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168 Simple

Florida Power
CORPORATION

JAMES A. McGEE
SENIOR COUNSEL

September 30, 1996

961189-EQ

Ms. Blanca S. Bayó, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Petition for approval of an early termination amendment to a negotiated QF contract with Orlando Cogen Limited, Ltd. by Florida Power Corporation.

Dear Ms. Bayó:

Enclosed for filing are an original and fifteen copies of the subject petition 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
Enclosure

ACK
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DOCUMENT NUMBER-DATE
10819 OCT-1 96
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GENERAL OFFICE
3201 Thirty-fourth Street South • Post Office Box 14042 • St. Petersburg, Florida 33733-4042 • (813) 866-5184 • Fax: (813) 866-4931
A Florida Progress Company

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the enclosed Petition of Florida Power Corporation has been furnished to the following individuals by U.S. Mail this 30th day of September, 1996:

Joseph A. McGlothlin, Esquire
Vicki Gordon Kaufman, Esquire
McWhirter, Reeves, McGlothlin,
Davidson & Bakas
117 S. Gadsden Street
Tallahassee, FL 32301

J. Roger Howe, Esquire
Office of the Public Counsel
111 West Madison Street, Room 182
Tallahassee, FL 32399-1400

Roger Yott, P.E.
Thomas Doschez
Air Products & Chemicals, Inc.
2 Windsor Plaza
2 Windsor Drive
Allentown, PA 18195

Debra Swim, Esquire
Legal Environmental Assistance
Foundation, Inc.
1115 N. Gadsden Street
Tallahassee, FL 32303

Attorney

FILE COPY

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of an early termination amendment to a negotiated QF contract with Orlando Cogen Limited, Ltd. by Florida Power Corporation.	Docket No. _____ Submitted for filing: October 1, 1996

PETITION

Florida Power Corporation (Florida Power) hereby petitions the Florida Public Service Commission (the Commission) for approval of the Amendment, attached as Exhibit A, to the Negotiated Contract For The Purchase Of Firm Capacity And Energy From A Qualifying Facility between Orlando Cogen Limited, Ltd. (OCL) and Florida Power (the Contract) which restructures the Contract by terminating the last ten years of its term, and for authorization to recover the costs of the Contract restructuring through Florida Power's Capacity Cost Recovery clause. In support of its petition, Florida Power states as follows:

Background

Florida Power is an electric utility subject to the Commission's regulatory jurisdiction pursuant to Chapter 366, Florida Statutes. Florida Power's principle place of business is located at 3201 34th Street South, St. Petersburg, Florida 33711.

The Contract was entered into on March 13, 1991. It was one of eight negotiated contracts between Florida Power and various qualifying facilities (QFs)

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that resulted from a Request for Proposals issued by Florida Power in January 1991. All eight contracts were approved by the Commission in Order No. 24734, issued July 1, 1991 in Docket No. 910401-EQ. The Contract was amended pursuant to a Settlement Agreement between OCL and Florida Power which the Commission approved in Order No. PSC-96-0858-AS-EQ, issued July 12, 1996 in Docket No. 960193-EQ. A copy of the Contract, as amended by the Settlement Agreement, is attached as Exhibit B. The term of the Contract is 30 years, commencing January 1, 1994 and expiring December 31, 2023. Committed capacity under the Contract is 79.2 MW, with capacity payments based on a coal-fired avoided unit.

By Order No. PSC-96-0352-FOF-EG, issued March 12, 1996 in Docket No. 960002-EG (Conservation Cost Recovery), the Commission approved Florida Power's request to defer crediting a 1995 over-recovery of $17.7 million associated with its residential revenue decoupling experiment.[1] The purpose of this deferral was to allow Florida Power the opportunity to conduct a so called "reverse auction" in which its QF suppliers would be asked to bid reductions in capacity payments over time in return for up-front or near-term payments, with the decoupling over-recovery balance used to fund these payments. To the extent that QFs might assign a higher value to up-front payments than to the existing payment stream over time (in terms of the discount rate they use to value cash

[1] In its earlier approval of Florida Power's decoupling proposal in Docket No. 930444-EI, the Commission determined that an annual true-up of targeted revenues versus actual revenues would be included in the calculation of Florida Power's ECCR clause.

flows), the decoupling over-recovery balance could be leveraged to produce more value to Florida Power's customers.

On May 2, 1996, Florida Power sent a Solicitation for Reverse Auction Bids to its operating QFs receiving firm capacity and energy payments. A copy of the solicitation is attached as Exhibit C. While the decoupling over-recovery balance was intended to fund the up-front payments to successful QF bidders, the solicitation made it clear that attractive bids exceeding the amount of the decoupling over-recovery balance might also be presented the Commission for approval.[2] Three QF suppliers submitted bids by the response deadline. After evaluation, two bids were accepted by Florida Power, one of which was subsequently withdrawn when the bidder was unable to obtain lender approval on satisfactory terms. Negotiations with the remaining successful bidder, OCL, resulted in the Amendment contained in Exhibit A and this petition seeking approval thereof.

Discussion

In return for terminating the last ten years of the term of the Contract and mitigating the effects of using a substantially more expensive coal-fired avoided unit, the Amendment provides for the payment to OCL of $49,405,000 at a rate of $10.40 per kW-month, which equates to a five-year pay-out period. Exhibit D contains a comparison of Florida Power's costs under two scenarios; with the

[2] As the solicitation advised prospective bidders, "For bids that result in a near term increase in capacity payments, the aggregate amount of bids accepted may be limited to a net present value rate impact of $17.7 million (based on FPC's revenue decoupling fund balance). However, in the event that highly attractive bids exceed the $17.7 million limit, FPC may choose to pursue ways with the FPSC to implement such proposals on behalf of its customers."

last ten years of the Contract in effect (the Contract Case) