panda did not seek a ruling from the Commission. Instead, Panda tried several different times in June and July to get Florida Power to agree to modify the Panda Contract to allow the larger facility. (Exhibits No. ___ (RDD-8) and (RDD-9). Florida Power responded to each of these proposals. In response to the June proposed modification, David Gammon of Florida Power faxed to Panda another copy of the *Polk Power Partners* decision. In response to the July proposed modification, on August 3, 1994, Mr. Gammon wrote Panda and made it very clear that Florida Power disagreed with the "interpretation" that Panda was trying to place on the Panda Contract so that it could build a facility with an output as high as 115 MW. (Exhibit No. ___ (RDD-10)) Specifically, Mr. Gammon states that:

> [A]s you know, we are not in agreement with [Panda's] position [that it may construct a 115 MW facility consistent with the Standard Offer contract]. In fact, the Standard Offer Contract specifically states that it is for the purchase of capacity and energy by Florida Power "from a Qualifying Facility <u>less than 75 MW</u>."

Q. Did Panda respond to Mr. Gammon's August 3, 1994 letter?

A. Yes. By a letter dated August 10, 1994, Panda informed me that it intended to "discuss equipment configuration with the . . . Commission . . . to determine whether or not FPSC approval is required." (Exhibit No. ___ (RDD-11)) On September 8, 1994, I responded to that letter by again expressing Florida Power's "concerns about the configuration's ability to comply with the 75 MW limitations imposed on standard offer contracts . . ." I also stated I was pleased to see that Panda intended to consult the Commission and that Florida Power would again address the facility size issue after learning what action the Commission took on the subject. (Exhibit No. ___ (RDD-12))

Q. Did Panda seek a Commission ruling on this point?

A. No, to the contrary in late December 1994 or early January 1995, I learned that the only communication that Panda had had or intended to have with the Commission on this subject was to discuss the matter on an informal basis with one of the Commission's staff members. In early January, 1995, I received from Panda a copy of a letter that had been written to Panda's lawyer back in August, 1994, by Joseph Jenkins, a staff member employed by the Commission. I had not received a copy of that letter at the time it was written. Upon receipt, it finally became apparent to Florida Power that Panda did not intend to seek any formal Commission ruling on this subject and that Panda intended to construct a facility that was substantially larger than that permitted under the Panda Contract anyway. Thus, Florida Power recognized the existence of a controversy that needed to be

resolved, and filed its petition to obtain a definitive and binding ruling from the Commission itself on this issue.

Q. Why does Florida Power believe that the standard offer contract is no longer available to Panda if it builds a 115 MW facility?

A. The redesigned facility Panda now proposes to build is substantially larger than the "less than 75 MW" limitation imposed on facilities eligible standard offer contracts. The redesigned facility apparently will produce on a consistent basis net electrical output of 115 MW or more. This is not an issue of transient and small variances. Florida Power understands Commission Rule 25-17.0832, F.A.C., to limit the availability of standard offer contracts to facilities with a capacity of less than 75 MW. Subsection (3)(a) of the rule requires that "each public utility shall submit for Commission approval a tariff or tariffs and a standard offer contract or contracts for the purchase of firm capacity and energy from small qualifying facilities less than 75 megawatts . . . ." Likewise, subsection (3)(c) of the rule provides: "In lieu of a separately negotiated contract, a qualifying facility under 75 megawatts . . . may accept any utility's standard offer contract." Since Panda's proposed facility is substantially larger than 75 MW, it is my understanding from these rules that Panda's facility would not comply with the standard offer contract, and hence the standard offer contract cannot be used by Panda to sell the facility's capacity and energy to Florida Power.

Q. What does Florida Power understand the relationship to be between the "committed capacity" phrase used in the Panda Contract and the facility size limitation of "less than 75 MW" used in Rule 25-17.0832(3)(a) and (c)?

A. Florida Power has understood since prior to when the Panda Contract was signed that the rule limits the size of the facility to one having a net generating capacity of less than 75 MW, because the language of the Rule says as much, and because the purpose of the rule is to place small facilities on a relatively even playing field from a bargaining position standpoint with utilities. The term "Committed Capacity" is defined in the Panda Contract as follows:

> the KW capacity, as defined in Article VI [sic - VII] hereof, which the QF has agreed to make available on a firm basis at the Point of Delivery.

As I read the rule, it contemplates that a QF developer desiring to avail itself of a utility's standard offer first is supposed to design a facility that satisfies the 75 MW facility size limitation. The QF then is supposed to use that facility size to derive the committed capacity.

Panda, on the other hand, started with the premise that the rule limitation somehow sanctioned a committed capacity of 74.9 MW and that, since it is contractually bound to deliver that capacity, it is now justified in enlarging a facility to substantial more than 75 MW -- in this case 40 MW more. The flaw in Panda's approach is that the standard offer *rule says nothing about*

the size of a contract's committed capacity; it simply limits the *size of the facility* to less than 75 MW.

The Commission's decision in *Polk Power Partners* confirmed Florida Power's understanding in this regard when the Commission stated:

> If "committed" capacity, rather than total net generating capacity were the measure by which to calculate the 75 MW cap, QF's of any size could participate in standard offer contracts, contrary to the clear intent of the rules to preserve such participation to small QF's.
>
> * * *
>
> Accordingly, we decline Polk's Petition to issue the statement requested. We state instead that the 75 MW cap referenced in Rule 25-17.0832(3)(a) refers to the total net generating capacity of the QF.

Order No. PSC-92-0683-DS-EQ, issued July 21, 1992 in Docket No. 920556-EQ. (Exhibit No. ___ (RDD-7)) As noted above, Florida Power, on at least two occasions, one in late 1992 and again in early July 1994, provided Panda with a copy of this decision.

In short, the Commission ruled that the language of the 75 MW limitation means what it says; the standard offer is available only to <u>facilities</u> less than 75 MW. Since the facility Panda now proposes to build is substantially greater than 75 MW, Florida Power believes it follows that a

standard offer contract is not available for the sale of such a facility's capacity and energy.

Q. What would have happened if Panda had proposed a 115 MW facility when its original proposal was submitted to Florida Power in 1991?

A. Florida Power would have rejected that proposal. A 115 MW facility would not have qualified for the standard offer under the rule. Instead, one or more of the other proposals, all of which were for facilities less than 75 MW, would have been selected. Panda should not be rewarded by a different result simply because the disclosure of its ultimate intentions was delayed until after the selection process had been completed.

Q. How will Florida Power be affected if the Panda standard offer contract were to be served by a 115 MW facility?

A. Under those circumstances, Florida Power could be forced to purchase all of the output of the facility above 74.9 MW as as-available energy. Florida Power does not believe Panda's proposed unilateral increase in production represented by the 115 MW facility that Panda proposes to build is not matched by a corresponding increase in demand by the public for electricity. The need to accommodate this additional generation would alter the dispatch of the existing Florida Power system and, in some cases, would result in the need to incur the costs of additional shutdowns and startups of the Company's generating units, particularly during periods approaching minimum load conditions.

For example, if Florida Power had been forced, over the past year, to receive the additional 40 MW of as-available energy Panda now wants to be able to produce with its 115 MW facility, Florida Power's oil-fired units -- the Anclote and Bartow plants -- would have incurred between 10 and 20 additional shutdowns/startups at a cost of $8,000 to $16,000 each. Stated another way, this factor alone would have cost Florida Power and its ratepayers an additional $80,000 to $320,000 just for the last year, had Panda been on line at the beginning of 1995.

LIMITATION ON THE DURATION OF CAPACITY PAYMENTS

Q. Please summarize Florida Power's position concerning the dispute between Panda and Florida Power regarding the duration of capacity payments under the standard offer contract.

A. Florida Power contends that Commission Rule 25-17.0832(3)(e)(6), in conjunction with Schedule 2 to Appendix C of the Panda standard offer contract, dictates the period of time during which firm capacity and energy can be delivered under the contract. The rule specifies both the minimum and the maximum time periods for delivery of firm capacity and energy. After establishing that the minimum period for such delivery shall be 10 years, the rule goes on to state:

> At a maximum, firm capacity and energy shall be delivered for a period of time equal to the anticipated plant life of the avoided unit, commencing with the anticipated in-service date of the avoided unit. (emphasis added).

In Docket No. 910004-EU, the Commission approved as the plant life for Florida Power's avoided unit a period of 20 years. Consistent with that approval, Schedule 2 of Appendix C to the Panda standard offer contract expressly provides that the economic plant life of the avoided unit is 20 years. In addition, the schedule of capacity payments contained in Schedule 3 of Appendix C to the contract is defined only through 2016, a 20-year period; there is no agreement as to the price to be paid for capacity that applies after the twentieth year. Therefore, Florida Power contends that under Rule 25-17.0832(3)(e)(6) and under the standard offer contract entered into pursuant thereto, the maximum period of time for the delivery of firm capacity and energy under the Panda standard offer contract is 20 years and the payments to be made are those set forth in Schedule 2 and 3 of Appendix C.

On the other hand, Panda apparently contends that it is entitled to capacity payments through "March, 2025," because (i) it filled that date in a blank for the contract's expiration date in the standard offer contract form, and (ii) because it alleges Florida Power agreed to do so after entering into the Panda Contract. Thus, in effect, Panda contends that those events somehow supersede the rule. On that basis, Panda takes the position that Florida Power is obligated to make capacity payments in some amount unspecified in the standard offer contract for a period in excess of 8 years after the year 2016.

Q. What is Florida Power's position regarding Panda's assertion that the actions of the parties to the standard offer contract have modified the period for capacity and energy payments beyond the period specified by Commission rule?

A. Florida Power contends that Rule 25-17.082(3)(e)6 controls the duration of capacity payments under a standard offer contract, and the parties to such a contract have no authority to alter those restrictions. Thus, the assertions of Panda in this regard, even if they were true, are simply not germane to the issue. Florida Power would not have the authority to modify this provision without a rule change and a ruling from the Commission.

Moreover, Florida Power has not engaged in any conduct subsequent to acceptance of the standard offer proposal submitted by Panda that has modified or even been intended to modify the contract on this issue. Indeed, several times between 1991 and now, Panda has suggested various proposed contract modifications on this subject, and Florida Power has never accepted any one of them, much less sought permission from the Commission to accept any one of Panda's proposals.

Q. What would be the effect if Panda were to receive capacity payments for more than the Commission approved 20-year plant life of Florida Power's avoided unit?

A. If Panda were to receive capacity payments for 28 years 3 months instead of the 20 year plant life approved by the Commission, Florida Power and

its ratepayers would be forced to pay substantially more than the cost of the avoided unit that is the subject of the Panda Contract. This would be contrary to the avoided cost pricing principles of PURPA. This excessive payment was not known by Florida Power until after the contract was signed and Panda sought to obtain a modification that would specify additional capacity payments. Not only would this be a detriment to Florida Power, but it also would result in an unwarranted windfall to Panda. Consistent with the concept of avoided cost pricing, it is my understanding that Rule 25-17.0832(3)(e)6 sets a maximum time period for delivery of firm capacity and energy equal to the life of the avoided unit because the capacity payments are based on the revenue requirements of the avoided unit. Obviously, the revenue requirements of a unit with a 20-year life end after 20 years. Revenue requirements calculations include the depreciation of the capital, taxes, and fixed O&M expenses, as well as profits. Depreciation, of course, is a function of the length of the economic life, making the revenue requirements dependent on the specific avoided unit's plant life. Value of deferral is calculated to defer the net present value of the revenue requirements each year up to the end of the life of the avoided unit.

Had Florida Power invested in a plant with a life of 28 years 3 months, instead of 20 years, the depreciation of the plant over a 28-year period would result in substantially lower annual payments than depreciating a 20-year plant over 20 years (because the incremental increased cost of building a 28 year plant as opposed to a 20 year plant is not substantial).

Panda, however, does not want a 28-year value of deferral payments for a 28-year plant. Rather, it wants the equivalent of the value of deferral payments for a first avoided unit with a 20 year plant life (which would be completely depreciated after the 20 years), followed by 8 years 3 months of deferral payments for what would have amounted to a second avoided unit (with exactly the same characteristics of the first) even though such a second unit was not the subject of this contract. Panda, in short, wants capacity payments not provided by its standard offer contract and Rule 25-17.0832(3)(e)6. This in essence would have required Panda to make planning decisions years in advance of when that planning process and decision otherwise would have been made. To illustrate the significance of this, Florida Power has experienced over the last four years substantial decreases in the cost of combustion turbines and increases in efficiency that would have rendered that type of extraordinarily premature planning obsolete before its time. Panda's attempt to receive such a windfall, at the expense of Florida Power and its ratepayers, should be rejected by this Commission.

EXTENSION OF CONTRACT MILESTONE DATES

Q. What is Florida Power's position regarding the effect of Panda's failure to commence construction by the January 1, 1996 extended construction commencement milestone deadline?

A. The Panda Contract plainly provides that:

> 15.1 PRE-OPERATIONAL EVENTS OF DEFAULT
>
> Any one or more of the following events occurring before the Contract In-Service Date for any reason, *except events caused by the Company*, shall constitute a Pre-Operational Event of Default and shall give the Company the right, without limitation, to exercise the remedies specified under section 15.2 hereof:
>
> * * * *
>
> 15.1.4 The Construction Commencement Date has not occurred on or before the date specified in Article IV hereof, as extended only pursuant to said Article IV.
>
> * * * *
>
> 15.1.6 The Facility fails to achieve Commercial In-Service Status on or before the Contract In-Service Date.

Florida Power has not caused any event that has prevented Panda from meeting the contract milestones represented by the Construction Commencement Date and the Contract In-Service Date.

Panda's failure to meet the Construction Commencement Date milestone is a product of Panda's actions, not Florida Power's actions. Panda's desire to modify the Panda Contract so that it can construct a larger facility than is permitted under the Panda Contract and its failure to take action early enough to have the issues raised by that desire resolved, appear to be the reason for the delay. Panda has done virtually nothing on a timely basis to obtain a certain resolution of the dispute on this point. To the

contrary, even though Panda, as I understand it, was aware of the Commission's *Polk Power Partners* decision as early as 1992 and had received advice from its in-house general counsel at the time that it could not construct a facility that was materially larger than 75 MW, and even though Florida Power told Panda when it first raised this issue in 1994, that it would have to get a commission ruling, Panda did not affirmatively bring the issue before the commission until March 14, 1995, when it filed its MOTION FOR DECLARATORY STATEMENT AND OTHER RELIEF as a "counter-petition" in this proceeding.

Then, rather than seek a prompt and expeditious ruling on the competing petitions for declaratory statement, I understand that Panda asked for this evidentiary hearing (delaying a definitive ruling by the Commission for a substantial period). Adding to this delay, since August, 1995, as I understand it, Panda has filed every motion conceivable to try to delay even further, rather than obtain a definitive, binding ruling on the issues.

Since Panda has now failed to begin construction of a less than 75 MW facility prior to the Construction Commencement Date, through no fault of Florida Power, Florida Power is of the view that Panda is in default and is not entitled to a modification of the Panda Contract to eliminate that default through an extension of the contract milestone dates.

Q. Does this conclude your testimony?

A. Yes.

FPSC DOCKET NO. 950110-EI
EXHIBIT NO. _____ RDD-1
CONSISTING OF 3 PAGES

FPSC Docket No. 950110-EI
FPC Witness: DOLAN
Exhibit No. _____, (RDD- 1)
Sheet 1 of 3

PANDA ENERGY CORPORATION
The Independent Power Company

October 7, 1991

Secretary
Federal Energy Regulatory Commission
825 North Capital Street
Washington, D.C. 20426

RE: Panda Energy Corporation
Amended and Restated Notice of
Self-Certification As a
Qualifying Facility
74.9 MW Natural Gas Fired Facility
Lakeland, Florida

Dear Sir/Madam:

Enclosed herewith you will find four (4) copies of subject notice. This notice will amend and restate a previous Self-Certification, No. 91-62 which was filed by Panda Energy Corporation and listed the estimated net maximum design capacity at 150 MW and steam generation at 50,000 lbs. per hour.

We would appreciate receiving a copy of this notice from you reflecting the assigned QF number.

If there are any questions or problems, please contact me immediately at the number listed below.

Very truly yours,

Edward R. Gwynn
General Counsel

Enclosures

4100 Spring Valley, Suite 1001 Dallas, Texas 75244
214/980-7159 FAX 214/980-6815

P-K000687

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Panda-Kathleen
Limited Partnership

Docket No. QF_____

Amended and Restated
Notice of Self-Certification As a
Qualifying Cogeneration Facility

Pursuant to Section 292.207 of the regulations of the Federal Energy Regulatory Commission (the "Commission"), Panda-Kathleen Limited Partnership ("Panda") hereby files an amened and restated notice of self-certification as a qualifying cogeneration facility.

Location of the Facility And
Identification of the Applicant

The cogeneration facility (the "Facility") will be located at the plant site of Erly Juice, Inc., 4100 Frontage Road South, Lakeland, Florida 33802-2004.

The owner of the Facility will be Panda-Kathleen Limited Partnership, a partnership formed under the laws of the State of Delaware.

The address of Panda-Kathleen Limited Partnership is:

Panda-Kathleen Limited Partnership
4100 Spring Valley Road
Suite 1001
Dallas, Texas 75244

Description of the Facility

The Facility is a combined cycle cogeneration facility, incorporating three (3) gas fired combustion turbine generators, three (3) waste heat recovery steam generators and one (1) extraction induction steam turbine generator.

The Facility will have an estimated net maximum capacity at design conditions of 74.9 MW. The electrical output of the Facility will be sold to Florida Power Corporation ("FPC") with an interconnect directly into the FPC transmission system. The Facility will generate approximately 15,000 lbs. per hour of steam which will be sold to Erly Juice, Inc. for use in the processing of citrus juices.

Primary Energy Source

The Facility will be fueled by Natural Gas and is expected to commence operation in 1997 or before.

Panda-Kathleen Limited Partnership has submitted this notice of self-certification as a qualifying cogeneration facility to be executed by its general partner's corporate official and general counsel on this 7th day of October 1991.

Respectfully submitted,
Panda-Kathleen Corporation, for
Panda-Kathleen Limited Partnership

Edward R. Gwynn
General Counsel

FPSC DOCKET NO. 950110-EI
EXHIBIT NO. _____ RDD-2
CONSISTING OF 15 PAGES

FLORIDA POWER CORPORATION
QF QUESTIONNAIRE

TO ALL QUALIFYING FACILITIES SUBMITTING STANDARD OFFER CONTRACTS EFFECTIVE SEPTEMBER 20, 1991 ON OR PRIOR TO OCTOBER 4, 1991

(All Responses Will Be Treated Confidentially)

Responses Are Due October 25, 1991

1. QF name, address, individual to contract, telephone number and FAX number

Panda-Kathleen L.P.

4100 Spring Valley Rd., Suite 1001 Dallas, Texas 75244

Tom Bagby, Manager-Business Development & Sales

Telephone: (214)980-7159

Fax: (214)980-6815

2. Committed Capacity: 74.9 KW

3. Contract In-Service Date: April 1, 1995
(month)

4. Specific Facility Location and Size: (full legal description)

   a. County: Polk County, Florida

   b. Section: 20

   c. Township: 28S (Lakeland)

   d. Range: 23 E

5. Status: ( ) Existing (X) Planned

6. Type of Facility: (X) Cogenerator ( ) Small Power Producer

7. Fuel Source:

   a. Primary: Natural Gas

   b. Secondary: Distillate Fuel Oil

8. If your project is planned rather than existing, please attach the following minimum information:

   a. Describe the status of your planned site, addressing such factors as site control, permitting status, etc. which will be a factor in your ability to ultimately develop the site. Provide documentation.

   b. If your facility will be a cogeneration facility, describe the steam use and steam user. Describe the level of commitment from the steam user, including whether it is an existing, ongoing enterprise and whether the steam user has an ownership interest in the project. Provide copies of commitments by the steam user on behalf of your project.

   c. Describe your fuel supply and delivery plan and the status of any commitments you have in this regard. Provide documentation.

   d. Describe the status of your project's design, engineering and equipment procurement and any commitments that you have made for services or equipment in this regard. Provide documentation.

e. Provide a project schedule showing major milestones from the contract approval date through the contract in-service date.

f. Show how your facility will meet the qualifying facility criteria under the FERC.

g. Describe your financing plans and the ultimate financial structure of your proposed facility.

Reply to:

Thomas I. Wetherington
Florida Power Corporation
PO Box 14042 MAC B3L
St. Petersburg, Fla. 33733

or

Thomas I. Wetherington
Florida Power Corporation
3201 34th St. S. MAC B3L
St. Petersburg, Fla. 33711

8.d. EQUIPMENT COMMITMENTS AND DESIGN

The following is a list of a major equipment items and the anticipated vendors of those items. We have also attached letters from various vendors regarding their commitment to Panda for schedule delivery.

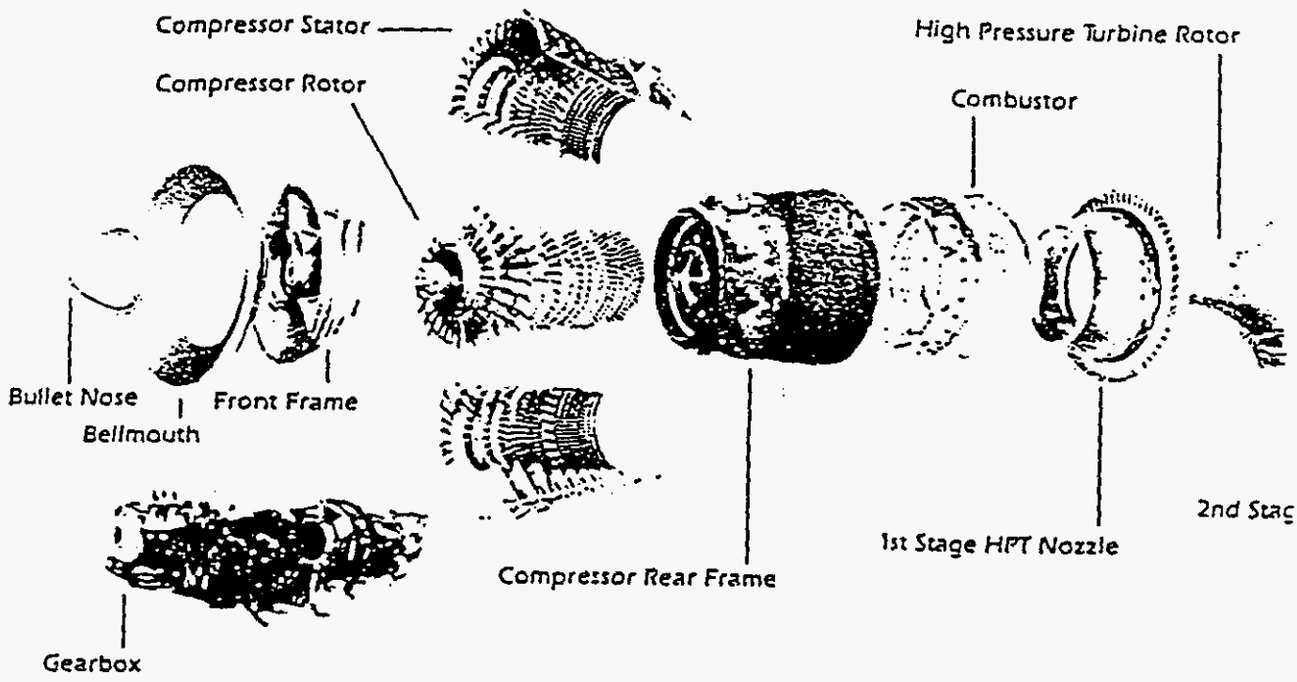
Major Equipment List

- Stewart and Stevenson/General Electric LM 2500 - Generator Power Plant — Three (3)
- Heat Recovery Steam Generator — Three (3)
  Nooter Erikson or
  Deltak
- Steam Turbine Generator — One (1)
  Siemens Power Corporation or
  Asea Brown Boveri

The above listed equipment are critical path delivery plant items. Scope of the GE LM 2500-33 Gas Turbine - Generator Plant is pre-packaged and available to meet Panda's proposed on steam date of April 1, 1995.

All balance of plant items for combined cycle have been determined to have delivery schedules of six (6) to ten (10) months and will not adversely impact our scheduled construction and start up. A milestone schedule showing order,. delivery and construction period is shown in answer to question 8.e.

Design and Components of the LM2500 Modular Design



Expanded View of LM2500 Components

P-K000670

Modular Design

The compact, lightweight components of the LM2500 gas turbine system are modular in design and are both easy to handle and to maintain. This modular concept offers you greater maintenance flexibility and a substantial reduction in capital outlay for replacement parts.

Compressor Section

Compressor: The compressor is a 16-stage, axial-flow design with a high 18:1-pressure ratio. The inlet guide vanes and the first six stages of stator vanes are variable. Their angular position is changed as a function of compressor inlet temperature and compressor speed to provide smooth, efficient operation over the entire operating range.

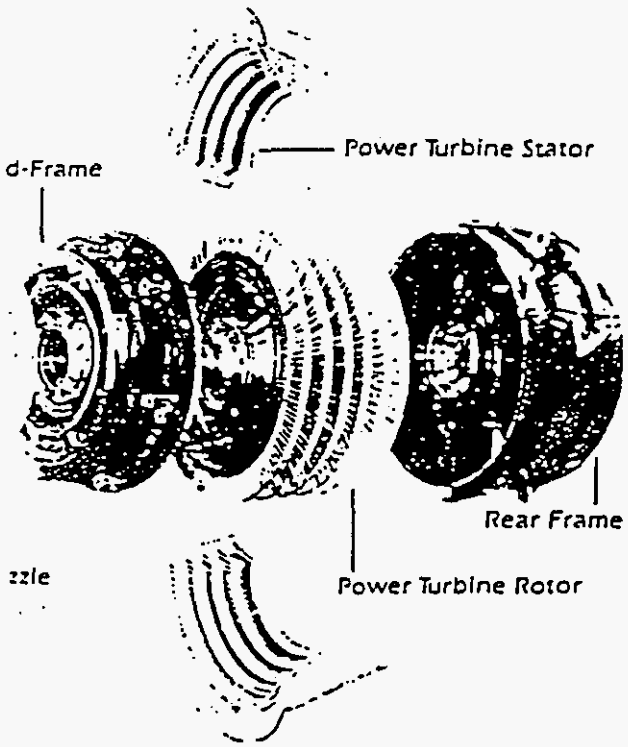
Cooling and Sealing Air: These bleed manifolds are integrated into the compressor stator casing to extract 8th, 9th, and 13th stage air. These, along with the compressor discharge bleed, supply air at proper pressures and temperatures for cooling, sealing, and pressure balancing functions.

Hot Gas Path

Combustor: The LM2500 annular combustor design features uniform temperature distribution and profile, individual replaceable noncoking fuel nozzles, and state-of-the-art coatings to improve hot corrosion resistance and extend combustor life.

High-Pressure Turbine: A two-stage high-pressure turbine drives the compressor. Both stages of nozzles and turbine blades are air-cooled and coated to improve erosion, corrosion, and oxidation resistance. These blades are of a single dovetail design that gives improved cooling characteristics and longer life or higher specific output.

The GE Six-Stage Power Turbine



Designed to match the flow, temperature, and pressure range of the LM2500 gas generator, the General Electric six-stage power turbine makes the LM2500 unit the most efficient, simple-cycle gas turbine in the world. The six-stage power turbine is designed for frequent thermal cycling and uses fully shrouded blades in all stages to maintain high efficiency throughout the life of the unit. Its component efficiencies exceed 92%, giving an overall power turbine efficiency in excess of 88%. This high efficiency provides fuel savings, increased power and lower gas generator firing temperatures (with increased hot-section life) for the same shaft power as that found in other types of power turbines.

The GE six-stage power turbine has compiled millions of hours of operation, demonstrating without a question that it is capable of continuous operation over the complete range of power and RPM. Delivering a nominal speed of 3600 RPM, it is ideal for 50/60 HZ industrial generation, compressor or pump drive service.

An effective combination of convection, impingement and film cooling gives the desired blading and nozzle temperatures required to produce high simple-cycle efficiency and achieve long maintenance intervals.

Accessory Gearbox: A gearbox is provided to drive the accessories critical to running reliability and to simplify black start capabilities. Power is extracted through a radial drive shaft at the forward end of the compressor. Drive pads are provided for the lube and scavenge pumps, the hydraulic pump, the variable stator control/pump, the liquid fuel pump, the starter, and the air/oil centrifugal separator.

P-K000671

LM2500

Built-In Maintenance Flexibility

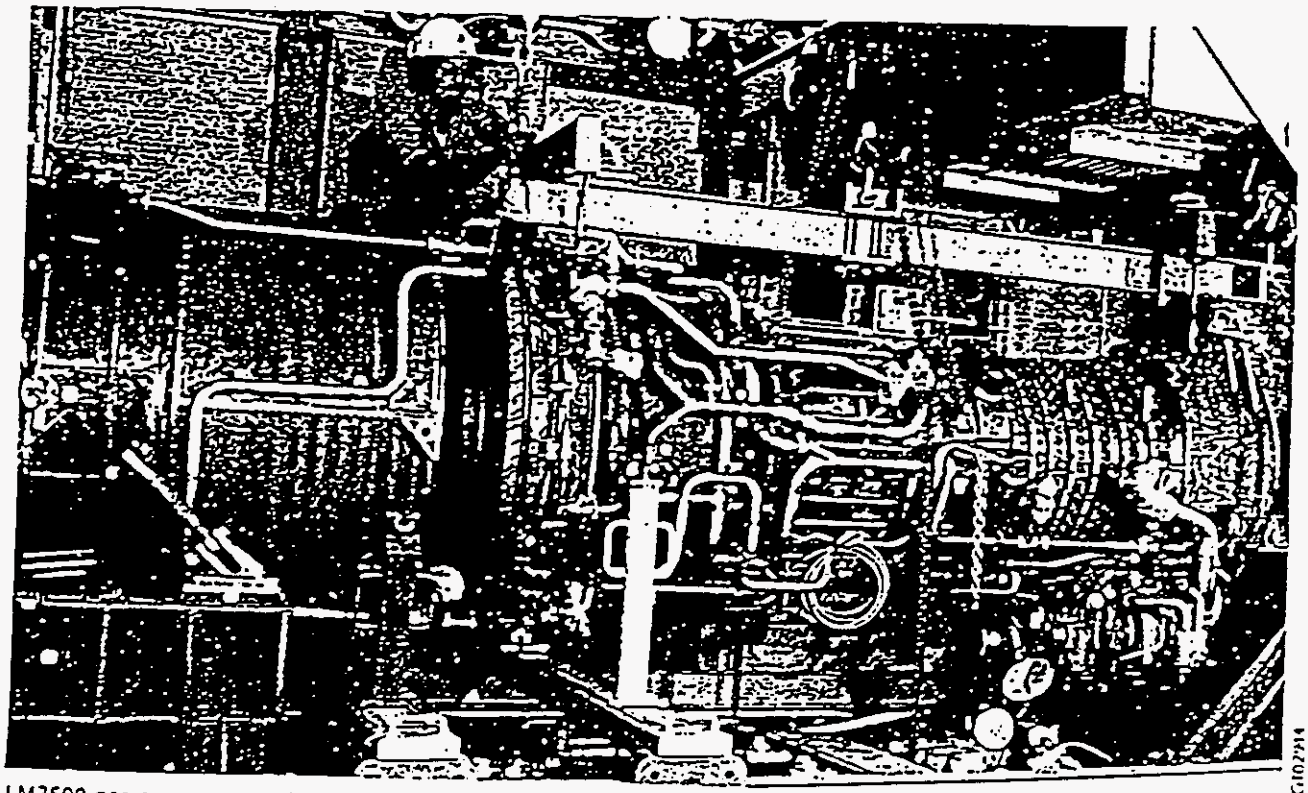
"Keep it on line" is the philosophy behind the maintenance flexibility built into every LM2500 gas turbine system.

The LM2500 gas turbine uses the "on-condition" maintenance concept in which there are no predetermined schedules for overhauls, hot-section repair or corrective maintenance. System features include:

- Modular design
- Compact, lightweight components
- Provisions for borescope inspections

The enclosure was designed to utilize fully the maintenance advantages of the gas turbine:

- Overhead rail system for easy gas turbine installation and removal
- Optional lower rail system for in-module maintenance
- Accessory module for filters, gauges
- Dual filtration oil systems for uninterrupted operation:
  - Lubrication
  - Hydraulic control
  - Scavenge
- Wide access doors
- Acoustic and thermal protection
- External hook-ups:
  - Fuel
  - Water
- Options:
  - Dual lube oil coolers
  - Dual enclosure ventilation fans



LM2500 gas generator and power turbine separated in the turbine compartment

LM2500

Customer Support and Training

In support of LM2500 gas turbine system installation, General Electric offers each customer technical assistance, installation services, and pre-operation evaluation.

On-site operation and maintenance training programs can be provided. Classroom training is also available in Evendale, Ohio and Schenectady, New York or at user-specified locations.

Service agreements are available with several levels of maintenance or service provided depending on customer requirements.

Repair Facilities, Spare Parts and Publications

General Electric provides customized recommendations for spare parts and stocks of replacement parts for individualized operations and maintenance support.

An inventory of spare parts should be on hand for planned gas turbine maintenance. In addition to the supply of support parts maintained by General Electric to serve as backup for operation inventories, a spare parts list for each level of maintenance is available.

Tooling is provided for installation and removal. A recommended tooling list is available for each level of maintenance.

General Electric offers field repair, including labor, tools, and parts, when on-site maintenance or repair is chosen. In-shop repair is done on the basis of either "inspect and repair as needed" or complete overhauls.

Operation and maintenance manuals covering equipment, systems description, installation and removal, operation, on-site maintenance, scheduled inspections, troubleshooting, compressor cleaning, tools, and spare parts are provided.

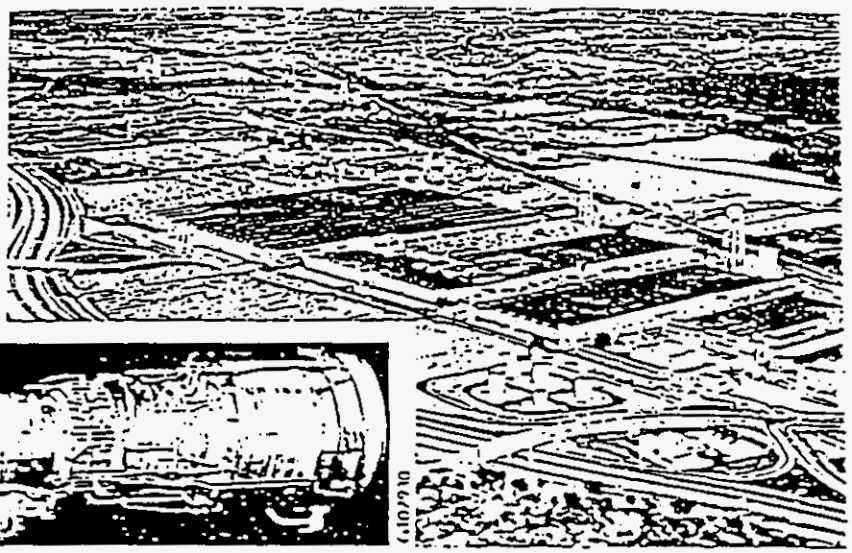
Operator training develops effective operation and maintenance techniques.

LM250(

Gas Turbine Production Facilit

Evendale, Ohio

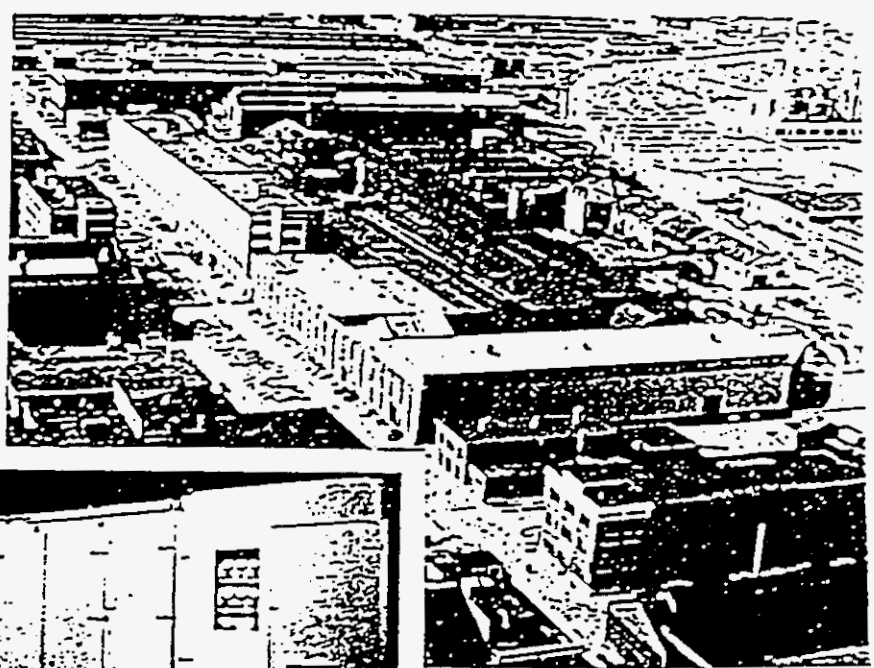
Military, industrial and commercial gas turbines, including the LM2500, are manufactured at this facility. In addition to the manufacturing operations, Evendale has a full complement of applied research, development, test and quality control services.



G107930

Schenectady, New York

The Gas Turbine Division has been producing reliable gas turbines in Schenectady since 1946. This facility is the home of the engineering and manufacturing operations which have designed and integrated the system package with the LM2500 gas turbine.



G106191

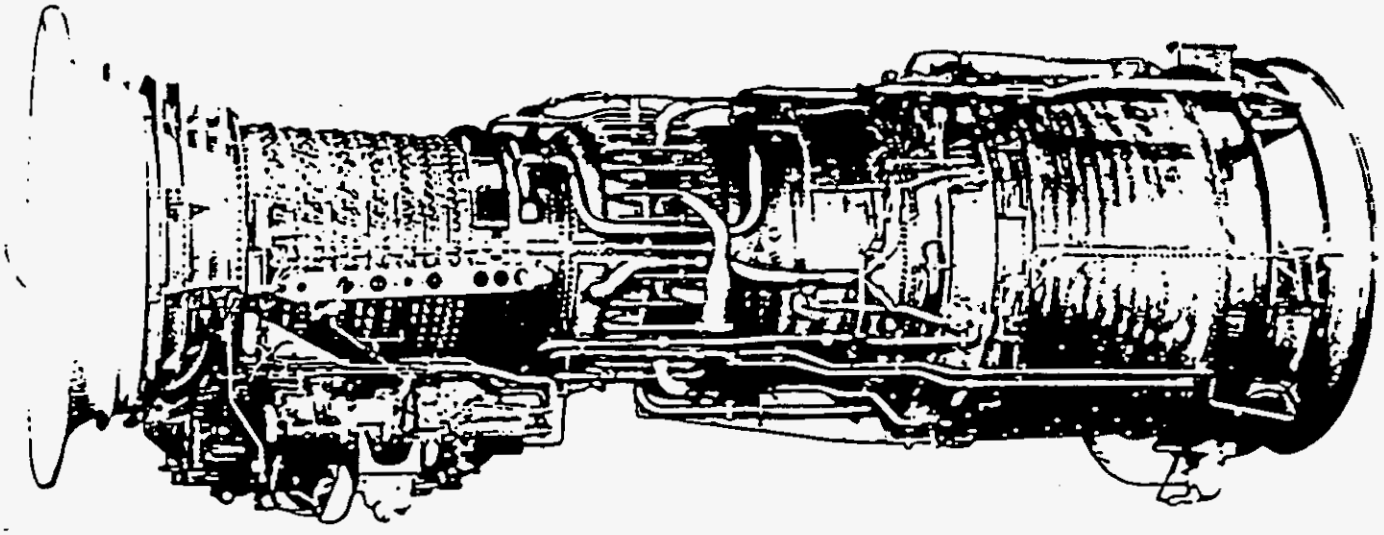
P-K000674

Turbine Marketing & Projects Operation
One River Road
Schenectady, New York 12345 USA

GENERAL ELECTRI

FPSC Docket No. 950110-EI
FPC Witness: DOLAN
Exhibit No. _____, (RDD-2)
Sheet 10 of 15

MODEL NO. TG2500-33



SPECIFICATIONS

GAS TURBINE

Type	Two Shaft
Compressor Rotor Speed	9500 RPM
Power Turbine Speed	3600 RPM
Compressor Type	16 Stage, Axial
Compression Ratio	18:1
Turbine Type	2 Stage HP + 6 Stage FPT
Combustion Type	Annular
Combustion Inlet Air Flow	147.5 lbs/sec

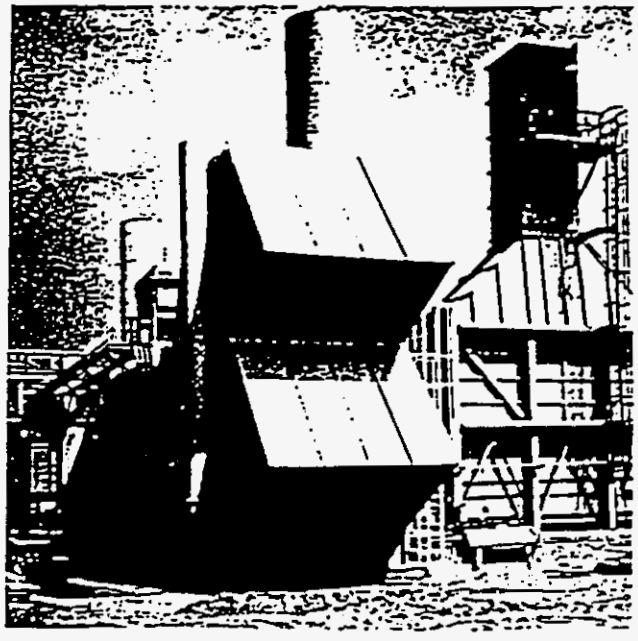
STANDARD GENERATOR

Type	Air Cooled
KW	23,400
Power Factor	0.85
Voltage	13,800 V AC
Phase	3
Frequency	60 Hz
RPM	3600 RPM
Exciter	Brushless, PMG

GENERATOR SET RATINGS

Continuous KW	22,236
Peak KW	23,970
Fuel Rate, BTU/KWH (lhv)	9401
Exhaust Temp	982° F
Exhaust Mass Flow	150.4 lbs/sec

Ratings are average new and clean performance at sea level and 59° F (15° C) conditions. No inlet or exhaust losses in using natural gas.



P-K000675

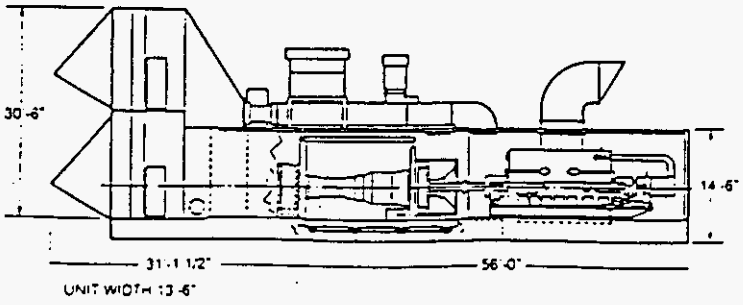
MODEL NO. TG2500-33

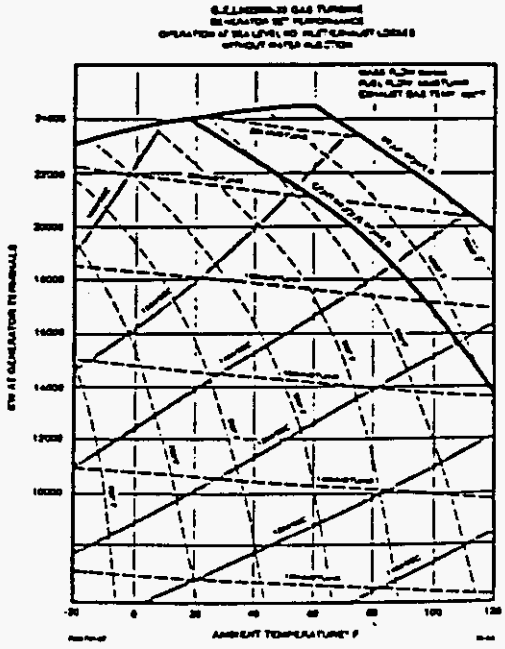
STANDARD EQUIPMENT

- LM2500-33 gas turbine engine equipped with inlet screen & bellmouth seal.
- Gas fuel system complete and self-contained on the unit with connection on the baseplate for customer's fuel supply at 400-600 PSIG.
- Alternator, 13,800 V AC, 60 Hz, 3600 RPM, 27,500 KVA @ .85 pf; low maintenance brushless excitation system suitable for Class 1, Group D, Div. 2 areas; neutral and line cubicles with CT's, surge protectors and lightning arrestors.
- Continuous I-Beam baseplate for basic turbine generator and air inlet filter system.
- Acoustic enclosure for both gas turbine and generator with AC internal lighting and redundant ventilation systems.
- Intake air system including weather hoods, 3 stage inertial filtration system, intake silencer, ducting and screens.
- Electro Hydraulic start system.
- Separate oil systems for gas turbine generator each with duplex filters, roof-mounted redundant air/oil coolers and interconnecting piping.
- Exhaust collector with discharge flange arranged RH horizontally.
- Fire and gas detection and Halon extinguishing system serving both turbine and generator compartments.
- Unit control panel for remote mounting includes Woodward fuel management system, programmable microprocessor for sequencing, generator metering, Bently 7200 vibration monitoring, CRT annunciation of alarms and shutdowns, and printer for data logging. A 24 V DC battery and charger assembly is included.
- Set of ladders and walkways for access to filter house.
- Unit-mounted water wash system.
- Generator factory testing to IEEE 115 standards; gas turbine engine performance test at G.E. Aircraft Division factory (Evendale, Ohio); full load string test of complete turbine generator package at Stewart & Stevenson factory (Houston).
- 6 sets drawing and data package, operation/maintenance manuals.
- Training course for up to 10 customer personnel.

OPTIONAL EQUIPMENT

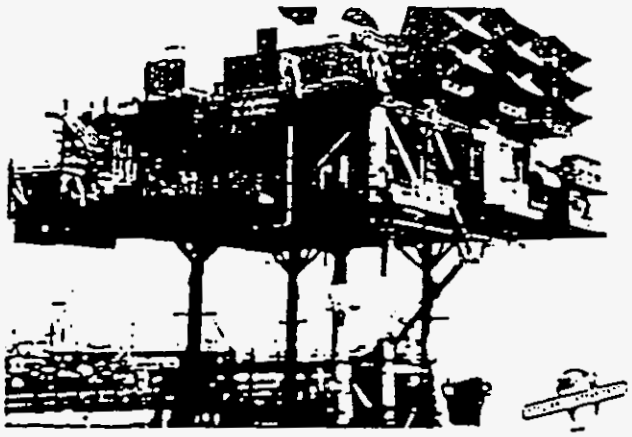
- 50 Hz alternator and associated unit AC devices
- Water cooled generator
- Alternate exhaust orientation
- Alternate side piping or electrical connection
- Liquid fuel system
- Dual fuel system
- Water injection metering system
- Steam injection metering system
- Immersion heater for generator lube system
- Engine marine coatings
- Evaporative cooling
- Pneumatic start system in lieu of electro hydraulic
- Black start system
- Unit motor control center
- Switchgear to specifications
- Modular control room to house unit control panel, unit motor controls, switchgear, low voltage transformer and customer process panel.
- Synchronous condensor operation.





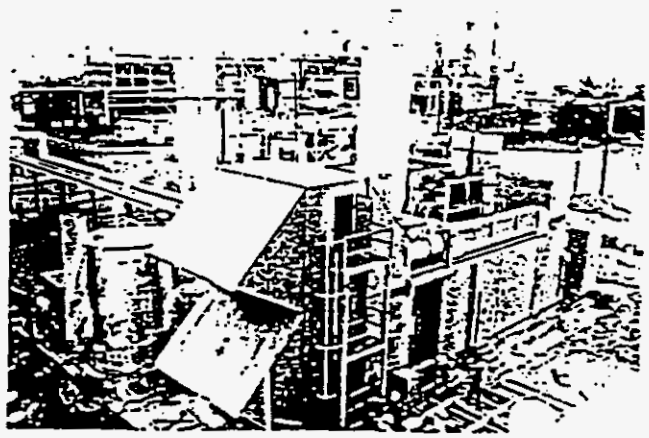
P-K000676

STEWART & STEVENSON
LM2500 INSTALLATIONS



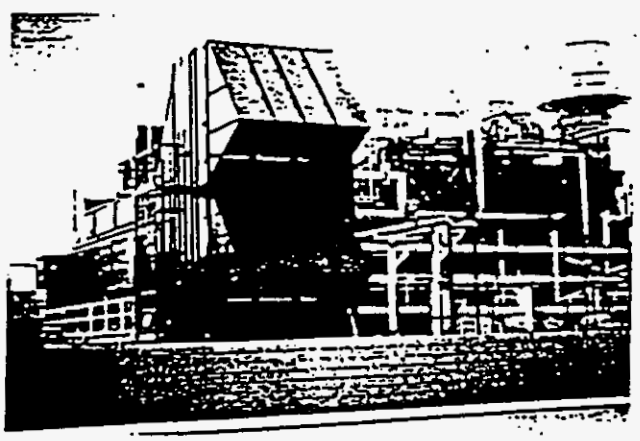
OIL & NATURAL GAS COMMISSION
Bombay, India

Stewart & Stevenson received its first order for an LM2500 Gas Turbine Generator Power Plant from ONGC in 1980. In all, Stewart & Stevenson provided three prime power generator sets for a production platform located offshore India. Each LM2500 package was rated at 15 MW at 40° C ambient temperature and full load string tested at our Houston, Texas facility prior to shipment.



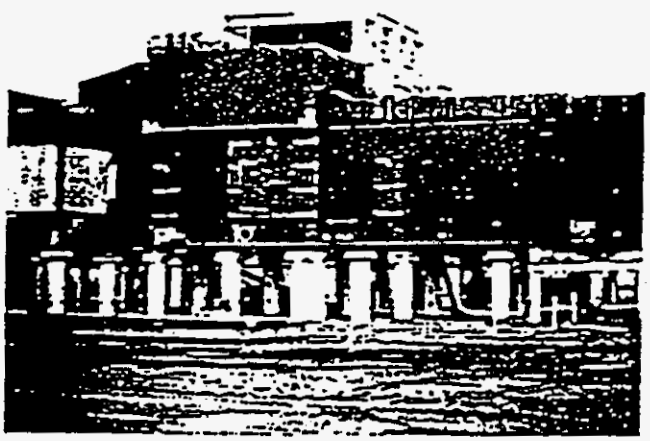
HAWAIIAN INDEPENDENT REFINERY
Honolulu, Hawaii

This LM2500 Power Plant supplied by Stewart & Stevenson was on line producing power and thermal energy for the refinery in less than fourteen months after order date. Remarkably, this unit was commissioned 30 days after arrival on site. The fuel system on this unit was unique in that the unit is able to operate on one of four different fuels (by-products of the refinery).



SUNLAW ENERGY
Vernon, California

Two LM2500 co-generation plants each providing 1,000 tons of refrigeration at 40° F to two cold storage warehouses. These two plants provide the utility with a total of 56 MW. Stewart & Stevenson is under contract to provide the operations and maintenance of the complete cogeneration plant at both of these facilities.



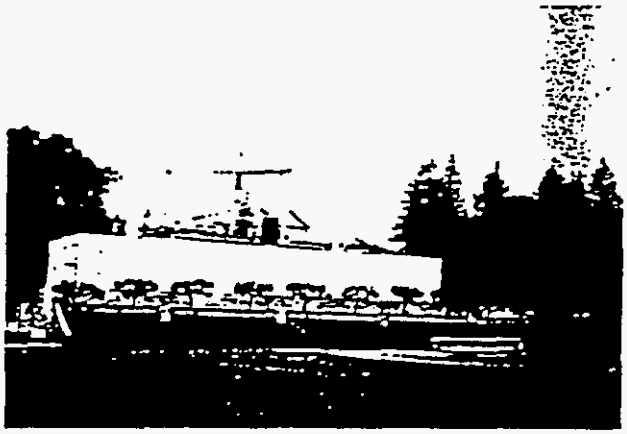
CONOCO
Milne Point, Alaska

These two LM2500 generator sets are being used for prime power service at a remote oil field located on the North Slope of Alaska. The turbine generator and controls were full load string tested prior to shipment. The complete package was designed for start-up and operation in a minus 60° F climate. The special generator set enclosures are divided up into three compartments — gas turbine room, generator room, and turbine monitor and control room center. These larger-than-usual enclosures, which will accommodate all maintenance required inside, were designed to maintain a 40° F minimum temperature.

P-K000677

FPSC Docket No. 950110-EI
FPC Witness: DOLAN
Exhibit No. _____, (RDD-2)
Sheet 13 of 15

STEWART & STEVENSON
LM2500 INSTALLATIONS

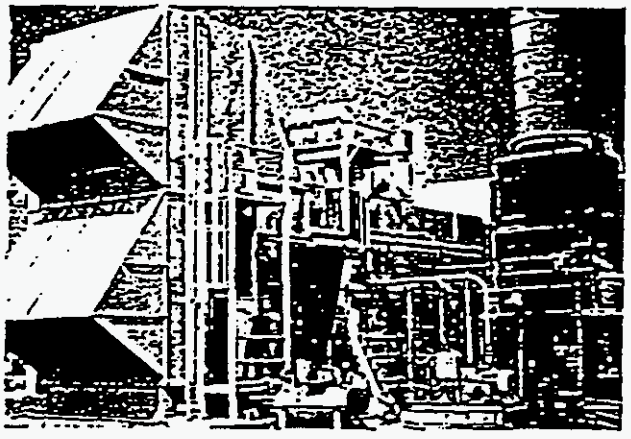


UNIVERSITY OF CALIFORNIA
Berkeley, California

Stewart & Stevenson was contracted to meet a very stringent noise requirement with the LM2500 Gas Turbine Generator Set. The free field noise level coming from the unit could not be greater than 85 dBA at three feet. The power plant provides 200,000 #/hr of steam for all heating and cooling required for the campus. Twenty-four MW of electricity is sold to the local utility, Pacific Gas and Electric. Stewart & Stevenson is also under contract for the operation and maintenance of the entire plant.

UNITED AIRLINES
San Francisco, California

Stewart & Stevenson provided an LM2500 Gas Turbine Generator Set which is used in a combined cycle/co-generation mode. Low quality steam was extracted from the steam turbine and utilized in one of the largest aircraft maintenance facilities in the world. As part of Stewart & Stevenson's scope of supply, a prefabricated and pre-wired control building was engineered, assembled and tested at our factory with the gas turbine generator unit.



SHELL OIL COMPANY
Bakersfield, California

To date, Stewart & Stevenson has supplied a total of four LM2500 Gas Turbine Generator Sets to Shell Oil Company for co-generation service. The waste heat from the boiler is being utilized to generate steam for enhanced oil recovery. Three of these units are currently operating on residual gas from the adjacent oil field. Each unit is designed with an evaporative cooler to increase power output during higher ambient temperature days.

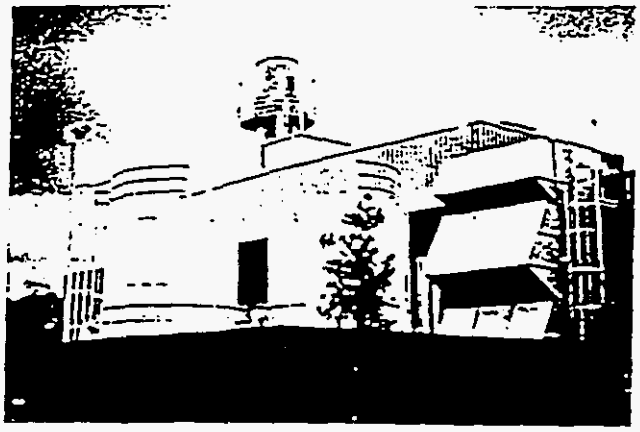
CITY OF WELLINGTON
Wellington, Kansas

Stewart & Stevenson was contracted to supply and install all equipment required for this remotely-controlled power station installed for peaking service. The complete scope of supply included the LM2500 Gas Turbine Generator, a pre-wired and prefabricated control building with all electrical equipment, a black start Diesel generator set, a liquid fuel forwarding skid and a fuel gas compressor. The power station is unmanned and operated via remote control several miles away.

P-K000678

INSTALLATIONS

STEWART & STEVENSON LM2500 INSTALLATIONS



SIGNAL ENERGY
Norwalk, California

Stewart & Stevenson was contracted by Signal Energy to provide the first direct steam injected LM2500 Gas Turbine. The unit is located within a building with only the air filtration system exposed. A special feature of the unit is a chiller coil installed in the air inlet system to lower the temperature of the combustion air for greater power output. The same coil system can be used in the winter for anti-icing by circulating hot water.

IMPELL/OLS ENERGY
Chino, California

The Stewart & Stevenson LM2500 Gas Turbine Generator provides 40,000 #/hr of steam for heating and maintenance for the California Institution of Men. Twenty-eight MW of electricity is sold to the local utility company. Stewart & Stevenson is under contract for the operation and maintenance of the complete co-generation plant.

IMPELL/OLS ENERGY
Camarillo, California

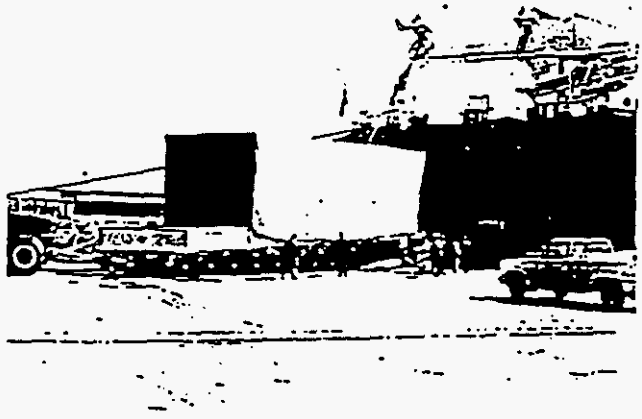
Stewart & Stevenson provided this LM2500 Gas Turbine Generator to be used in a combined cycle/co-generation application. The Camarillo State Hospital is supplied with 40,000 #/hr of steam for all hospital functions; 28 MW of electricity produced from the combined output of the gas turbine generator and steam turbine generator are sold to the local utility, Southern California Edison. Stewart & Stevenson is under contract for the operations and maintenance of the complete co-generation plant.

BECON/STONE & WEBSTER/CHEVRON
Bakersfield, California

Stewart & Stevenson provided two LM2500 Generator Sets to Chevron Oil, USA. Steam for the heat recovery boiler will be used for enhanced oil recovery and the power will be sold to the local utility. This particular site was constructed by Becon and engineered by Stone & Webster. Extensive tests were conducted at the Stewart & Stevenson factory such as response to load rejection/acceptance, automatic synchronization and parallel operation, unit response to flameout of the gas turbine, vibration signature, etc. The data taken during the factory test can be used for a beginning basis for trend analysis.

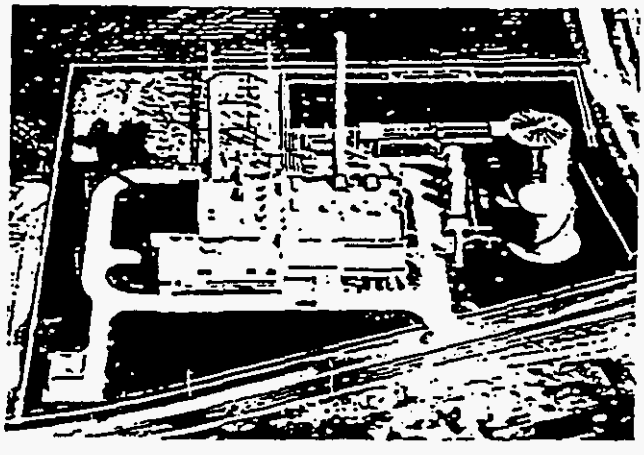
FPSC Docket No. 950110-EI
FPC Witness: DOLAN
Exhibit No. _____, (RDD-2)
Sheet 15 of 15

STEWART & STEVENSON
LM2500 INSTALLATIONS



C.H.E.S.F.
Camacari, Bahia, Brazil

Stewart & Stevenson provided a total of six LM2500 Gas Turbine Generators for prime power use in Brazil. Along with each unit, a prefabricated and pre-wired control building was supplied in order to offer the quickest on-line date possible. The units are supplying continuous power to the utility grid to supplement the hydro-electric power which is operating below full capacity in the region.



N.V. PNEM
Helmond, The Netherlands

Stewart & Stevenson supplied, to the largest utility in The Netherlands, a second LM2500 Generator Set for use in their district heating power station. Factory packaging and full load testing in Houston will assure a lower risk project schedule. After utilizing all the waste heat, the thermal efficiency of the LM2500 plant is 90%. The units are started at 7 AM and stopped by 10 PM every day.

ELETRONORTE
Porto Velho, Brazil

Stewart & Stevenson, in association with a Brazilian contractor, accepted a turnkey contract to provide three LM2500's for prime power in a remote area of Brazil. The consortium was formed with local companies in order to provide as much Brazilian content as possible. The units are supplying electricity directly to the utility grid to provide continuous power to the City of Porto Velho, Brazil (population 300,000). The units were designed to operate as synchronous condensers for future use as power factor controllers when hydro-electric power becomes available. Stewart & Stevenson also supplied a black start Diesel generator and a pre-wired control and switchgear building with each unit.

P-K000680

UNIVERSITY OF NORTHERN COLORADO
Greeley, Colorado

Two LM5000 gas turbine generator sets are utilized at this combined cycle power station providing steam to the University of Northern Colorado and electricity to the local electric utility grid. Full load factory string testing of the complete generator sets simplified the installation and commissioning of Stewart & Stevenson's first LM5000 packages.

FPSC DOCKET NO. 950110-EI
EXHIBIT NO. _____ RDD-3
CONSISTING OF 3 PAGES

FPSC Docket No. 930[illegible]
FPC Witness: DOLAN
Exhibit No. _____, (RDD- 3)
Sheet 1 of 3

PANDA ENERGY CORPORATION
The Independent Power Company

October 29, 1991

Mr. T. I. Wetherington
Corporate Cogeneration Engineer
Florida Power Corporation
3201 34th St. S. MAC B3L
St. Petersburg, FL 33733

Dear Mr. Wetherington:

This memorandum describes Panda's proposed plan for financing the development and construction of the 75 MW gas-fired cogeneration facility near Lakeland, Florida ("Kathleen Project"). The development financing for Panda's Rosemary Project is described below. Panda has every expectation that a similar financing will be available to Panda for the Kathleen Project especially in view of the substantial improvements in Panda's financial status and financing capabilities since the financing of the Rosemary Project.

Rosemary Financing

In January 1989, Panda executed a power sales agreement with Virginia Power. After discussion and negotiation with several equity-oriented financiers, Panda selected a proposal from Heller Financial, Inc. to provide an $18 million development bridge loan. Major terms of the financing follow:

Project: Gas-fired 175 megawatt cogeneration facility in Roanoke Rapids, NC. The facility sells electric capacity and energy to Virginia Power under a 25-year power purchase agreement and sells steam to The Bibb Company under a steam and chilled water sales agreement.

Development Loan: A multiple advance bridge loan facility in the aggregate principal amount of $18 million to be used prior to the arrangement and closing of the project construction loan.

Up to: $5 million for development expenses

$11 million for equipment downpayments

$ 2 million interest expense

$18 million

4100 Spring Valley, Suite 1001 Dallas, Texas 75244
214/980-7159 FAX 214/980-6815

Subordinated Loan: A subordinated credit facility (commitment obtained with development bridge loan) repayable over 15 years with equal annual installments.

The development bridge loan facility was utilized to fund substantially all development expenditures, including:

-permitting/environmental
-preliminary engineering
-major equipment downpayments
-insurance
-property acquisition
-project management

This financing was obtained prior to receipt of permits. Panda signed a construction contract in May 1989, received the air permit in August, began construction in October, closed permanent financing in October, completed a gas pipeline in September 1990 and reached commercial operation in December 1990.

Recent Developments Affecting Panda's Financing Capability

Panda is currently offering to sell an equity interest in the Rosemary Project for the purpose of refinancing the subordinated loans. The offering is expected to close in the fourth quarter of 1991 and to provide up to $30 million to Panda of which $10 million would be available to fund development of the Kathleen Project. In addition, cash flow from Panda's retained equity interest in the Rosemary Project may also be used for development expenditures.

Panda is also evaluating the issuance of short-term commercial paper to fund certain development costs. The commercial paper would have an ultimate maturity of 3 years and would be supported by a letter of credit.

There has been a tremendous amount of interaction among Panda and the financial community, equipment suppliers and EPC groups. Several arrangements have been negotiated as a result of these discussions which are intended to facilitate financing during the development period of the Kathleen Project.

Payment schedules for major equipment (CT, HRSG, ST) have been proposed by suppliers which will allow equipment to be ordered well in advance without significant payment until construction financing is obtained. However, these arrangements will contain steep penalty provisions in the event the Project is canceled. Several major EPC firms have offered to perform preliminary engineering and design in support of permitting and equipment selection without significant payment until construction financing is obtained. In addition, Panda has received positive reaction to proposals that the turn-key contractor fund portions of the construction costs until commercial operation is achieved. Panda has obtained firm

bids from environmental firms for the permitting work and has already begun the initial phases of permitting. An O&M contractor has offered to provide equity to the project, together with a competitive O&M contract.

The financial institutions are another source of development capital. This group includes the capital companies of major industrial firms, insurance companies, pension funds, and banking entities. These institutions have made substantial investments in the development of cogeneration facilities in the past and will likely continue to do so. Again, several such firms have expressed their interest in providing development capital for the Kathleen Project.

The information provided above is presented to demonstrate Panda's capability to fund development of the Kathleen Project and/or availability of third-party capital to fund the development effort. Panda intends to

a. fund initial expenditures for permitting, engineering and design, to the extent not deferred by arrangement with the vendors, from internally generated funds

b. fund equipment downpayments, to the extent required, from a third-party financial entity in the form of a development loan.

c. refinance the development expenditures described in a. and b. with a construction loan expected to be obtained approximately eighteen months prior to commercial operations.

As it previously demonstrated with the Rosemary Project, Panda is confident that it will be able to arrange all required financing for development of the Kathleen Project.

Letters from The Fuji Bank, Limited and Heller Financial, Inc. relating to various aspects of Panda's ability to obtain development and term financing for the Kathleen Project are attached. Please do not hesitate to contact me or others at Panda for further discussion of the proposed financing plan.

Sincerely,

Robert A. Wolf
Chief Financial Officer

RAW/lc

FPSC DOCKET NO. 950110-EI
EXHIBIT NO. _____ RDD-4
CONSISTING OF 66 PAGES

STANDARD OFFER CONTRACT FOR THE PURCHASE OF FIRM CAPACITY AND ENERGY FROM A QUALIFYING FACILITY LESS THAN 75 MW OR A SOLID WASTE FACILITY

between

PANDA-KATHLEEN L.P.

and

FLORIDA POWER CORPORATION

ISSUED BY: S. F. Nixon, Jr., Director Rate Department
EFFECTIVE: September 20, 1991

TABLE OF CONTENTS

ISSUED BY: S. F. Nixon, Jr., Director Rate Department
EFFECTIVE: September 20, 1991

SHEET

ISSUED BY: S. F. Nixon, Jr., Director Rate Department
EFFECTIVE: September 20, 1991

STANDARD OFFER CONTRACT FOR THE PURCHASE OF FIRM CAPACITY AND ENERGY FROM A QUALIFYING FACILITY LESS THAN 75 MW OR A SOLID WASTE FACILITY

This Agreement ("Agreement") is made and entered by and between Panda-Kathleen, L.P., a Delaware Limited Partnership, having its principal place of business at 4100 Spring Valley #1001 Dallas, TX 75244 (hereinafter referred to as the "QF"), and Florida Power Corporation, a private utility corporation organized under the laws of the State of Florida, having its principal place of business at St. Petersburg, Florida (hereinafter referred to as the "Company"). The QF and the Company may be hereinafter referred to individually as a "Party" and collectively as the "Parties."

WITNESSETH:

WHEREAS, the QF desires to sell, and the Company desires to purchase, electricity to be generated by the Facility and made available for sale to the Company, consistent with FPSC Rules 25-17.080 through 25-17.091 in effect as of the Execution Date; and

WHEREAS, the QF will engage in interconnected operation of the QF's generating facility with the Company system (hereinafter referred as the "Transmission Service Utility") which is directly interconnected at one or more points with the Company.

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

ARTICLE I: - DEFINITIONS

As used in this Agreement and in the Appendices hereto, the following capitalized terms shall have the following meanings:

1.1 Appendices means the schedules, exhibits and attachments which are appended hereto and are hereby incorporated by reference and made a part of this Agreement.

1.1.1 Appendix A sets forth the Company's Interconnection Scheduling and Cost Procedures.

1.1.2 Appendix B sets forth the Company's Parallel Operating Procedures.

1.1.3 Appendix C sets forth the Company's Standard Offer Rates for Purchase of Firm Capacity and Energy from a Qualifying Facility less than 75 MW or a Solid Waste Facility.

1.1.4 Appendix D sets forth the Company's Transmission Service Standards.

1.1.5 Appendix E sets forth FPSC Rules 25-17.080 through 25-17.091 in effect as of the Execution Date.

1.2 Avoided Unit Fuel Reference Plant means that Company unit(s) whose delivered price of fuel shall be used as a proxy for the fuel associated with the avoided unit is defined in Appendix C.

1.3 Avoided Unit Heat Rate means the average annual heat rate associated with the unit in million BTU per KWH as it is defined in Appendix C.

1.4 Avoided Unit Variable O & M means the variable operation and maintenance expense associated with the unit type selected in section 8.2.1 hereof in dollars per KWH as it is defined in Appendix C.

1.5 BTU means British thermal unit.

1.6 Capacity Account means that account which complies with the procedure in section 8.6 hereof.

1.7 Capacity Payment Adjustment means the value calculated pursuant to Appendix C.

1.8 Commercial In-Service Status means (i) that the Facility is in compliance with all applicable Facility permits; (ii) that the Facility has maintained an hourly KW output, as metered at the Point of Delivery, equal to or greater than the Committed Capacity for a consecutive twenty-four (24) hour period or during the On-Peak Hours specified in Appendix C of two consecutive days; and (iii) that such twenty-four (24) hour period is reasonably reflective of the Facility's day to day operations.

1.9 Committed Capacity means the KW capacity, as defined in Article VI hereof, which the QF has agreed to make available on a firm basis at the Point of Delivery.

1.10 Company's Interconnection Facilities means all equipment which is constructed, owned, operated, and maintained by the Company located on the Company's side of the Point of Delivery, including without limitation, equipment for connection, switching, transmission, distribution, protective relaying and safety provisions which, in the Company's reasonable judgment, is required to be installed for the delivery and measurement of electric energy into the Company's system on behalf of the QF, including all metering and telemetering equipment installed for the measurement of such energy regardless of its location in relation to the Point of Delivery.

1.11 Contract In-Service Date means the date, as specified in Article IV hereof, by which the QF has agreed to achieve Commercial In-Service Status.

1.12 Construction Commencement Date means the date on which work on the concrete foundation for the turbine generator begins and substantial construction activity at the Facility site thereafter continues.

1.13 Control Area means a utility system capable of regulating its generation in order to maintain its interchange schedule with other utility systems and contribute its frequency bias obligation to the interconnection.

1.14 Execution Date means the date on which the Company executes this Agreement.

1.15 Facility means all equipment, as described in this Agreement, used to produce electric energy and, for a cogeneration facility, used to produce useful thermal energy through the sequential use of energy and all equipment required for parallel operation with the interconnected utility.

1.16 FERC means the Federal Energy Regulatory Commission and any successor.

1.17 Florida-Southern Interface means the points of interconnection between the electric Control Areas of (1) Florida Power & Light Company, Florida Power Corporation, Jacksonville Electric Authority, and the City of Tallahassee and (2) Southern Company.

1.18 Force Majeure Event means an event or occurrence that is not reasonably foreseeable by a Party, is beyond its reasonable control, and is not caused by its negligence or lack of due diligence, including, but not limited to, natural disasters, fire, lightning, wind, perils of the sea, flood, explosions, acts of God or the public enemy, strikes, lockouts, vandalism,

blockages, insurrections, riots, war, sabotage, action of a court or public authority, or accidents to or failure of equipment or machinery, including, if applicable, equipment of the Transmission Service Utility.

1.19 FPSC means the Florida Public Service Commission and any successor.

1.20 Import Capability means the capability to import power at the Florida-Southern Interface, giving consideration to the various limitations imposed upon those facilities by the electric systems to which they are directly or indirectly connected.

1.21 Interconnection Costs means the actual costs incurred by the Company for the Company's Interconnection Facilities, including, without limitation, the cost of equipment, engineering, communication and administrative activities.

1.22 Interconnection Costs Offset means the estimated costs included in the Interconnection Costs that the Company would have incurred if it were not purchasing Committed Capacity and electric energy but instead itself generated or purchased from other sources an equivalent amount of Committed Capacity and electric energy and provided normal service to the Facility as if it were a non-generating customer.

1.23 KW means one (1) kilowatt of electric capacity.

1.24 KWH means one (1) kilowatthour of electric energy.

1.25 Minimum On-Peak Capacity Factor means that value which is associated with the unit as it is defined in Appendix C.

1.26 Minimum Total Capacity Factor means that value which is associated with the unit as it is defined in Appendix C.

1.27 On-Peak Hours means those daily time periods specified in Appendix C.

1.28 On-Peak Capacity Factor means the ratio calculated pursuant to section 8.3 hereof.

1.29 Operational Event of Default means an event or circumstance defined as such in Article XV hereof.

1.30 Performance Adjustment means the value calculated pursuant to Appendix C.

1.31 Point of Delivery means the point(s) where electric energy delivered to the Company pursuant to this Agreement enters the Company's system.

1.32 Point of Metering means the point(s) where electric energy made available for delivery to the Company, subject to adjustment for losses, is measured.

1.33 Point of Ownership means the interconnection point(s) between the Facility interconnected utility.

1.34 Pre-Operational Event of Default means an event or circumstance defined as such in Article XV hereof.

1.35 Security Guaranty means the deposits or other assurances as specified in section 13.1 hereof.

1.36 Qualifying [Small Power Production or Cogeneration] Facility means a facility that meets the requirements defined in FPSC Rule 25-17.080.

1.37 Term means the duration of this Agreement as specified in Article IV hereof.

1.38 Total Capacity Factor means the ratio calculated pursuant to section 8.4 hereof.

1.39 Transmission Service Agreement means that agreement between the QF and the Transmission Service Utility which meets the requirements of Appendix D.

ARTICLE II: AVAILABILITY

2.1 The availability of this Agreement is subject to:

2.1.1 The available capacity limitations described in Schedule 1 of Appendix C; and

2.1.2 The Facility being a solid waste facility pursuant to FPSC Rule 25-17.091 or the Facility having a Committed Capacity which is less than 75,000 KW; and

2.1.3 The provisions of section 2.2.

2.2 This Agreement is available to a QF with a Facility which shall be located south of the latitude of the Company's Central Florida Substation. For a QF with a Facility located north of the latitude of the Company's Central Florida Substation, this Agreement is available provided that (i) by the Contract In-Service Date the Company can make available an amount of Import Capability equal to the diminution of Import Capability caused by the Facility during the Term of the Agreement; and (ii) the QF shall reimburse the Company for such costs incurred by the Company to make available such Import Capability. Such reimbursement shall not be considered as a reduction in the payments made by the Company to the QF for capacity and energy purchased under this Agreement.

ARTICLE III:- FACILITY

3.1 The Facility shall be located in Section 20, Township 28 South, Range 23 E. The Facility shall meet all other specifications identified in the Appendices hereto in all material respects and no change in the designated location of the Facility shall be made by the QF. The Facility shall be designed and constructed by the QF or its agents at the QF's sole expense.

3.2 Throughout the Term of this Agreement, the Facility shall be a Qualifying [redacted] Facility.

3.3 Except for Force Majeure Events declared by the Facility's fuel supplier(s) or fuel transporter(s) which comply with the definition of Force Majeure Events as specified in this Agreement and occur after the Contract In-Service Date, the Facility's ability to deliver its Committed Capacity shall not be encumbered by interruptions in its fuel supply.

3.4 The QF shall either (i) arrange for and maintain standby electrical service under a firm tariff; or (ii) maintain the ability to restart and/or continue operations during interruptions of electric service; or (iii) maintain multiple independent sources of generation.

3.5 From the Execution Date through the Contract In-Service Date, the QF shall provide the Company with progress reports on the first day of January, April, July and October which describe the current status of Facility development in such detail as the Company may reasonably require.

ARTICLE IV: TERM AND MILESTONES

4.1 The Term of this Agreement shall begin on the Execution Date and shall expire at 24:00 hours on the last day of [March 2025 month, year], unless extended pursuant to section 4.2.4 hereof or terminated in accordance with the provisions

of this Agreement. Upon termination or expiration of this Agreement, the Parties shall be relieved of their obligations under this Agreement except for the obligation to pay each other all monies under this Agreement, which obligation shall survive termination or expiration.

4.2 The Parties agree that time is of the essence and that: (i) the QF shall execute the Transmission Service Agreement, if applicable, which shall be approved or accepted for filing by the FERC on or before the first day of [month, year]: N/A; (ii) the Construction Commencement Date shall occur on or before the first day of [month, year]: 4/1/94; and (iii) the Facility shall achieve Commercial In-Service Status on or before the first day of [month, year]: 4/1/95, which date shall constitute the Contract In-Service Date. These three dates shall not be modified except as follows: upon written request by the QF not more than sixty (60) days after the declaration of a Force Majeure Event by the QF, which event contributes proximately and materially to a delay in the QF's schedule, these three dates each may be extended on a day-for-day basis for each day of delay so caused by the Force Majeure Event; provided, however, that the QF shall specifically identify: (i) each date for which extension is being requested; and (ii) the expected duration of the Force Majeure Event; and provided further, that the maximum extension of any of these three dates shall in no event exceed a total of one hundred and eighty (180) days, irrespective of the nature or number of Force Majeure Events declared by the QF. If the Contract In-Service Date is extended then the Term of the Agreement may be extended for the same number of days.

ARTICLE V: QF OPERATING RESPONSIBILITIES

5.1 During the Term of this Agreement, the QF shall:

5.1.1 Have the sole responsibility to, and shall at its sole expense, operate and maintain the Facility in accordance with all requirements set forth in this Agreement.

5.1.2 Provide the Company prior to October 1 of each calendar year the estimated amounts of electricity to be generated by the Facility and delivered to the Company for each month of the following calendar year, including the time, duration and magnitude of any planned outages or reductions in capacity.

5.1.3 Promptly notify the Company of any changes to the yearly generation and maintenance schedules.

5.1.4 Provide the Company by telephone or facsimile prior to 9:00 A.M. of each day an estimate of the hourly amounts of electric energy to be delivered at the Point of Delivery for the next succeeding day.

5.1.5 Coordinate scheduled outages and maintenance of the Facility with the Company. The QF agrees to recognize and accommodate the Company's system demands and obligations by exercising reasonable efforts to schedule outages and maintenance during such times as are designated by the Company.

5.1.6 Comply with reasonable requirements of the Company regarding day-to-day or hour-by-hour communications with the Company or with the Transmission Service Utility relative to the performance of this Agreement.

5.2 The estimates and schedules provided by the QF under this Article V shall be prepared in good faith, based on conditions known or anticipated at the time such estimates and schedules are made, and shall not be binding upon either Party; provided, however, that the QF shall in no event be relieved of its obligation to deliver Committed Capacity under the terms and conditions of this Agreement.

ARTICLE VI: PURCHASE AND SALE OF CAPACITY AND ENERGY

6.1 Commencing on the Contract In-Service Date, the QF shall commit, sell and arrange for delivery of the Committed Capacity to the Company and the Company agrees to purchase, accept and pay for the Committed Capacity made available to the Company at the Point of Delivery in accordance with the terms and conditions of this Agreement. The QF also shall sell and deliver or arrange for the delivery of the electric energy to the Company and the Company agrees to purchase, accept, and pay for such electric energy as is made available for sale to and received by the Company at the Point of Delivery.

6.2 The Committed Capacity and electric energy made available at the Point of Delivery to the Company shall be xxx net of any electric energy used on the QF's side of the Point of Ownership or ( ) simultaneous with any purchases from the interconnected utility. This selection in billing methodology shall not be changed.

6.3 If the Company is unable to receive part or all of the Committed Capacity which the QF has made available for sale to the Company at the Point of Delivery by reason of (i) a Force Majeure Event; or (ii) pursuant to FPSC Rule 25-17.086, notice and procedural requirements of Article XX or FPSC Rule 25-17.086 shall apply and the Company will nevertheless be obligated to make capacity payments which the QF would be otherwise qualified to receive, and to pay for energy actually received, if any. The Company shall not be obligated to pay for energy which the QF would have delivered but for such occurrences and QF shall be entitled to sell or otherwise dispose of such energy in any lawful manner; provided, however, such entitlement to sell shall not be construed to require the Company to transmit such energy to another entity.

6.4 The QF shall not commence initial deliveries of energy to the Point of Delivery without the prior written consent of the Company, which consent shall not be unreasonably withheld. The QF shall provide the Company not less than thirty (30) days written notice before any testing to establish the

Facility's Commercial In-Service Status. Representatives of the Company shall have the right to be present during any such testing.

ARTICLE VII: CAPACITY COMMITMENT

7.1 The Committed Capacity shall be 74,900 KW, unless modified in accordance with this Article VII. The Committed Capacity shall be made available at the Point of Delivery from the Contract In-Service Date through the remaining Term of this Agreement.

7.2 For the period ending one (1) year immediately after the Contract In-Service Date, the QF may, on one occasion only, increase or decrease the initial Committed Capacity by no more than ten percent (10%) of the Committed Capacity specified in section 7.1 hereof upon written notice to the Company before such change is to be effective; provided, however, that in no event shall the Committed Capacity exceed 75,000 KW unless the QF is a solid waste facility.

7.3 A redesignated Committed Capacity pursuant to this Article VII shall be stated to the nearest whole KW and shall be effective only on the commencement of a full billing period.

7.4 The Company shall have the right to require that the QF, not more than once in any twelve (12) month period, re-demonstrate the Commercial In-Service Status of the Facility within sixty (60) days of the demand; provided, however, that such demand shall be coordinated with the QF so that the sixty (60) day period for re-demonstration period avoids, if practical, previously notified periods of planned outages and reduction in capacity pursuant to Article V.

7.5 During a Force Majeure Event declared by the QF, the QF may temporarily redesignate the Committed Capacity for up to twenty-four (24) consecutive months; provided, however, that no more than one such temporary redesignation may be made within any twenty-four (24) month period unless otherwise agreed by the Company in writing. Within three (3) months after such Force Majeure Event is cured, the QF may, on one occasion, without penalty,

designate a new Committed Capacity to apply for the remaining Term. Any temporary or final redesignation of the Committed Capacity pursuant to this section 7.5 must, in the Company's judgment, be directly attributable to the Force Majeure Event and of a magnitude commensurate with the scope of the Force Majeure Event.

ARTICLE VIII: CAPACITY PAYMENTS

8.1 Capacity payments shall not commence before the Contract In-Service Date and until the QF has achieved Commercial In-Service Status.

8.2 Capacity payments shall be based upon the following selections as described in Appendix C.

8.2.1 Payment options:

( ) Value of deferral payments
(X) Early payments
( ) Levelized payments
( ) Early levelized payments

8.2.2 If an early payment option is selected pursuant to section 8.2.1, then early payments shall not commence more than three (3) years prior to the Contract In-Service Date for the unit. For the selected early payment option, the early payments shall commence 2 ( ) years prior to the Contract In-Service Date. (As provided in columns 5, 6, and 7 of page 2, Schedule 3, Appendix C.)

8.3 At the end of each billing month, beginning with the first full month following the Contract In-Service Date, the Company will calculate the rolling average On-Peak Capacity Factor for the most recent twelve (12) month period, including such month, or for the actual number of full months since the Contract In-Service Date if less than twelve (12) months, based on the On-Peak Hours defined in Appendix C. The On-Peak Capacity Factor shall be calculated

as the electric energy actually received by the Company at the Point of Delivery during the On-Peak Hours of the applicable period divided by the product of the Committed Capacity and the number of On-Peak Hours during the applicable period. In calculating the On-Peak Capacity Factor, the Company shall exclude hours and electric energy delivered by the QF during periods in which: (i) the Company does not or cannot perform its obligations to receive all the electric energy which the QF has made available at the Point of Delivery; or (ii) the QF's payments for electric energy are being calculated pursuant to section 9.1.1 hereof.

8.4 At the end of each billing month, beginning with the first full month following the Contract In-Service Date, the Company will calculate the rolling average Total Capacity Factor for the most recent twelve (12) month period, including such month, or for the actual number of full months since the Contract In-Service Date if less than twelve (12) months. The Total Capacity Factor shall be calculated as the electric energy actually received by the Company during the hours of the applicable period divided by the product of the Committed Capacity and the number of hours during the applicable period. In calculating the Total Capacity Factor, the Company shall exclude hours and electric energy delivered by the QF during periods in which: (i) the Company does not or cannot perform its obligations to receive all electric energy which the QF has made available at the Point of Delivery; or (ii) the QF's payments for electric energy are being calculated pursuant to section 9.1.1 hereof.

8.5 The QF will be eligible for a capacity payment in any month that the Total Capacity Factor exceeds the Minimum Total Capacity Factor. The monthly capacity payment shall be equal to the product of (i) the applicable capacity payment rate; (ii) the Committed Capacity; (iii) the Capacity Payment Adjustment; and (iv) the ratio of the total number of hours in the billing period less the number of hours during which the QF is being paid for energy pursuant to section 9.1.1 to the total number of hours in the billing period.

8.6 The Parties recognize that early or early levelized capacity payments are in the nature of "early payment" for a future capacity benefit to

the Company when such payments exceed value of deferral capacity payments. To ensure that the Company will receive a capacity benefit for such difference in capacity payments which have been made, or alternatively, that the QF will repay the amount of such difference in payments received to the extent the capacity benefit has not been conferred, the following provisions will apply:

8.6.1 When the QF is first entitled to a capacity payment, the Company shall establish a Capacity Account. Each month the Capacity Account shall be credited in the amount of the Company's capacity payments made to the QF pursuant to the early or levelized payment options and shall be debited in the amount which the Company would have paid for capacity in the month pursuant to the value of deferral payment option.

8.6.2 The monthly balance in the Capacity Account shall accrue interest at the annual rate of 9.96%, or 0.7944% per month.

8.6.3 The QF shall owe the Company and be liable for the credit balance in the Capacity Account. The Company agrees to notify QF monthly as to the current Capacity Account balance. Prior to receipt of accelerated capacity payments the QF shall in the form of: (i) an unconditional and irrevocable direct pay letter of credit; (ii) surety bond; (iii) other form of acceptable security; or (iv) other promise to repay such amount, (for governmental solid waste), in compliance with rule 25-17.091 F.A.C.; provided that the entity issuing such promise, the form of the promise, and the means of securing payment shall be acceptable to the Company in its sole discretion.

8.6.4 The QF's obligation to pay the credit balance in the Capacity Account shall survive termination or expiration of this Agreement.

ARTICLE IX: - ENERGY PAYMENTS

9.1 For that electric energy received by the Company at the Point of Delivery each month, the Company will pay the QF an amount computed as follows:

9.1.1 Prior to the Contract In-Service Date and for the duration of an Event of Default or a Force Majeure Event declared by the QF prior to a permitted redesignation of the Committed Capacity by the QF, the QF will receive electric energy payments based on the Company's actual avoided energy costs as calculated hourly in accordance with FPSC Rule 25-17.0825; provided, however, that the calculation shall be based on such rule as it may be amended from time to time.

9.1.2 Except as otherwise provided in section 9.1.1 hereof, for each billing month beginning with the first full month following the Contract In-Service Date, the QF will receive electric energy payments calculated on an hour-by-hour basis as follows: (i) the product of the average monthly inventory chargeout price of fuel burned at the Avoided Unit Reference Plant and the Avoided Unit Heat Rate, plus the Avoided Unit Variable O & M for each hour that the Company would have had a unit with these characteristics operating; and (ii) during all other hours, the Company's actual avoided energy cost calculated in accordance with section 9.1.1.

9.1.3 Energy payments shall be equal to the sum over all hours of the month, of the product of each hour's energy cost as determined pursuant to section 9.1.1 hereof or section 9.1.2 hereof, whichever is applicable, and the energy received by the Company at the Point of Delivery, plus the Performance

Adjustment, if applicable. The QF ( ) elects (X) does not elect the Performance Adjustment in Appendix C.

9.2 Energy payments pursuant to sections 9.1.1 and 9.1.2 hereof shall be subject to the delivery voltage adjustment value applicable to the Facility and approved from time to time by the FPSC pursuant to Appendix C.

ARTICLE X: CREDITS & CHARGES TO THE QF

10.1 The Company shall bill and the QF shall pay or receive all charges applicable under this Agreement.

10.2 To the extent not otherwise included in the charges under section 10.1 hereof, the Company shall bill and the QF shall pay or receive a monthly charge or credit equal to any taxes, assessments or other impositions for which the Company may be liable or relieved of as a result of its installation of facilities in connection with this Agreement, its purchases of Committed Capacity and electric energy from the QF or any other activity undertaken pursuant to this Agreement. Such debit or credit shall not include any amounts; (i) for which the Company would have been liable or relieved of had it generated or purchased from other sources an equivalent amount of Committed Capacity and electric energy based on normal value of deferral payments; or (ii) which are recovered or later paid by the Company.

10.3 The QF will receive a debit or a credit equal to the difference between the way the system would have operated utilizing the avoided unit and the way the system actually operated with the QF. The value of the emission credits or debits received by the QF will be the value at the time that the credits or debits were incurred by the Company. In order to be eligible for a credit for sulfur dioxide emission reductions the energy provided by the QF must be of equal value in reducing system-wide sulfur dioxide emissions as the energy that would have been provided by the avoided unit.

ARTICLE XI: METERING

11.1 All electric energy delivered to the Company shall be capable of being measured hourly at the Point of Metering. All electric energy delivered to the Company shall be adjusted for losses from the Point of Metering to the Point of Delivery. Any additional required metering equipment to measure electric energy and the telemetering equipment necessary to transmit such measurements to a location specified by the Company shall be installed, calibrated and maintained by the Company or the Transmission Service Utility, if applicable, and all related costs shall be charged to the QF, pursuant to Appendix A, as part of the Company's Interconnection Facilities.

11.2 All meter testing and related billing corrections, for electricity sold and purchased by the Company, shall conform to the metering and billing guidelines contained in FPSC Rules 25-6.052 through 25-6.060 and FPSC Rule 25-6.103, as they may be amended from time to time, notwithstanding that such guidelines apply to the utility as the seller of electricity.

11.3 The QF shall have the right to install, at its own expense, metering equipment capable of measuring energy on an hourly basis at the Point of Metering. At the request of the QF, the Company shall provide the QF hourly energy cost data from the Company's systems; provided that the QF agrees to reimburse the Company for its cost to provide such data.

ARTICLE XII: PAYMENT PROCEDURE

12.1 Bills shall be issued and payments shall be made monthly to the QF and by the QF in accordance with the following procedures:

12.1.1 The capacity payment, if any, calculated for a given month pursuant to Article VIII hereof shall be added to the electric energy payment, if any, calculated for such month

pursuant to Article IX hereof. The resulting amount, if any, shall be tendered, with cost tabulations showing the basis for payment, by the Company to the QF as a single payment. Such payments to the QF shall be due and payable twenty (20) business days following the date the meters are read.

12.1.2 When any amount is owing from the QF, the Company shall issue a monthly bill to the QF with cost tabulations showing the basis for the charges. All amounts owing to the Company from the QF shall be due and payable twenty (20) business days after the date of the Company's billing statement. Amounts owing to the Company for retail electric service shall be payable in accordance with the provisions of the applicable rate schedule.

12.1.3 At the option of the QF, the Company will provide a net payment or net bill, whichever is applicable, that consolidates amounts owing to the QF with amounts owing to the Company.

12.1.4 Except for charges for retail electric service, any amount due and payable from either Party to the other pursuant to this Agreement that is not received by the due date shall accrue interest from the due date at the rate specified in section 13.2 hereof.

ARTICLE XIII: SECURITY GUARANTIES

13.1 Within sixty (60) days after the Execution Date of this Agreement, the QF shall post a Security Guaranty with the Company equal to $10.00 per KW of Committed Capacity to ensure completion of the Facility in a timely fashion as contemplated by this Agreement. This Agreement shall terminate if the Security Guaranty is not tendered on or before the applicable due date specified herein. The QF shall either: (i) pay the Company a cash deposit in

an amount equal to the Security Guaranty; or (ii) provide the Company an unconditional and irrevocable direct pay letter of credit or (iii) surety bond; or (iv) other promise to pay such amount, (for governmental solid waste facility), in compliance with rule 25-17.091 F.A.C. upon faiiure of the QF to perform its obligations under this Agreement; provided that the entity issuing such promise, the form of the promise, and the means of securing payment all shall be acceptable to the Company in its sole discretion.

13.2 A Security Guaranty paid to the Company shall accrue interest at a rate equal to the thirty (30) day highest grade commercial paper rate as published in the Wall Street Journal on the first business day of each month. Such interest shall be compounded monthly.

13.3 If the Facility achieves Commercial In-Service Status on or before the Contract In-Service Date, the Company shall refund to the QF any cash Security Guaranty paid to the Company and accrued interest within thirty (30) days thereafter or shall cancel any other form of Security Guaranty which the Company has accepted in lieu of a cash deposit. If this Agreement is terminated pursuant to section 15.2, the QF shall immediately forfeit and the Company, in lieu of any other remedies, shall retain the monies associated with any Security Guaranty made by the QF pursuant to section 13.1 and the interest, if applicable, pursuant to section 13.2.

ARTICLE XIV: REPRESENTATIONS, WARRANTIES AND COVENANTS

14.1 The QF makes the following additional representations, warranties and covenants as the basis for the benefits and obligations contained in this Agreement:

14.1.1 The QF represents and warrants that it is a corporation, partnership or other business entity duly organized, validly existing and in good standing under the laws

of the State/Commonwealth of Delaware and is qualified to do business under the laws of the State of Florida.

14.1.2 The QF represents, covenants and warrants that, to the best of the QF's knowledge, throughout the Term of this Agreement the QF will be in compliance with, or will have acted in good faith and used its best efforts to be in compliance with, all laws, judicial and administrative orders, rules and regulations, with respect to the ownership and operation of the Facility, including but not limited to applicable certificates, licenses, permits and governmental approvals; environmental impact analyses, and, if applicable, the mitigation of environmental impacts.

14.1.3 The QF represents and warrants that it is not prohibited by any law or contract from entering into this Agreement and discharging and performing all covenants and obligations on its part to be performed pursuant to this Agreement.

14.1.4 The QF represents and warrants that there is no pending or threatened action or proceeding affecting the QF before any court, governmental agency or arbitrator that could reasonably be expected to affect materially and adversely the ability of the QF to perform its obligations hereunder, or which purports to affect the legality, validity or enforceability of this Agreement.

14.2 All representations and warranties made by the QF in or under this Agreement shall survive the execution and delivery of this Agreement and any action taken pursuant hereto.

ARTICLE XV: EVENTS OF DEFAULT; REMEDIES

15.1 PRE-OPERATIONAL EVENTS OF DEFAULT

Any one or more of the following events occurring before the Contract In-Service Date for any reason, except events caused by the Company, shall constitute a Pre-Operational Event of Default and shall give the Company the right, without limitation, to exercise the remedies specified under section 15.2 hereof:

15.1.1 The QF, without a prior assignment permitted pursuant to Article XXII hereof, becomes insolvent, becomes subject to bankruptcy or receivership proceedings, or dissolves as a legal business entity.

15.1.2 Any representation or warranty furnished by the QF to the Company is false or misleading in any material respect when made and the QF fails to conform to said representation or warranty within sixty (60) days after a demand by the Company to do so.

15.1.3 The QF has not entered into the Transmission Service Agreement, if applicable, which has been approved or accepted for filing by the FERC on or before the date specified in Article IV hereof, as extended only pursuant to said Article IV.

15.1.4 The Construction Commencement Date has not occurred on or before the date specified in Article IV hereof, as extended only pursuant to said Article IV.

15.1.5 The QF fails to diligently pursue construction of the Facility after the Construction Commencement Date.

15.1.6 The Facility fails to achieve Commercial In-Service Status on or before the Contract In-Service Date.

15.1.7 The QF fails to comply with any other material terms and conditions of this Agreement and fails to conform to said term and condition within sixty (60) days after a demand by the Company to do so.

15.2 REMEDIES FOR PRE-OPERATIONAL EVENTS OF DEFAULT

For any Pre-Operational Event of Default specified under section 15.1 hereof, the Company may terminate this Agreement and retain the Security Guaranty pursuant to section 13.3.

15.3 OPERATIONAL EVENTS OF DEFAULT

Any one or more of the following events except events caused by Force Majeure Events unless otherwise stated, occurring on or after the Contract In-Service Date shall constitute an Operational Event of Default by the QF and shall give the Company the right, without limitation, to exercise the remedies under section 15.4 hereof:

15.3.1 The QF fails upon request by the Company pursuant to section 7.4 hereof to re-demonstrate the Facility's Commercial In-Service Status to the satisfaction of the Company.

15.3.2 The QF fails for any reason, including Force Majeure Events, to qualify for capacity payments under Article VIII hereof for any consecutive twenty-four (24) month period.

15.3.3 The QF fails to perform or comply with any other material terms and conditions of this Agreement and fails to

conform to said term and condition within sixty (60) days after a demand by the Company to do so.

15.3.4 The QF, without a prior assignment permitted pursuant to Article XXII hereof, becomes insolvent, becomes subject to bankruptcy or receivership proceedings, or dissolves as a legal business entity.

15.4 REMEDIES FOR OPERATIONAL EVENTS OF DEFAULT

For any Operational Event of Default specified under section 15.3 hereof, the Company may, without an election of remedies to the exclusion of other remedies, take any of the following actions:

15.4.1 Allow the QF a reasonable opportunity to cure the Operational Event of Default and suspend its capacity payment obligations upon written notice whereupon the QF shall be entitled only to energy payments calculated pursuant to section 9.1.1 hereof. Thereafter, if the Operational Event of Default is cured: (i) capacity payments shall resume and subsequent energy payments shall be paid pursuant to section 9.1.2 hereof; and (ii) the On-Peak Capacity Factor and the Total Capacity Factor shall be calculated on the assumption that the first full month after the Operational Event of Default is cured is the first month that the performance criteria are imposed.

15.4.2 Terminate this Agreement.

15.4.3 Exercise all remedies available at law or in equity.

ARTICLE XVI: PERMITS

The QF hereby agrees to seek to obtain, at its sole expense, any and all governmental permits, certificates, or other authorization the QF is required to obtain as a prerequisite to engaging in the activities provided for in this Agreement. The Company hereby agrees, at the QF's expense, to seek to obtain any and all governmental permits, certificates, or other authorization the Company is required to obtain as a prerequisite to engaging in the activities provided for in this Agreement.

ARTICLE XVII: INDEMNIFICATION

The QF agrees to indemnify and save harmless the Company and its employees, officers, and directors against any and all liability, loss, damage, costs or expense which the Company, its employees, officers and directors may hereafter incur, suffer or be required to pay by reason of negligence on the part of the QF in performing its obligations pursuant to this Agreement or the QF's failure to abide by the provisions of this Agreement. The Company agrees to indemnify and save harmless the QF and its employees, officers, and directors against any and all liability, loss, damage, cost or expense which the QF, its employees, officers, and directors may hereafter incur, suffer, or be required to pay by reason of negligence on the part of the Company in performing its obligations pursuant to this Agreement or the Company's failure to abide by the provisions of this Agreement. The QF agrees to include the Company as an additional insured in any liability insurance policy or policies the QF obtains to protect the QF's interests with respect to the QF's indemnity and hold harmless assurance to the Company contained in Article XVII.

ARTICLE XVIII: EXCLUSION OF INCIDENTAL, CONSEQUENTIAL, AND INDIRECT DAMAGES

Neither Party shall be liable to the other for incidental, consequential or indirect damages, including, but not limited to, the cost of replacement capacity and energy, whether arising in contract, tort, or otherwise.

ARTICLE XIX: INSURANCE

The provisions of this Article does not apply to a QF whose Facility is not directly interconnected with the Company's system.

19.1 In addition to other insurance carried by the QF in accordance with the Agreement, the QF shall deliver to the Company, at least fifteen (15) days prior to the commencement of any work on the Company's Interconnection Facilities, a certificate of insurance certifying the QF's coverage under a liability insurance policy issued by a reputable insurance company authorized to do business in the State of Florida naming the QF as a named insured and the Company as an additional named insured, which policy shall contain a broad form contractual endorsement specifically covering liabilities arising out of the interconnection with the Facility, or caused by the operation of the Facility or by the QF's failure to maintain the Facility in satisfactory and safe operating condition.

19.2 The insurance policy providing such coverage shall provide public liability insurance, including property damage, in an amount not less than $1,000,000 for each occurrence which can be exceeded by the QF. The required insurance policy shall be endorsed with a provision requiring the insurance company to notify the Company at least thirty (30) days prior the effective date of any cancellation or material change in the policy.

19.3 The QF shall pay all premiums and other charges due on said insurance policy and shall keep said policy in force during the entire period of interconnection with the Company.

ARTICLE XX: FORCE MAJEURE

20.1 If either Party because of Force Majeure Event is rendered wholly or partly unable to perform its obligations under this Agreement, other than the obligation of that Party to make payments of money, that Party shall, except as otherwise provided in this Agreement, be excused from whatever performance is affected by the Force Majeure Event to the extent so affected, provided that:

20.1.1 The non-performing Party, as soon as possible after it becomes aware of its inability to perform, shall declare a Force Majeure Event and give the other Party written notice of the particulars of the occurrence(s), including without limitation, the nature, cause, and date and time of commencement of the occurrence(s), the anticipated scope and duration of any delay, and any date(s) that may be affected thereby.

20.1.2 The suspension of performance is of no greater scope and of no longer duration than is required by the Force Majeure Event.

20.1.3 Obligations of either Party which arose before the occurrence causing the suspension of performance are not excused as a result of the occurrence.

20.1.4 The non-performing Party uses its best efforts to remedy its inability to perform with all reasonable dispatch;

provided, however, that nothing contained herein shall require the settlement of any strike, walkout, lockout or other labor dispute on terms which, in the sole judgment of the affected Party, are contrary to its interests. It is understood and agreed that the settlement of strikes, walkouts, lockouts or other labor disputes shall be entirely within the discretion of the affected Party.

20.1.5 When the non-performing Party is able to resume performance of its obligations under this Agreement, that Party shall so notify the other Party in writing.

20.2 Unless and until the QF temporarily redesignates the Committed Capacity pursuant to section 7.5 hereof, no capacity payment obligation pursuant to Article VII hereof shall accrue during any period of a declared Force Majeure Event pursuant to section 20.1.1 through 20.1.5. During any such period, the Company will pay for such energy as may be received and accepted pursuant to section 9.1.1 hereof.

20.3 If the QF temporarily or permanently redesignates the Committed Capacity pursuant to section 7.5 hereof, then capacity payment obligations shall thereafter resume at the applicable redesignated level and the Company will resume energy payments pursuant to section 9.1.2 hereof.

ARTICLE XXI: FACILITY RESPONSIBILITY AND ACCESS

21.1 Representatives of the Company shall at all reasonable times have access to the Facility and to property owned or controlled by the QF for the purpose of inspecting, testing, and obtaining other technical information deemed necessary by the Company in connection with this Agreement. Any inspections or testing by the Company shall not relieve the QF of its obligation to maintain the Facility.

21.2 In no event shall any Company statement, representation, or lack thereof, either express or implied, relieve the QF of its exclusive responsibility for the Facility and its exclusive obligations, if applicable, with the Transmission Service Utility. Any Company inspection of property or equipment owned or controlled by the QF or the Transmission Service Utility, or any Company review of or consent to the QF's or the Transmission Service Utility's plans, shall not be construed as endorsing the design, fitness or operation of the Facility or the Transmission Service Utility's equipment nor as a warranty or guarantee.

21.3 The QF shall reactivate the Facility and shall arrange for the Transmission Service Utility's delivery of electric energy to the Point of Delivery at its own expense if either the Facility or the equipment of the Transmission Service Utility is rendered inoperable due to actions of the QF or its agents, or a Force Majeure Event. The Company shall reactivate the Company's Interconnection Facilities at its own expense if the same are rendered inoperable due to actions of the Company or its agents, or a Force Majeure Event.

ARTICLE XXII: SUCCESSORS AND ASSIGNS

Neither Party shall have the right to assign its obligations, benefits, and duties without the consent of the other Party, which shall not be unreasonably withheld or delayed.

ARTICLE XXIII: DISCLAIMER

In executing this Agreement, the Company does not, nor should it be construed to, extend its credit or financial support for the benefit of any third parties lending money to or having other transactions with the QF or any assignee of this Agreement, nor does it create any third party beneficiary rights. Nothing contained in this Agreement shall be construed to create an association, trust, partnership, or joint venture between the Parties. No payment by the

Company to the QF for energy or capacity shall be construed as payment by the Company for the acquisition of any ownership or property interest in the Facility.

ARTICLE XXIV: WAIVERS

The failure of either Party to insist in any one or more instances upon strict performance of any of the provisions of this Agreement or to take advantage of any of its rights under this Agreement shall not be construed as a general waiver of any such provision or the relinquishment of any such right, but the same shall continue and remain in full force and effect, except with respect to the particular instance or instances.

ARTICLE XXV: COMPLETE AGREEMENT

The terms and provisions contained in this Agreement constitute the entire agreement between the Parties and shall supersede all previous communications, representations, or agreements, either verbal or written, between the Parties with respect to the Facility and this Agreement.

ARTICLE XXVI: COUNTERPARTS

This Agreement may be executed in any number of counterparts, and each executed counterpart shall have the same force and effect as an original instrument.

ARTICLE XXVII: COMMUNICATIONS

27.1 Any non-emergency or operational notice, request, consent, payment or other communication made pursuant to this Agreement to be given by one Party to the other Party shall be in writing, either personally delivered or mailed to the representative of said other Party designated in this section,

and shall be deemed to be given when received. Notices and other communications by the Company to the QF shall be addressed to:

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

Notices to the Company shall be addressed to:

Florida Power Corporation
P. O. Box 14042
St. Petersburg, FL 33733

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

To The Company: System Dispatcher on Duty
Title: System Dispatcher
Telephone: (813)866-5888
Telecopier: (813)384-7865

To The QF: Name Hans R. van Kuilenburg
Title: President
Telephone: (214) 980-7159
Telecopier: (214) 980-6815

27.3 Either Party may change its representatives in sections 28.1 or 28.2 by prior written notice to the other Party.

ISSUED BY: S. F. Nixon, Jr., Director Rate Department
EFFECTIVE: September 20, 1991

27.4 The Parties' representatives designated above shall have full authority to act for their respective principals in all technical matters relating to the performance of this Agreement. However, they shall not have the authority to amend, modify, or waive any provision of this Agreement.

ARTICLE XXVIII: SECTION HEADINGS FOR CONVENIENCE

Article or section headings appearing in this Agreement are inserted for convenience only and shall not be construed as interpretations of text.

ARTICLE XXIX: GOVERNING LAW

The interpretation and performance of this Agreement and each of its provisions shall be governed by the laws of the State of Florida.

IN WITNESS WHEREOF, the QF and the Company have caused this Agreement to be executed by their duly authorized representatives on the day and year first above written.

The Qualifying Facility:
Panda-Kathleen L.P.

By: PANDA-KATHLEEN CORPORATION

Title: Robert W. Carter
Robert Carter, Chairman

Date: 10-4-91

ATTEST: Jessie Broerman

The Company:

By: _____

Title: PETER DAGOSTINO
VICE-PRESIDENT

Date: 11-25-91

ATTEST: Robert D. Dale

FLORIDA POWER CORP.
LEGAL DEPT.
APPROVED
Date 11/25/91
By JCK

ISSUED BY: S. F. Nixon, Jr., Director Rate Department
EFFECTIVE: September 20, 1991

101403

APPENDIX A

INTERCONNECTION SCHEDULING AND COST RESPONSIBILITY

1.0 Purpose.

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

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

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

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

a. Physical layout drawings, including dimensions;
b. All associated equipment specifications and characteristics including technical parameters, ratings, basic impulse levels, electrical main one-line diagrams, schematic diagrams, system protections, frequency, voltage, current and interconnection distance;
c. Functional and logic diagrams, control and meter diagrams, conductor sizes and length, and any other relevant data which might be necessary to understand the Facility's proposed system and to be able to make a coordinated system;
d. Power requirements in watts and vars;
e. Expected radio-noise, harmonic generation and telephone interference factor;
f. Synchronizing methods; and
g. Facility operating/instruction manuals.
h. If applicable, a detailed description of the facilities to be utilized by the Transmission Service Utility to deliver energy to the Point of Delivery.

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

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

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

3.0 Payment Obligations for Interconnection Costs.

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

ISSUE BY: S. F. Nixon, Jr., Director Rate Department
EFFECTIVE: September 20, 1991

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

3.2.1 Upon a showing of credit worthiness, the QF shall have the option of making monthly installment payments for Interconnection Costs over a period no longer than thirty six (36) months. The period selected is 36 months. Principal payments will be based on the estimated Interconnection Costs less the Interconnection Costs Offset, divided by the repayment period in months to determine the monthly principal payment. Payments will be invoiced in the first month following first incurrence of Interconnection Costs by the Company. Invoices to the QF will include principal payments plus interest on the unpaid balance, if any, calculated at a rate equal to the thirty (30) day highest grade commercial paper rate as published in the Wall Street Journal on the first business day of each month. The final payment or payments will be adjusted to cause the sum of principal payments to equal the actual Interconnection Costs.

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

ISSUE BY: S. F. Nixon, Jr., Director Rate Department
EFFECTIVE: September 20, 1991

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

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

The QF also agrees to pay monthly through the Term of the Agreement for all costs associated with the operation, maintenance and repair of the Company's Interconnection Facilities, based on a percentage of the total Interconnection Costs net of the Interconnection Costs Offset, as set forth in Appendix C.

APPENDIX B

PARALLEL OPERATING PROCEDURES

1.0 Purpose

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

2.0 Schematic Diagram

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

3.0 Operating Standards

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

3.2 The QF shall reduce, curtail, or interrupt electrical generation or take other appropriate action for so long as it is reasonably necessary, which in the judgment of the QF or the Company may be necessary to

operate and maintain a part of either Party's system, to address, if applicable, an emergency on either Party's system.

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

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

(ii) demonstrated to the Company's satisfaction that the Facility is in compliance with the insurance requirements of the Agreement; and

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

3.4 After any approved Facility modifications are completed, the QF shall not resume parallel operation with the Company's system until the QF has demonstrated that it is in compliance with all the requirements of section 4.2 hereof.

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

3.6 The Company shall have the right to open and lock, with a Company padlock, manual disconnect switch numbers(s)_____ and isolate the Facility's generation system without prior notice to the QF. To the extend

practicable, however, prior notice shall be given. Any of the following conditions shall be cause for disconnection:

1. Company system emergencies and/or maintenance repair and construction requirements;
2. hazardous conditions existing on the Facility's generating or protective equipment as determined by the Company;
3. adverse effects of the Facility's generation to the Company's other electric consumers and/or system as determined by the Company;
4. failure of the QF to maintain any required insurance; or
5. failure of the QF to comply with any existing or future regulations, rules, orders or decisions of any governmental or regulatory authority having jurisdiction over the Facility's electric generating equipment or the operation of such equipment.

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

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

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

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

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

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

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

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

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

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

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

4.0 Inspection and Testing

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

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

(ii) cleaning of all contacts;

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

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

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

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

5.0 Notification

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

To The Company: System Dispatcher on Duty
Title: System Dispatcher
Telephone: (813)866-5888
Telecopier: (813)384-7865

To The QF: Name Panda-Kathleen L.P.
Title: Robert Carter Chairman
Telephone: (214)980-7159
Telecopier: (2140)980-6815

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

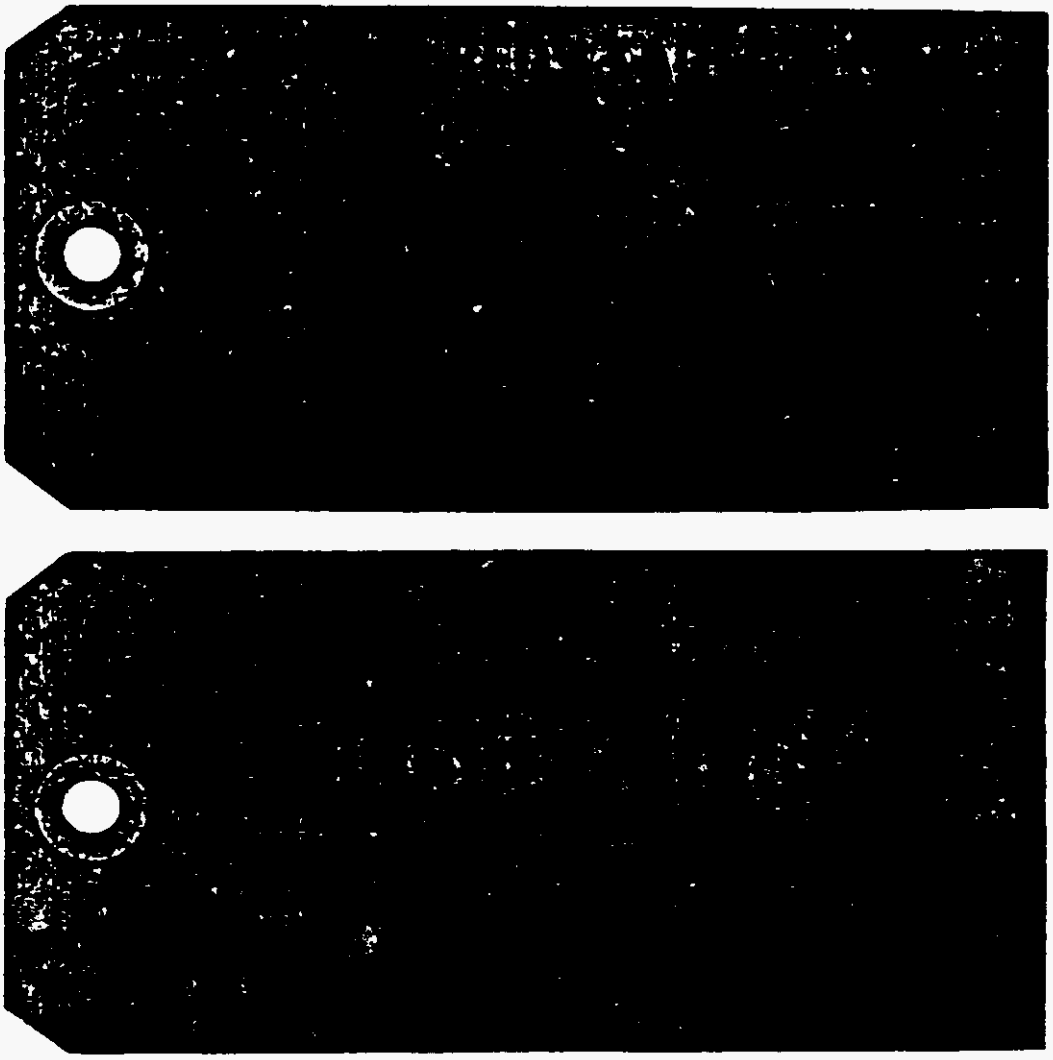
ISSUED BY: S. F. Nixon, Jr., Director Rate Department
EFFECTIVE: September 20, 1991

EXHIBIT B-1

Exhibit B-1 will be unique for each Facility and must be complete prior to parallel operation with the Company.

EXHIBIT B-2

A switch or switch point (i.e., elbow, open jumpers, etc.) with a red tag attached is open and shall not be closed under any circumstances. After a switch has been red tagged, that switch cannot be closed until the red tag is removed. Red tags can only be removed when authorized by a specific written order.



ISSUED BY: S. F. Nixon, Jr., Director Rate Department
EFFECTIVE: September 20, 1991

APPENDIX C
RATES

TABLE OF CONTENTS

APPENDIX C
RATES

SCHEDULE 1
SUMMARY OF STANDARD OFFER AVAILABILITY

DESIGNATED AVOIDED UNIT	AVAILABLE CAPACITY MW	PAYMENT OPTION STARTING			
		NORMAL	EARLY	LEVELIZED	EARLY LEVELIZED
1997 Combustion Turbine	80	1997	1994-1996	1997	1994-1996

ISSUED BY: S. F. Nixon, Jr., Director Rate Department

EFFECTIVE DATE: September 20, 1991

FPSC Docket No. 950110-EI
FPC Witness: DOLAN
Exhibit No. _____, (RDD-4)
Sheet 53 of 56

APPENDIX C
RATES

SCHEDULE 2
GENERAL INFORMATION FOR 1997 COMBUSTION TURBINE UNIT

GENERAL
YEAR OF AVOIDED UNIT = 1997
AVOIDED UNIT REFERENCE PLANT = BARTOW CT UNITS

INVESTMENT DATA
TOTAL COST, DIRECT + AFUDC, IN 1/91 $'s = $398.88/KW
ANNUAL ESCALATION RATE OF PLANT COSTS = 5.10%
ECONOMIC PLANT LIFE = 20 YEARS

OPERATING DATA
AVOIDED UNIT FIXED O&M COSTS IN 1/91 $'s = $6.18/KW/YR
AVOIDED UNIT VARIABLE O&M COSTS IN 1/91 $'s = $1.83/MWH
ANNUAL ESCALATION RATE OF O&M COSTS = 5.10%
MINIMUM ON-PEAK CAPACITY FACTOR = 90.0%
MINIMUM TOTAL CAPACITY FACTOR = 42.0%
SYSTEM VARIABLE O&M COSTS IN 1/91 $'s = $0.673/MWH
AVOIDED UNIT HEAT RATE = 11,610 BTU/KWH
TYPE OF FUEL = DISTILLATE

ON-PEAK HOURS
(1) FOR THE CALENDAR MONTHS OF NOVEMBER THROUGH MARCH,
ALL DAYS: 6:00 A.M. TO 12:00 NOON, AND
5:00 P.M. TO 10:00 P.M.
(2) FOR THE CALENDAR MONTHS OF APRIL THROUGH OCTOBER,
ALL DAYS: 11:00 A.M. TO 10:00 P.M.

FINANCIAL DATA
K FACTOR (MID YEAR) = 1.5259
UTILITY DISCOUNT RATE = 9.96%

946

ISSUED BY: S. F. Nixon, Jr., Director Rate Department

EFFECTIVE DATE: September 20, 1991

101419

FPSC Docket No. 950110-EI
FPC Witness: DOLANS
Exhibit No. _____, (RDD-4)
Sheet 54 of 66

APPENDIX C
RATES

SCHEDULE 3
Payments for Avoided 1997 Combustion Turbine Unit

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	CAPACITY PAYMENT - $/KW/MONTH								
	EARLY PAYMENT OPTION								
CONTRACT	STARTING 1/96			STARTING 1/95			STARTING 1/94		
YEAR	O&M	CAPITAL	TOTAL	O&M	CAPITAL	TOTAL	O&M	CAPITAL	TOTAL
1994	-	-	-	-	-	-	0.49	3.52	4.01
1995	-	-	-	0.56	3.96	4.52	0.52	3.69	4.21
1996	0.63	4.48	5.11	0.58	4.17	4.75	0.54	3.89	4.43
1997	0.66	4.71	5.37	0.61	4.39	5.00	0.57	4.08	4.65
1998	0.69	4.96	5.65	0.65	4.60	5.25	0.60	4.29	4.89
1999	0.73	5.20	5.93	0.68	4.84	5.52	0.63	4.51	5.14
2000	0.77	5.47	6.24	0.71	5.09	5.80	0.66	4.74	5.40
2001	0.81	5.74	6.55	0.75	5.34	6.09	0.70	4.98	5.68
2002	0.85	6.04	6.89	0.79	5.62	6.41	0.73	5.24	5.97
2003	0.89	6.35	7.24	0.83	5.90	6.73	0.77	5.50	6.27
2004	0.94	6.67	7.61	0.87	6.21	7.08	0.81	5.78	6.59
2005	0.98	7.02	8.00	0.91	6.53	7.44	0.85	6.08	6.93
2006	1.03	7.38	8.41	0.96	6.86	7.82	0.90	6.38	7.28
2007	1.09	7.74	8.83	1.01	7.20	8.21	0.94	6.71	7.65
2008	1.14	8.14	9.28	1.06	7.57	8.63	0.99	7.05	8.04
2009	1.20	8.56	9.76	1.12	7.95	9.07	1.04	7.41	8.45
2010	1.26	9.00	10.26	1.17	8.37	9.54	1.09	7.79	8.88
2011	1.33	9.45	10.78	1.23	8.79	10.02	1.15	8.19	9.34
2012	1.39	9.94	11.33	1.30	9.23	10.53	1.21	8.60	9.81
2013	1.46	10.45	11.91	1.36	9.71	11.07	1.27	9.04	10.31
2014	1.54	10.97	12.51	1.43	10.21	11.64	1.33	9.51	10.84
2015	1.62	11.53	13.15	1.50	10.73	12.23	1.40	9.99	11.39
2016	1.70	12.12	13.82	1.58	11.27	12.85	1.47	10.50	11.97

NOTE: Above payments calculated in accordance with formulas set forth in FPSC Rule 25-17.0832(5). Payment shall be adjusted by multiplying factor for On-Peak Capacity Factor determined in Schedule 7.

ISSUED BY: S. F. Nixon Jr., Director Rate Department

EFFECTIVE DATE: September 20, 1991

101420

APPENDIX C
RATES

SCHEDULE 3
Payments for Avoided 1997 Combustion Turbine Unit

(1)	(2)	(3)	(4)
	CAPACITY PAYMENT - $/KW/MONTH		
CONTRACT YEAR	LEVELIZED PAYMENT OPTION O&M	CAPITAL	TOTAL
1997	0.71	7.28	7.99
1998	0.75	7.28	8.03
1999	0.79	7.28	8.07
2000	0.83	7.28	8.11
2001	0.87	7.28	8.15
2002	0.91	7.28	8.19
2003	0.96	7.28	8.24
2004	1.01	7.28	8.29
2005	1.06	7.28	8.34
2006	1.11	7.28	8.39
2007	1.17	7.28	8.45
2008	1.23	7.28	8.51
2009	1.29	7.28	8.57
2010	1.36	7.28	8.64
2011	1.43	7.28	8.71
2012	1.50	7.28	8.78
2013	1.58	7.28	8.86
2014	1.66	7.28	8.94
2015	1.74	7.28	9.02
2016	1.83	7.28	9.11

NOTE: Above payments calculated in accordance with formulas set forth in FPSC Rule 25-17.0832(5). Payment shall be adjusted by multiplying factor for On-Peak Capacity Factor determined in Schedule 7.

ISSUED BY: S. F. Nixon, Jr., Director Rate Department

EFFECTIVE DATE: September 20, 1991

APPENDIX C
RATES

SCHEDULE 3
Payments for Avoided 1997 Combustion Turbine Unit

(1)	(2)	(3)	(4)
	CAPACITY PAYMENT - $/KW/MONTH		
CONTRACT YEAR	NORMAL PAYMENT OPTION O&M	CAPITAL	TOTAL
1997	0.71	5.08	5.79
1998	0.75	5.33	6.08
1999	0.79	5.60	6.39
2000	0.83	5.89	6.72
2001	0.87	6.19	7.06
2002	0.91	6.51	7.42
2003	0.96	6.84	7.80
2004	1.01	7.19	8.20
2005	1.06	7.56	8.62
2006	1.11	7.95	9.06
2007	1.17	8.35	9.52
2008	1.23	8.78	10.01
2009	1.29	9.23	10.52
2010	1.36	9.69	11.05
2011	1.43	10.19	11.62
2012	1.50	10.71	12.21
2013	1.58	11.25	12.83
2014	1.66	11.83	13.49
2015	1.74	12.43	14.17
2016	1.83	13.07	14.90

NOTE:Above payments calculated in accordance with formulas set forth in FPSC Rule 25-17.0832(5). Payment shall be adjusted by multiplying factor for On-Peak Capacity Factor determined in Schedule 8.

ISSUED BY: S. F. Nixon, Jr., Director Rate Department

EFFECTIVE DATE: September 20, 1991

101422

APPENDIX C
RATES

SCHEDULE 3
Payments for Avoided 1997 Combustion Turbine Unit

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	CAPACITY PAYMENT - $/KW/MONTH								
	EARLY LEVELIZED PAYMENT OPTION - $/KW/MONTH								
CONTRACT	STARTING 1/96			STARTING 1/95			STARTING 1/94		
YEAR	O&M	CAPITAL	TOTAL	O&M	CAPITAL	TOTAL	O&M	CAPITAL	TOTAL
1994	-	-	-	-	-	-	0.49	5.25	5.74
1995	-	-	-	0.56	5.84	6.40	0.52	5.25	5.77
1996	0.63	6.52	7.15	0.58	5.84	6.42	0.54	5.25	5.79
1997	0.66	6.52	7.18	0.61	5.84	6.45	0.57	5.25	5.82
1998	0.69	6.52	7.21	0.65	5.84	6.49	0.60	5.25	5.85
1999	0.73	6.52	7.25	0.68	5.84	6.52	0.63	5.25	5.88
2000	0.77	6.52	7.29	0.71	5.84	6.55	0.66	5.25	5.91
2001	0.81	6.52	7.33	0.75	5.84	6.59	0.70	5.25	5.95
2002	0.85	6.52	7.37	0.79	5.84	6.63	0.73	5.25	5.98
2003	0.89	6.52	7.41	0.83	5.84	6.67	0.77	5.25	6.02
2004	0.94	6.52	7.46	0.87	5.84	6.71	0.81	5.25	6.06
2005	0.98	6.52	7.50	0.91	5.84	6.75	0.85	5.25	6.10
2006	1.03	6.52	7.55	0.96	5.84	6.80	0.90	5.25	6.15
2007	1.09	6.52	7.61	1.01	5.84	6.85	0.94	5.25	6.19
2008	1.14	6.52	7.66	1.06	5.84	6.90	0.99	5.25	6.24
2009	1.20	6.52	7.72	1.12	5.84	6.96	1.04	5.25	6.29
2010	1.26	6.52	7.78	1.17	5.84	7.01	1.09	5.25	6.34
2011	1.33	6.52	7.85	1.23	5.84	7.07	1.15	5.25	6.40
2012	1.39	6.52	7.91	1.30	5.84	7.14	1.21	5.25	6.46
2013	1.46	6.52	7.98	1.36	5.84	7.20	1.27	5.25	6.52
2014	1.54	6.52	8.06	1.43	5.84	7.27	1.33	5.25	6.58
2015	1.62	6.52	8.14	1.50	5.84	7.34	1.40	5.25	6.65
2016	1.70	6.52	8.22	1.58	5.84	7.42	1.47	5.25	6.72

NOTE: Above payments calculated in accordance with formulas set forth in FPSC Rule 25-17.0832(5). Payment shall be adjusted by multiplying factor for On-Peak Capacity Factor determined in Schedule 7.

ISSUED BY: S. F. Nixon, Jr., Director Rate Department

EFFECTIVE DATE: September 20, 1991

101423

APPENDIX C
RATES

SCHEDULE 3
Payments for Avoided 1997 Combustion Turbine Unit

(1)	(2)	(3)	(4)
	ENERGY PAYMENT - $/MWH		
CONTRACT YEAR	(ESTIMATED) FUEL	O&M	TOTAL
1997	52.63	1.03	53.66
1998	55.82	1.08	56.90
1999	53.70	1.13	54.83
2000	58.78	1.19	59.97
2001	56.42	1.25	57.67
2002	62.36	1.32	63.68
2003	66.46	1.38	67.84
2004	72.25	1.45	73.70
2005	79.70	1.53	81.23
2006	83.76	1.61	85.39
2007	88.04	1.69	89.73
2008	92.53	1.77	94.30
2009	97.25	1.86	99.11
2010	102.20	1.96	104.16
2011	107.42	2.06	109.48
2012	112.90	2.16	115.06
2013	118.65	2.27	120.92
2014	124.70	2.39	127.09
2015	131.06	2.51	133.57
2016	137.75	2.64	140.39

NOTE: Information provided above is estimated. Actual payment shall be determined in accordance with FPSC Rule 25-17.0832(4).

101424

APPENDIX C
RATES

SCHEDULE 4
Capacity Payment Adjustment for On-Peak Capacity Factor

O.P.C.F.	CAPACITY PAYMENT ADJUSTMENT MULTIPLYING FACTOR
Greater than or Equal to the Committed O.P.C.F.	1.0
From 50.0% to the Committed O.P.C.F.	$\left[\frac{\text{O.P.C.F.}}{\text{Committed O.P.C.F.}}\right]^{1.5}$
Below 50.0%	0

NOTE: O.P.C.F. = On-Peak Capacity Factor

ISSUED BY: S. F. Nixon, Jr., Rate Department

EFFECTIVE: September 20, 1991

APPENDIX C
RATES

SCHEDULE 5
Optional Performance Adjustment

If a Qualifying Facility elects the Performance Adjustment provision of Article IX in the Standard Offer Contract, the following formula shall be calculated each month after the Contract In-Service Date for all hours in the month:

$$\sum_{\text{for } i = \text{first hour}}^{\text{last hour}} PERADJ_i = [KWH_i - (CC \times 1.0 \text{ hr.} \times CF/100)] \times (EP1_i - EP2_i)$$

Where:

$PERADJ_i$ = the Performance Adjustment for hour i.

KWH_i = the hourly energy delivered to the Company by the QF during hour i.

CC = the QF's Committed Capacity in KW.

CF = if the QF's On-Peak Capacity Factor (%) is 50.0% or greater, then CF equals the lesser of (a) the avoided unit Minimum On-Peak Capacity Factor (%) or (b) the QF's On-Peak Capacity Factor (%); if the QF's On-Peak Capacity Factor is less than 50.0%, then CF equals zero.

EP1 = the energy payment in $/KWH for hour i as determined in the Standard Offer Contract for purchase of As-Available Energy.

EP2 = the energy payment in $/KWH for hour i as determined in the Standard Offer Contract for purchase of Firm Capacity and Energy.

Note:

The Performance Adjustment shall not apply to any hour in which the following condition occurs:

(a) the QF's Energy Payment is determined on the basis of the Standard Offer Contract for purchase of As-Available Energy;

(b) the Company cannot perform its obligation to receive all energy which the QF has made available for sale at the Point of Delivery;

(c) the Energy Payment as determined in the Standard Offer Contract for purchase of Firm Capacity and Energy exceeds the Energy Payment as determined in the Standard Offer Contract for purchase of As-Available Energy.

ISSUED BY: S. F. Nixon, Jr., Director Rate Department

EFFECTIVE DATE: September 20, 1991

101426

APPENDIX C
RATES

SCHEDULE 6

Charges to Qualifying Facility

Customer Charges:

The Qualifying Facility shall be billed monthly for the costs of meter reading, billing, and other appropriate administrative costs. The charge shall be set equal to the stated Customer Charge of the Company's applicable rate schedule for service to the Qualifying Facility load as a non-generating customer of the Company.

Operation, Maintenance, and Repair Charges:

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

The Qualifying Facility shall pay a monthly charge equal to 0.50% of the Interconnection Costs less the Interconnection Costs Offset. This monthly rate shall be adjusted periodically.

101427

APPENDIX C
RATES

SCHEDULE 7
Delivery Voltage Adjustment

The QF's energy payment will be multiplied by a Delivery Voltage Adjustment whose value will depend upon (i) the delivery voltage at the Point of Delivery and (ii) the methodology approved by the FPSC to determine the adjustment for standard offer contracts pursuant to the rule in Appendix E.

The Company's actual hourly avoided energy costs shall be adjusted according to the delivery voltage by the following multipliers as may be filed from time to time with the FPSC:

Qualifying Facility Delivery Voltage	Adjustment Factor
69 KV or greater	1.036
4 KV, 12 KV, 25 KV	1.047
600 Volts or lower	1.070

101428

APPENDIX D

TRANSMISSION SERVICE STANDARDS

1.0 Purpose.

This appendix provides minimum standards required by the Company in the Transmission Service Agreement and applies to QF's whose Facility is not directly interconnected with the Company and who are selling firm capacity and energy to the Company.

2.0 Standards for QF's Selling Firm Capacity and Energy.

2.1 The QF shall ensure that, throughout the Term of the Agreement, the Transmission Service Utility or its lawful successors but no other party shall deliver the Committed Capacity and electric energy to the Company on behalf of the QF.

2.2 A proposed Transmission Service Agreement and any amendments thereto shall be submitted to the Company for its review and consent no less than sixty (60) days before said Transmission Service Agreement or amendment is proposed to be tendered for filing with the FERC. Such consent shall not be unreasonably withheld. No review, recommendations or consent by the Company shall be deemed an approval of any safety or other arrangements between the QF and the Transmission Service Utility nor shall it relieve the QF and the Transmission Service Utility of their responsibility with respect to the adequate engineering, design, construction and operation of any facilities other than the Company's Interconnection Facilities and for any injury to property or persons associated with any failure to perform in a proper and safe manner for any reason. Nothing contained herein shall prevent the Company from exercising any rights that it otherwise would have to participate as a full party before the

FERC when the Transmission Service Agreement or amendments thereto is tendered for filing.

2.3 To ensure the continuous availability to the Company of the Committed Capacity during the Term of the Agreement, the Transmission Service Agreement shall contain provisions satisfying the following minimum criteria:

(i) the Transmission Service Utility's transmission commitment shall be for the full amount of the Committed Capacity plus any losses assessed by the Transmission Service Utility from the Point of Metering to the Point of Delivery;

(ii) the duration of the Transmission Service Utility's transmission commitment shall be for a term at least as long as the Term of the Agreement with termination provisions that are acceptable to the Company;

(iii) the Transmission Service Utility's transmission commitment shall not be interruptible or curtailable to a greater extent than the Transmission Service Utility's transmission service to its own firm requirements customers;

(iv) The QF and the Transmission Service Utility shall not be permitted to amend the Transmission Service Agreement in a manner that adversely affects the Company's rights without the Company's prior written consent;

(v) the Company shall be provided with prompt notification of any default under the Transmission Service Agreement;

(vi) the QF and/or the Transmission Service Utility shall expressly indemnify and hold the Company harmless for any and all liability or cost responsibility in connection with the

Transmission Service Agreement and the activities undertaken thereunder, including, without limitation, any facility costs, service charges, or third party impact claims;

(vii) the Company shall be entitled to reasonable access at all times to property and equipment owned or controlled by either the QF or the Transmission Service Utility and at reasonable times to records and schedules maintained by either the QF or the Transmission Service Utility, in order to carry out the purposes of the Agreement in a safe, reliable and economical manner;

(viii) unless otherwise agreed by the Company, the Point of Delivery into the Company's system shall be defined as all points of interconnection at transmission voltages between the Company and the Transmission Service Utility pursuant to any tariffs or interchange agreements on file with the FERC and in effect from time to time;

(ix) the electric energy made available from the Facility for transmission to the Company shall be telemetered to the Company and shall be reduced for all losses assessed by the Transmission Service Agreement from the Point of Metering to the Point of Delivery; the electric energy as so adjusted shall be considered the electric energy delivered to the Company for billing purposes and shall be considered as if within the Company's Control Area, provided that the Transmission Service Utility can deliver and the Company accept the electric energy as so adjusted;

(x) As an alternative to section 2.3(ix) hereof, electric energy from the Facility shall be scheduled for delivery to the Point of Delivery by the Transmission Service Utility and such

electric energy as is scheduled shall be considered as electric energy delivered to the Company for billing purposes.

(xi) The Transmission Service Utility and the Company shall coordinate with one another concerning any inability to deliver or receive the electric energy as adjusted pursuant to section 8.3 (ix) hereof. Whenever the Transmission Service Utility is unable to deliver or the Company does not accept such energy, such energy shall no longer be considered within the Company's Control Area if energy is delivered pursuant to section 2.3(ix) hereof; and

(xii) a contact person for the Transmission Service Utility shall be designated for day-to-day communications between the Transmission Service Utility and the Parties.

FPSC DOCKET NO. 950110-EI
EXHIBIT NO. _____ RDD-5
CONSISTING OF 10 PAGES

1ST CASE of Level 1 printed in FULL format.

In re: Petition for Authority for Florida Power Corporation to Refuse all Standard Offer Contracts Except that submitted by Panda Kathleen, L.P.

DOCKET NO. 911142-EQ; ORDER NO. **PSC-92-1202**-FOF-EQ

Florida Public Service Commission

1992 Fla. PUC LEXIS 1549; 92 FPSC 10:556

October 22, 1992

PANEL:
[*1]

The following Commissioners participated in the disposition of this matter: THOMAS M. BEARD, Chairman; SUSAN F. CLARK; J. TERRY DEASON; BETTY EASLEY; LUIS J. LAUREDO

OPINION:
ORDER GRANTING PETITION FOR AUTHORITY FOR FLORIDA POWER CORPORATION TO REFUSE ALL STANDARD OFFER CONTRACTS EXCEPT THAT SUBMITTED BY PANDA KATHLEEN, L.P.

BY THE COMMISSION:

CASE BACKGROUND

In Docket No. 910004-EU, the Commission determined that FPC's avoided unit for its standard offer contract was a 1997 combustion turbine. The standard offer subscription limit was set at 80 MW, with an effective date of September 20, 1991.

FPC conducted a two week "open season" from September 20, 1991, to October 4, 1991, during which potential providers were to submit standard offer contracts for evaluation. FPC received nine contracts during its "open season" and one contract after the "open season" concluded. On November 19, 1991, FPC petitioned the Commission for authority to reject the first standard offer contract it had received on September 20, 1991, from Noah IV GP, Incorporated (Noah IV). Subsequently, on November 26, 1991, FPC filed a petition with the Commission for authority to refuse all standard offer contracts [*2] except the one submitted by Panda Kathleen L.P. This petition also included rejection of Noah IV's contract. The two petitions have been combined into this single docket, Docket No. 911142-EQ.

On December 13, 1991, Noah IV and Ark Energy, Incorporated (Ark), jointly filed an Answer and Cross-Petition to FPC's petition. In the petition, Noah IV and Ark requested the Commission to reject FPC's petition and either (1) order FPC to execute the standard offer contract submitted by Noah IV to FPC or (2) set the matter for hearing. Subsequently, counsel for Noah IV and Ark agreed to permit the petition by FPC to be treated as a Proposed Agency Action. At the February 18, 1992, agenda conference, the Commission voted unanimously to approve the staff recommendation to approve FPC's petition, but to keep the

standard offer open until the remaining 5.1 MW are subscribed.

Noah IV and Ark timely filed a protest to the Notice of Proposed Agency Action. A hearing was held on the matter on June 29, 1992. All parties submitted post hearing filings. In addition to its forty two page brief, ARK/NOAH IV submitted forty proposed Findings of Fact. Recommendations for rulings on each specific [*3] Finding of Fact are included in this Order as Attachment I. ARK/NOAH IV also submitted 11 proposed Conclusions of Law. We believe these conclusions are redundant in the context of a case heard by the agency head with an explicitly defined Issue List, Post Hearing briefs and a Final Order to be prepared after considering staff recommendations on the enumerated legal, policy and factual issues. This agency is under no legal duty to address each proposed conclusion in this setting. Therefore, we make no rulings on the 11 proposed Conclusions of Law submitted by ARK/NOAH IV.

We find that Commission rules do not require a "first-in-time, first-in-line" prioritization of standard offer contracts submitted to a utility. Rule 25-17.0832(d)3 does allow other methods of prioritizing contracts.

The pertinent portion of rule reads:

"Within sixty days of receipt of a signed standard offer contract, the utility shall either accept and sign the contract and return it within five days to the qualifying facility or petition the Commission not to accept the contract and provide justification for the refusal. Such petitions may be based on:

1. a reasonable allegation by the utility that acceptance [*4] of the standard offer will exceed the subscription limit of the avoided unit or units; or

2. material evidence that because the qualifying facility is not financially or technically viable, it is unlikely that the committed capacity and energy would be made available to the utility by the date specified in the standard offer." (emphasis added)

We believe that had the commission intended these two criteria to be exclusive, the words "may only" or "shall only" would appear in the place of the word "may". In reviewing the legislative history of the rule, we are unpersuaded that the Commission intended that these two explicit criteria were intended to be exclusive. The record is devoid of evidence suggesting the commission considered the possibility of an immediate over-subscription of a standard offer contract or of simultaneous delivery to the utility or of a "first day queue" as experienced by Florida Power and Light Company and referenced in testimony in this proceeding. Moreover, the deletion of one proposed explicit basis for petitioning the Commission (a change in the utilities generation expansion plan) from the proposed rule should not be construed to eliminate every possible [*5] reasonable method of evaluating standard offer contracts. In the instant case, Florida Power Corporation acted in the best interests of the ratepayers to select the contract which after a comparative evaluation was deemed by FPC to be the best available. We find that this action is consistent with the language of Rule 25-17.0832(3)(d), F.A.C.

We find that Florida Power Corporation did not violate its tariff by either petitioning for the Commission's authority to reject NOAH IV's standard offer contract on the basis of a comparative evaluation or by executing the standard

offer contract delivered to FPC by Panda Kathleen on October 4, 1991.

Rule 25-17.0832 is incorporated by reference in FPC's standard offer tariff. The subject of "evaluation criteria" is not explicitly spoken to in the tariff. Any violation of the tariff is predicated on a violation of Rule 25-17.0832, F.A.C. Since we have determined that FPC's actions were consistent with the requirements of Rule 25-17.0832, F.A.C., no violation of FPC's tariff occurred.

Additionally, as recognized by Ark witness James Freeman, standard offer contracts are a unique type of tariff. Rather than selling products or services [*6] for an established price/rate, the standard offer tariff defines the terms of a utility purchase of products or services. We believe that standard offer contracts are published as tariffs as a matter of administrative convenience and are not subject to the same type scrutiny as a utility's offers to provide service. Therefore, we find that FPC did not violate its tariff by either petitioning for the Commission's authority to reject NOAH IV's standard offer contract on the basis of a comparative evaluation or by executing the standard offer contract delivered to FPC by Panda Kathleen on October 4, 1991.

We find that ARK/NOAH IV did not waive its right to object to Florida Power's evaluation process by failing to notify Staff, other respondents to the standard offer or Florida Power of Ark/Noah's position that a first-in-time acceptance was required. Prior to the Petition to Reject Standard Offer Contracts filed by FPC, ARK/NOAH IV had no clear point of entry to a Section 120.57, Florida Statutes proceeding to exercise its rights. ARK/NOAH IV were under no duty to protest FPC's chosen procedure until they were afforded a point of entry by the Commission to do so.

Rule 25-17.0832, [*7] F.A.C., does not purport to give individual parties the right to object to the evaluation method utilized by a utility in evaluating standard offer contracts. Thus, ARK/NOAH could not waive a right that it never had in the first place. ARK/NOAH were under no duty to protest FPC's chosen procedure until they were afforded a point of entry to a proceeding pursuant to Section 120.57, Florida Statutes. In protesting the Notice of Proposed Agency Action entered in this docket ARK did what the law required.

We find that as of November 19, 1991, ARK/NOAH IV's Lake County Cogeneration Project was technically viable with respect to fuel transportation capability.

On June 20, 1991, a $ 10,000 reservation deposit was made to reserve pipeline capacity for the Ark/Noah project and other Ark projects on Florida Gas Transmission's Phase III expansion. Evidently, this fact was not communicated to FPC when Ark/Noah filed its standard offer acceptance or when asked for additional information by FPC. In addition, another pipeline is projected to be constructed in Florida that could provide gas transportation for the project. Since the ARK/NOAH project will have dual fuel capability, it could [*8] use another fuel as a "bridge" measure between its in-service date and the availability of additional pipeline capacity. Therefore, we find that the Ark/Noah project appears to be technically viable with respect to fuel transportation capability.

We find that sufficient information was not provided to FPC to determine the technical viability of the proposed thermal host for ARK/NOAH IV's Lake County Cogeneration Project.

Ark/Noah's witness Malenius argues, in part, that viability with respect to the thermal host is assured based on the following: (1) there is sufficient lead time for a competent QF developer to construct such a project; (2) Ark Energy's financial strength and established experience; and (3) Ark is presently developing a similar facility (the Mulberry Facility). However, these facts, which are very general in nature, do not establish the viability of the thermal host for the specific project proposed by Ark/Noah in this proceeding.

On October 11, 1991, FPC sent a questionnaire to seven entities who had submitted standard offer contracts during the open season. This questionnaire, among other things, asked the proposer to describe the level of commitment from [*9] the steam user, including whether it is an existing, ongoing enterprise and whether the steam user has an ownership interest in the project. The questionnaire also asked for copies of commitments by the steam user on behalf of the project. In response to this specific request, Ark referred to Attachment "H" of its September 21 [sic], 1991, standard offer submittal to FPC. Attachment "H" of Ark's standard offer submittal has not been offered into evidence in this proceeding, but FPC assigned a score of minus 1 (Poor) to the category entitled "Host" in its comparative evaluation of the project.

In a letter to Thomas Wetherington of FPC, dated November 5, 1991, William Siderewicz of Ark Energy briefly discusses the possibility of marketing its CO2 product to a wholesaler, who, in turn, will distribute the CO2 product to end users. Item 3 of that letter states, in part, "A copy of Carbonic Industries, 1990 annual report and recent communication regarding our working relationship is attached." We make the following three observations with regard to this information:

(1) the 1990 annual report of Carbonic Industries does not provide specific technical information to assess the viability [*10] of any specific thermal host;

(2) the one-page brief letter from David Fike of Carbonic Industries to William Siderewicz of Ark Energy provides almost no information on the purported "working relationship" between the two entities;

(3) the information provided does not constitute any kind of commitment to purchase the CO2 output.

Therefore, we find that sufficient information was not provided to FPC to establish technical viability of the proposed thermal host.

We find that as of November 19, 1991, ARK/NOAH IV's Lake County Cogeneration project did not have the highest likelihood of success relative to the other proposals received by Florida Power Corporation.

Although ARK/NOAH's witnesses testified that FPC's comparative evaluation system was unfair, no alternate weighting and ranking system was introduced into the record showing that the NOAH IV project would have the highest likelihood of success. The fairness and/or reasonableness of FPC's comparative evaluation procedure is not one of the issues that have been raised in this proceeding. However, we believe that the criteria used to evaluate the various proposals were valid, reasonable and fairly applied. Exhibit 1 contains [*11] the ranking criteria, ranking methodology, and the results of FPC's evaluation.

Based on our decisions in the above issues, the remainder of the issues raised in this proceeding are rendered moot.

In consideration of the foregoing, it is

ORDERED by the Florida Public Service Commission that Florida Power Corporation's Petition for authority to reject all standard offer contracts except that submitted by Panda Kathleen, L.P. is GRANTED. It is further

ORDERED that this docket shall be closed.

By ORDER of the Florida Public Service Commission this 22nd day of October, 1992.

ATTACHMENT I

SPECIFIC RULINGS ON ARK/NOAH'S PROPOSED FINDINGS OF FACT

1. Nothing in the Commission's standard offer rule addresses the comparative evaluation/open season procedure followed by Florida Power Corporation ("Florida Power") in this proceeding. [Rule 25-17.-832, F.A.C. (1991)]

RULING: Rejected as a Conclusion of Law and not a Finding of Fact.

2. Nothing in the pre-adoption history of the standard offer rule supports the use of a comparative evaluation/open season procedure for executing standard offer contracts. [ARK/NOAH Exhibit 3; Tr. 313 line 25- Tr. 317 line 3, esp. p. 316, [*12] lines 15-16]

RULING: Rejected as a Conclusion of Law and not a Finding of Fact.

3. At hearing, Florida Power introduced no evidence that the pre-adoption history of the standard offer rule supports use of a comparative evaluation/open season approach. [Tr. 12, line 11 - Tr. 142, line 2; Tr. 554, line 13 - Tr. 593, line 11].

RULING: Rejected as unnecessary to decide the factual matters at issue in this case.

4. At the September 18, 1990 agenda conference, the Commission voted to adopt Rule 25-17.0832. At that conference, prior to their vote, Commission members were advised by staff that the rule was structured so that standard offer contracts would be handled on a "first in line" basis. [ARK/NOAH Exhibit 3, Doc. 9, at 49-50]

RULING: Accepted and incorporated with the clarification that the exchange was between Chairman Wilson and Ms. Harvey; and was not sworn testimony in any proceeding.

5. Prior to adoption of the rule, members of the Commission considered establishing three criteria for rejecting a standard offer contract, then reduced the criteria to the two now contained in Rule 25-17.0832(3). [ARK/NOAH Exhibit 3, Doc. 5, pp. 93-103].

RULING: Accepted [*13] and incorporated with the clarification that the criteria are not exclusive.

6. The conversation with Jennifer Harvey described by Florida Power at hearing was informal, not noticed, and entirely off the record. [Tr. 66, line 17 - Tr. 67, line 8].

RULING: Rejected as unnecessary to decide the matters at issue in the proceeding.

7. ARK/NOAH were the first to accept Florida Power's standard offer to purchase firm capacity and energy from a QF. [Tr. 21, lines 18-19; FPC Exhibit 1, pp. 19,30]

RULING: Accepted and incorporated.

8. ARK/NOAH were the only QF to accept Florida Power's standard offer tariff on September 20, 1991, and no other QF accepted until September 26, 1991. [Tr. 21, lines 18-19; FPC Exhibit 1, pp. 19,30]

RULING: Accepted and incorporated, with the clarification that ARK/NOAH were the first to file documents responsive to the tariff.

9. At hearing Florida Power introduced no evidence to demonstrate that the ARK/NOAH project was not viable. [Tr. 12, line 11 - Tr. 142, line 2; Tr. 554, line 13 - Tr. 593, line 11].

RULING: Rejected as unsupported by the evidence, FPC expressed concerns about the viability of the steam host which could affect [*14] the viability of the project. However, the evidence neither proves nor disproves the viability of the project.

10. At hearing Florida Power's witness conceded that had the ARK/NOAH project been the only project under consideration, he did not know whether he would have petitioned to reject. [Tr. 26, line 10 - Tr. 27, line 2]

RULING: Rejected. At one point in his testimony he did not know. On redirect he indicated that FPC would have petitioned to reject the contract.

11. At hearing, Florida Power's witness admitted that Florida Power "would have had a difficult time" in proving that ARK/NOAH could not bring their project on line in five years. [Tr. 31, lines 15-24]

RULING: Accepted and incorporated.

12. Florida Power's witness admitted that it is possible to build a facility such as ARK/NOAH's Lake County cogeneration facility. [Tr. 30, lines 17-18].

RULING: Accepted and incorporated.

13. Under Florida Power's comparative evaluation analysis, ARK/NOAH were rated "very good" as a developer [Tr. 137, lines 24-25].

RULING: Accepted and incorporated.

14. The ARK/NOAH project was rated as "good" or "very good" on 7 of 8 viability-related criteria. [Tr. [*15] 138, line 6 - Tr. 139, line 12; FPC Exhibit 1, p. 19]

RULING: Accepted and incorporated.

15. The ARK/NOAH project was ranked fourth overall under Florida Power's comparative evaluation. [Tr. 26, lines 7-8; FPC Exhibit 1, p. 19].

RULING: Accepted and incorporated.

16. As of November 19, 1991, the ARK/NOAH Lake County Cogeneration project was a viable project. [Tr. 540, line 1 - Tr. 541, line 10; Tr. 184, line 11 - Tr. 186, line 9].

RULING: Rejected as unsupported by the greater weight of the evidence. FPC had concerns about the security of the steam host. [Tr. 556-557; page 22, FPC Exhibit 1]. The viability of the steam host could affect the viability of the project.

17. ARK Energy, through Polk Power Partners, L.P., is also developing the Mulberry Cogeneration Facility, a cogeneration facility in Polk County, Florida, that is nearly identical to the Lake County Cogeneration Facility being developed by ARK/NOAH. [Tr. 535, lines 3-14].

RULING: Rejected as irrelevant.

18. The Mulberry Cogeneration Facility is approximately on schedule. [Tr. 535, lines 15-16; Tr. 538, line 18 - Tr. 539, line 4].

RULING: Rejected as irrelevant.

19. Florida Power's [*16] standard offer tariff, Sheets Nos. 9.500 through 9.900, was required to be filed on September 6, 1991. [PSC Order No. 24989, p. 70, 73].

RULING: Accepted and incorporated.

20. Florida Power's standard offer tariff did not mention a comparative evaluation/open season process. [Tr. 34, line 5 - Tr. 35, line 3]

RULING: Accepted with the modification that FPC's standard offer tariff does not mention any evaluation method.

21. Florida Power's standard offer tariff was approved on September 12, 1991, and became effective on September 20, 1991. [Tr. 33, lines 4-6; FPC Exhibit 1, Section X, Memo from R. D. Dolan to File: See Tr. 72, lines 9-12]

RULING: Accepted and incorporated.

22. Florida Power's comparative evaluation/open season process was never reviewed or approved by the Commission. [Tr. 34, line 5 - Tr. 35, line 3]

RULING: Accepted with the clarification that prior approval of the comparative evaluation/open season was not required under the rule and by our

decision in this matter is explicitly approved.

23. ARK/NOAH accepted the standard offer tariff at 7:35 a.m. on September 20, 1991 by hand-delivery of a completed standard offer contract to Florida [*17] Power in St. Petersburg, Florida. [Tr. 464, lines 10-13].

RULING: Accepted and incorporated.

24. Once ARK/NOAH accepted Florida Power's standard offer contract on September 20, only 10 MW remained to be subscribed, under the Commission's rule and the terms of Florida Power's tariff. [FPC Exhibit 1, Standard Offer Contract Tariff, Original Reissue Sheets Nos. 9.511 and 9.710]

RULING: Rejected as a Conclusion of Law, however we accepted as fact that ARK/NOAH offered to provide 70 MW of the 80 MW subscription limit.

25. ARK/NOAH contacted Florida Power prior to the standard offer contract's effective date, and inquired where to file the contract and how early the office would open on September 20. [Tr. 463, line 18 - Tr. 464, line 3; Tr. 502, line 25 - Tr. 503, line 9].

RULING: Accepted and incorporated.

26. As of November 19, 1991, ample capacity remained in FGT's Phase III pipeline expansion to serve ARK/NOAH's fuel requirements. [Tr. 437, 541, line 19 - Tr. 542, line 8]

RULING: Accepted and incorporated.

27. On June 20, 1991 the appropriate reservation deposit was made on behalf of ARK to reserve Phase III capacity for the ARK/NOAH project and other [*18] ARK projects in Florida. [Tr. 441, lines 11-12]

RULING: Accepted and incorporated.

28. ARK/NOAH have numerous options available to it for fuel supply in 1997. [Tr. 188, lines 2-11; Tr. 437, line 14 - Tr. 438, line 2; Tr. 542, line 14 - Tr. 543, line 1].

RULING: Rejected to the extent that numerous is too indefinite.

29. ARK/NOAH's cogeneration facility will have dual fuel capability, so if necessary, ARK/NOAH will use an alternative fuel as a bridge measure. [Tr. 188, lines 6-11; Tr. 437, line 20 - Tr. 438, line 22; Tr. 542, line 20 - Tr. 543, line 1].

RULING: Accepted and incorporated.

30. Florida Power rated ARK/NOAH's Lake County project "good" with respect to fuel transportation. [FPC Exhibit 1, p. 19,25].

RULING: Accepted and incorporated.

31. Liquid carbon dioxide plants are widely recognized as viable thermal

hosts for qualifying cogeneration facilities. [Tr. 535, line 19 - 536, line 3].

RULING: Accepted and incorporated without the word "widely."

32. Florida Power itself has sought and obtained approval of a negotiated contract for a cogeneration facility with a carbon dioxide plant as its thermal host. [Tr. 189, line 21 - Tr. 194, [*19] line 2].

RULING: Accepted and incorporated.

33. The Florida Power plant referred to in the above Proposed Finding of Fact is scheduled to be built in less than half the time available to ARK/NOAH for the Lake County project. [Tr. 192, line 16 - Tr. 193, line 13; Tr. 543, line 17 - Tr. 544, line 10]

RULING: Accepted and incorporated.

34. Florida Power produced no evidence that the plant referred to in Proposed Finding 32 will be unable to come on line because of lack of a CO2 thermal host. [Tr. 97, line 18 - Tr. 98, line 11].

RULING: Rejected as irrelevant.

35. The sum total of Florida Power's allegation that ARK/NOAH's project is not viable is Florida Power's subjective rating of the project as "poor" with respect to thermal host, because of the absence of a letter of intent to construct the CO2 plant, and undocumented "doubts" concerning ARK/NOAH's ability to access the CO2 market. [FPC Exhibit 1, p. 22; Tr. 97, lines 7-18].

RULING: Rejected as argument rather than a finding of fact.

36. ARK/NOAH have a ready market for the carbon dioxide produced at its Lake County Facility, and has already granted a "right of first refusal" to a CO2 marketer. [Tr. [*20] 546, line 14-24]

RULING: Rejected as unsupported by the evidence of record.

37. Florida Power never formally advised potential QF's of its comparative evaluation/open season. [Tr. 119, line 6 - Tr. 123, line 14]

RULING: Rejected. The term "formally" is not adequately defined.

38. Florida Power's evaluation and scoring criteria never made a part of the record of Docket No. 910004-EU.

RULING: Rejected as irrelevant, based on our determination that the open season was proper under the rule.

39. ARK/NOAH had no communication with Panda Kathleen prior to filing its acceptance of the standard offer contract. [Tr. 152, line 18 - Tr. 153, line 20]

RULING: Accepted and incorporated.

40. Panda made its decision when to file based on the representations of Florida Power and allegedly others, but not on any representations or communication by ARK/NOAH. [Tr. 152, line 18 - Tr. 153, line 20]

RULING: Accepted and incorporated.

FPSC DOCKET NO. 950110-EI
EXHIBIT NO. _____ RDD-6
CONSISTING OF 2 PAGES

In addition to the 115-MW plant under construction in Orlando, Air Products established two subsidiaries that will purchase gas at the wellheads and contract for transportation to the facility.

Previously, a company spokesman said it was not clear under current Florida law whether the arrangement would be considered resale of natural gas to the public. Meanwhile, the state legislature adopted a new law clarifying that gray area and the changes in Florida State Statute 366 have been signed into law by Gov. Lawton Chiles.

Air Products has power-sales agreements with both Florida Power and the Reedy Creek Improvement District, which provides municipal services to Walt Disney World. The company will sell 35 MW to Reedy Creek for 20 years and 72 MW to Florida Power for 30 years.

FLORIDA: NUG CAPACITY MUST BE 75 MW OR LESS TO WIN STANDARD-OFFER PACTS

Non-utility generator eligibility for standard-offer contracts in Florida depends on total project capacity, not power sale block size, according to a new ruling by the state Public Service Commission (Docket No. 920556-EQ)

The threshold size is 75 MW or less, said Roland Floyd, chief of the PSC's bureau of systems planning.

Polk Power Partners Ltd., Laguna Hills, Calif., asked the PSC to clarify whether its 75-MW capacity size criteria would allow a project to sell 75-MW blocks of power from a hypothetical 220-MW plant under standard-offer procedures.

But the PSC determined that 75 MW is the limit for a project's total size under the Florida Administrative Code Rule 25-17.0832 (3) (a).

DSM

OKLAHOMA G&E PURSUING STATE'S FIRST DSM CASE AT OCC; SMITH INTERVENES

Hearings will begin early this fall on Oklahoma's first case on the rate base and capacity planning implications of a demand-side management program, almost two years after it was filed by Oklahoma Gas & Electric.

Smith Cogeneration has intervened, opposing recognition of DSM measures as reliable capacity. Two natural gas utilities, Arkansas Louisiana Gas (Arkla) and Oklahoma Natural Gas (ONG), also are opposing OG&E's proposal.

OG&E is seeking Oklahoma Corporation Commission permission to expand its existing load curtailment program from 300 to 400 MW and gain recognition for 110 MW from four other DSM programs.

The utility wants compensation for a return on investment in DSM for shareholders, based on a per-kW savings rate of $200; an attrition factor to compensate for sales lost to conservation programs; and an annual true-up, similar to a fuel adjustment clause only on a yearly rather than monthly basis.

The case was filed Dec. 14, 1990 (Cause No. PUD 001017). Hearings will begin Sept. 21 and run through Oct. 2.

Smith claims DSM is an unreliable source of capacity. "There is a significant risk that OG&E's customers will en up paying twice for the same kilowatts of capacity," said Res Mirzaie, Smith's senior vice president. "OG&E is requesting that their ratepayers pay now for the avoidance of kilowatts c capacity under its demand-side management programs."

Mirzaie said if OG&E ends up needing firm capacity, i ratepayers will be more adversely impacted than if facilitie were built now.

Richard Day, OG&E vice president of marketing, said "people who would rather build qualifying facilities under PURPA view DSM as contrary to their economic interests...[and are] motivated solely by the simple desire u make money."

ONG said gas-fired cogeneration facilities should recei more serious consideration. "The key to any DSM option i: that it is cost-effective when compared against other resour options, including supply-side alternatives. If, however, a supply-side alternative, such as gas-fired cogeneration, pro to be economically superior, then it should be pursued," s ONG policy witness James Metcalf, Jr.

The OCC staff supports the OG&E proposals with som modifications. Jimmy Crosslin, OCC staff cost-of-service a alyst, recommends that no rate changes ensue from the cur rent proceedings.

"Staff proposes OG&E be prepared to further quantify proposed programs for cost effectiveness during their next rate proceeding for cost recovery. The commission, at that time, can determine if the programs are the 'least cost' opti when compared to other available options," he said.

WHEELING

DADE TO SELL 43 MW FROM WASTE PLANT; FP&L TO WHEEL POWER TO FLORIDA POWE

Metropolitan Dade County and Florida Power & Light have asked the state's Public Service Commission to appro an interconnection agreement which would enable the coun to wheel power from its resource recovery plant near Miam to Florida Power on the other side of the state (920603-EQ

FP&L and the county have admittedly had a stormy relation ship on issues dealing with energy produced by the waste-to-ene facility, which was one of the first to operate in the U.S.

Pat Brady of the PSC bureau of systems planning said t utility and the county have asked that their existing interco nection agreement, which was ordered by the PSC in 1981 rescinded in favor of the new deal.

Last year, the county obtained a negotiated power-sales agreement with Florida Power to deliver 43 MW on a firm basis for 22 years. The actual transmission of power from t waste plant to Florida Power's service area started last year shortly before payments for firm power sales went into effe on Nov. 1.

Under the proposed agreement with FP&L, Dade will have the right to wheel up to 60 MW through FP&L's lines Florida Power can purchase the additional 17 MW on an a available basis, which includes payments for energy and some operations and maintenance expenses but not firm pa ments for capacity.

6. the date by which the delivery of firm capacity and energy is expected to commence.

(c) Prior to the anticipated in-service date of the avoided unit specified in the contract, a qualifying facility which has negotiated a firm capacity and energy contract or has accepted a utility's standard offer contract may sell as-available energy to any utility pursuant to Rule 25-17.0825.

(2) Negotiated Contracts. Utilities and qualifying facilities are encouraged to negotiate contracts for the purchase of firm capacity and energy. Such contracts will be considered prudent for cost recovery purposes if it is demonstrated that the purchase of firm capacity and energy from the qualifying facility pursuant to the rates, terms, and other conditions of the contract can reasonably be expected to contribute towards the deferral or avoidance of additional capacity construction or other capacity-related costs by the purchasing utility at a cost to the utility's ratepayers which does not exceed full avoided costs, giving consideration to the characteristics of the capacity and energy to be delivered by the qualifying facility under the contract. Negotiated contracts shall not be evaluated against an avoided unit in a standard offer contract, thus preserving the standard offer for small qualifying facilities as described in subsection (3). In reviewing negotiated firm capacity and energy contracts for the purpose of cost recovery, the Commission shall consider factors relating to the contract that would impact the utility's general body of retail and wholesale customers including:

(a) whether additional firm capacity and energy is needed by the purchasing utility and by Florida utilities from a statewide perspective; and

(b) whether the cumulative present worth of firm capacity and energy payments made to the qualifying facility over the term of the contract are projected to be no greater than:

1. the cumulative present worth of the value of a year-by-year deferral of the construction and operation of generation or parts thereof by the purchasing utility over the term of the contract; calculated in accordance with subsection (4) and paragraph (5)(a) of this rule, providing that the contract is designed to contribute towards the deferral or avoidance of such capacity; or
2. the cumulative present worth of other capacity and energy related costs that the contract is designed to avoid such as fuel, operation and maintenance expenses or alternative purchases of capacity, providing that the contract is designed to avoid such costs; and

(c) to the extent that annual firm capacity and energy payments made to the qualifying facility in any year exceed that year's annual value of deferring the construction and operation of generation by the purchasing utility or other capacity and energy related costs, whether the contract contains provisions to ensure repayment of such payments exceeding that year's value of deferring that capacity in the event that the qualifying facility fails to deliver firm capacity and energy pursuant to the terms and conditions of the contract; provided, however, that provisions to ensure repayment may be based on forecasted data; and

(d) considering the technical reliability, viability and financial stability of the qualifying facility, whether the contract contains provisions to protect the purchasing utility's ratepayers in the event the qualifying facility fails to deliver firm capacity and energy in the amount and times specified in the contract.

25-17.0832

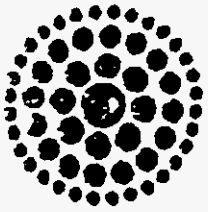
(3) Standard Offer Contracts.

(a) Upon petition by a utility or pursuant to a Commission action, each public utility shall submit for Commission approval a tariff or tariffs and a standard offer contract or contracts for the purchase of firm capacity and energy from small qualifying facilities less than 75 megawatts or from solid waste facilities as defined in Rule 25-17.091.

(b) The rates, terms, and other conditions contained in each utility's standard offer contract or contracts shall be based on the need for and equal to the avoided cost of deferring or avoiding the construction of additional generation

FPSC DOCKET NO. 950110-EI
EXHIBIT NO. _____ RDD-7
CONSISTING OF 4 PAGES

FPSC Docket No. 950110-EI
FPC Witness: DOLAN
Exhibit No. _____, (RDD-7)
Sheet 1 of 4



Florida Power
CORPORATION

FLORIDA POWER CORPORATION

SYSTEM PLANNING/COGENERATION DEPT.

3201 34TH ST. SOUTH

PO BOX 14042

ST. PETERSBURG, FLA. 33733

TELECOPIER NUMBER - (813) 866-4994

To: TOM BAGBY Date: 11/12/92

From: AL HOSEY Number of Pages to Follow 3

Please call Kathy at 813/866-5456 if all pages not received.

Comments:

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition of Polk Power Partners for a Declaratory Statement Regarding Eligibility for Standard Offer Contracts	DOCKET NO. 920556-EQ ORDER NO. PSC-92-0683-DS-EQ ISSUED: 07/21/92

The following Commissioners participated in the dispositon of this matter:

THOMAS M. BEARD, Chairman
BETTY EASLEY
J. TERRY DEASON
SUSAN F. CLARK
LUIS J. LAUREDO

ORDER GRANTING DECLARATORY STATEMENT IN THE NEGATIVE

BY THE COMMISSION:

BACKGROUND

By petition filed May 28, 1992, Polk Power Partners, L.P. ("Polk") has asked for a declaratory statement that Polk Power Partners may sell additional capacity from a qualifying cogeneration facility via a standard offer contract, where the project's total net generating capacity exceeds 75 megawatts (MW) and where the contemplated standard offer contract provides for committed capacity of less than 75 MW.

Though acknowledging that Rule 25-17.0832(3)(a), F.A.C. provides for standard offer contracts involving "small qualifying facilities less than 75 megawatts..", Polk theorizes an ambiguity as to whether the 75 megawatt cap speaks to the total net generating capacity [1] of the QF, as defined at 18 C.F.R. 292.202 (g) (1990) of the FERC rules implementing PURPA, or the committed capacity which the qualifying facility has contractually committed to deliver on a firm basis to the purchasing utility. It is the latter definition alone which would be consistent with the declaratory statement petitioned for by Polk.

[1] Total net generating capacity, or "Useful power output" of a cogeneration facility means the electric or mechanical energy made available for use exclusive of any such energy used in the power production process.

FPSC Docket No. 950110-EI
FPC Witness: DOLAN
Exhibit No. _____, (RDD-7)
Sheet 3 of 4

DISCUSSION

We grant Polk Power Partners' Petition for Declaratory Statement, albeit in the negative.

The mere allegation at p. 8 of the Petition that

> A QF with a total net generating capacity of 95 MW that sells only 70 MW to a purchasing utility is frequently referred to as a 70 MW QF

is hardly sufficient to create authentic ambiguity in this matter in view of the context in which the operable standard offer rule appears. Not only Rule 25-7.0832(3)(a), previously cited, but also Rule 25-17.0832(2) states that

> Negotiated contracts shall not be evaluated against an avoided unit in a standard offer contract, thus preserving the standard offer for small qualifying facilities as described in subsection (3) (e.s.)

All of the language in both rule sections relating the 75 MW cap to the goal of preserving the standard offer for small qualifying facilities would be rendered nugatory by the declaratory statement petitioned for by Polk.

If "committed" capacity, rather than total net generating capacity were the measure by which to calculate the 75 MW cap, QF's of any size could participate in standard offer contracts, contrary to the clear intent of the rules to preserve such participation for small QF's. It is a fundamental principle of statutory construction that statutes are not to be construed in such a manner as to render them meaningless, and that principle should govern the interpretation of rules as well.

Accordingly, we decline Polk's Petition to issue the statement requested. We state instead that the 75 MW cap referenced in Rule 25-17.0832(3)(a) refers to the total net generating capacity of the QF.

FPSC Docket No. 950110-EI
FPC Witness: DOLAN
Exhibit No. _____, (RDD- 7)
Sheet 4 of 4

In view of the above, it is

ORDERED by the Florida Public Service Commission that Polk Power Partner's Petition for Declaratory Statement is granted in the negative. It is further

ORDERED that this docket is closed.

By Order of the Florida Public Service Commission this 21st day of July, 1992.

STEVE TRIBBLE, Director
Division of Records and Reporting

(SEAL)

by: _____
Chief, Bureau of Records

OR920556.CC

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Any party adversely affected by the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the

FPSC DOCKET NO. 950110-EI
EXHIBIT NO. _____ RDD-8
CONSISTING OF 1 PAGES

FPSC Docket No. 950110-EI
FPC Witness: DOLAN
Exhibit No. _____, (RDD-8)
Sheet 1 of 1

PANDA-KATHLEEN L.P.
A Panda Company

June 23, 1994

Mr. David Gammon, P.E.
Senior Cogeneration Engineer
Florida Power Corporation
3201 34th Street South
St. Petersburg, FL 33711

Dear David:

As we discussed in our meeting on June 22, 1994, Panda-Kathleen, L.P. is permitting two equipment configurations- a GE 7EA and an ABBIIN for its Lakeland project. These machines are the most economical units that allow Panda-Kathleen, L.P. to supply the committed capacity of 74.9 MW at all times. The net output of the selected turbine will be 100-115 MW under certain conditions.

A prospective lender has raised the question as to the price that Panda-Kathleen, L.P. would be paid for power in excess of 74.9 MW. The contract provides for payment of the as-available energy prices at times when the avoided unit would not have otherwise run. When the avoided unit would have run, two options exist . FPC would pay either (1) the as-available energy rate or (2) the avoided unit rate. FPC agrees that Panda-Kathleen L.P. shall be paid the "avoided unit rate" under the contract for all energy above 74.9MW during times when the "avoided unit" would have been dispatched, since Panda-Kathleen, L.P. did not elect the "Performance Adjustment" specified in Section 9.1.3 of the contract.

In order to clarify this question and maintain our development schedule, please signify your concurrence on this interpretation in the space provided below on or before July 8, 1994.

Yours truly,

Ted Hollon
Vice President
Project Management and Construction

Accepted and Agreed to as of _____, 1994

FLORIDA POWER CORPORATION

By:_____

Title:_____

4100 Spring Valley, Suite 1001 · Dallas, Texas · 75244 · 214/980-7159 · Fax 980-6815

FPSC DOCKET NO. 950110-EI
EXHIBIT NO. _____ RDD-9
CONSISTING OF 2 PAGES

1.1
4.13v

PANDA-KATHLEEN L.P.
A Panda Company

July 27, 1994

Mr. David Gammon, P.E.
Senior Cogeneration Engineer
Florida Power Corporation
3201 34th Street South
St. Petersburg, FL 33711

Re: Standard Offer Contract For The Purchase Of Firm Capacity And Energy From A Qualifying Facility Less Than 75 MW Or A Solid Waste Facility Between Panda-Kathleen, L.P. and Florida Power Corporation

Dear David:

As we discussed in our meeting on June 22, 1994, Panda-Kathleen, L.P. is permitting two equipment configurations, a GE Frame 7EA and an ABB II N for the Lakeland cogeneration facility. These two gas turbines are the most environmentally attractive and technically feasible for supplying FPC 74.9 MW of capacity at all times, under all operating and site conditions, as we are obligated to do. The net output of the selected configuration may reach 115 MW under certain operating and site conditions. FPC will not be obligated to pay capacity payments above the committed capacity of 74.9 MW.

The referenced contract provides for payment of as-available energy prices at times when the avoided unit would not have otherwise run. When the avoided unit would have run, FPC agrees that Panda-Kathleen L.P. will be paid the "avoided unit rate" under the contract for all energy delivered to FPC above 74.9 MW during times when the "avoided unit" would have been dispatched.

Please confirm that the foregoing accurately reflects your understanding of the above referenced contract by signing in the space provided below and returning a signed counterpart. In order that Panda-Kathleen, L.P. maintain its project development schedule, I would very much appreciate your prompt response. Panda-Kathleen, L.P. has no objection to submitting this letter to the PSC if it is deemed necessary by FPC.

P-K001355

4100 Spring Valley, Suite 1001 · Dallas, Texas · 75244 · 214/980-7159 · Fax 980-6815

Sincerely,

Ted Hollon
Vice President
Project Management and Construction

cc: Jim Fama

Accepted and Agreed to as of _____, 1994

FLORIDA POWER CORPORATION

By:_____

Title:_____

FPSC DOCKET NO. 950110-EI
EXHIBIT NO. _____ RDD-10
CONSISTING OF 2 PAGES

Florida Power
CORPORATION

August 3, 1994

Mr. Ted Hollon
Vice President, Project Management and Construction
Panda-Kathleen L.P.
4100 Spring Valley, Suite 1001
Dallas, Texas 75244

Re: Standard Offer Contract for the Purchase of Firm Capacity and Energy from a Qualifying Facility Less Than 75 MW or a Solid Waste Facility between Panda-Kathleen, L.P. and Florida Power Corporation

Dear Ted:

This is in response to your letter of July 27, 1994. You have requested that I sign that letter if it "accurately reflects [my] understanding" of the above referenced contract. Since your letter does not reflect my understanding of that contract, I cannot and, therefore have not, signed it.

First, the letter recites that the output of Panda's facility "may reach 115 MW." I understand that you believe Panda may construct such a facility consistent with the Standard Offer contract between our companies. However, as you know, we are not in agreement with that position. In fact, the Standard Offer Contract specifically states that it is for the purchase of capacity and energy by Florida Power "from a Qualifying Facility less than 75 MW." (emphasis added)

Second, the letter uses language so broad (e.g., "at all times, under all operating and site conditions"), that I could not sign the letter under any circumstances. To agree to such language would suggest that I am capable of anticipating all possible scenarios that might be encompassed within such language. I am not so fortunate. Moreover, I can envision possible scenarios with which I would not agree. For example, the letter might be read to suggest that Florida Power is, "at all times, under all operating and site conditions," required to accept 74.9 MW of energy -- or even more. As I'm sure you understand, that is not Florida Power's reading of the contract at all. We believe there are situations in which, consistent with the contract, Florida Power may refuse to accept even 74.9 MW or energy -- let alone more.

139447

Third, to the extent, if any, that Florida Power would decide to accept energy above 74.9 MW, we disagree that, in some instances, it would pay "avoided unit" prices for that energy. Simply sfated, if Florida Power decided to accept energy above 74.9 MW, it would only pay "as available" energy prices, not "avoided unit" prices. Thus, we disagree with the contrary language of your letter.

Please understand that my refusal to sign your letter does not mean that Florida Power does not intend to abide by its contractual obligations. Rather, to the exact contrary, I cannot sign your letter for the very reason that it appears to alter those obligations.

If you have any questions, please give me a call at (813)866-4697.

Sincerely,

David Gammon
Senior Cogeneration Engineer

DWG/mag

cc: R. D. Dolan
J. B. Hines

DWG#4:Hollon.ltr

FPSC Docket No. 950110-EI
FPC Witness: **DOLAN**
Exhibit No. _____, (RDD-10)
Sheet 2 of 2

FPSC DOCKET NO. 950110-EI
EXHIBIT NO. _____ RDD-11
CONSISTING OF 1 PAGES

FPSC Docket No. 950110-EI
FPC Witness: DOLAN
Exhibit No. _____, (RDD-11)
Sheet 1 of 1

1.1

PANDA-KATHLEEN L.P.
A Panda Company

August 10, 1994

Mr. Robert D. Dolan, P. E.
Manager, Cogeneration Contracts
Florida Power Corporation
3201 34th Street South
St. Petersburg, FL 33711

RE: Standard Offer Contract For The Purchase Of Firm Capacity And Energy From A Qualifying Facility Less Than 75 MW Or A Solid Waste Facility Between Panda-Kathleen L. P. and Florida Power Corporation

Dear Mr. Dolan:

The purpose of this letter is to advise Florida Power Corporation (FPC) of Panda's intention to install either a GE Frame 7EA or an ABB 11 N1 combustion turbine in a combined cycle configuration for the Lakeland cogeneration Qualifying Facility since they are the only gas turbines commercially available which can produce at least 74.9 MW each day over the life of the 30 year contract term, taking into account equipment degradation, site weather conditions, steam host needs, and environmental requirements. Panda plans to discuss equipment configuration with the Florida Public Service Commission (FPSC) to determine whether or not FPSC approval is required.

Assuming that the FPSC determines that its approval for such equipment configuration is not required, then it is Panda's understanding that the following shall apply:

1. In the event that any energy is produced in excess of 74.9 MW, FPC will pay Panda for energy produced above 74.9 MW at FPC's as-available energy price.

2. FPC will purchase the energy produced above 74.9 MW, if any, at all times when available except when system operating conditions will not permit such; i.e. at minimum load conditions as reasonably defined by FPC.

Sincerely,

Kyle Woodruff

Kyle Woodruff
Project Manager

4100 Spring Valley, Suite 1001 • Dallas, Texas • 75244 • 214/980-7159 • Fax 980-6815

P-K001375

FPSC DOCKET NO. 950110-EI
EXHIBIT NO. _____ RDD-12
CONSISTING OF 1 PAGES

FPSC Docket No. 950110-EI
FPC Witness: DOLAN
Exhibit No. _____, (RDD-12)
Sheet 1 of 1

Florida Power
CORPORATION

September 8, 1994

Mr. Kyle Woodruff
Project Manager
Panda-Kathleen L. P.
4100 Spring Valley, Suite 1001
Dallas, Texas 75244

Re: Standard Offer Contract for the Purchase of Firm Capacity and Energy from a Qualifying Facility Less Than 75 MW or a Solid Waste Facility between Panda-Kathleen, L. P. and Florida Power Corporation

Dear Kyle:

This is in response to your letter of August 10, 1994.

First, your letter indicates that Panda will be consulting with the PSC regarding its planned configuration which will produce 115 MW. As you know, Florida Power Corporation (FPC) has expressed concerns about that configuration's ability to comply with the 75 MW limitations imposed on standard offer contracts and, therefore, is pleased to see that Panda intends to consult with the Florida Public Service Commission (FPSC).

With respect to what will happen after the FPSC responds to your project proposal, Florida Power will not speculate at this time on how FPSC actions may or may not affect the rights and obligations under our contract with Panda. We will be happy to address this matter after FPSC actions.

Sincerely,

Robert D. Dolan
Manager, Cogeneration Contracts and Administration

RDD/mag

cc: M. B. Foley Jr.
J. P. Fama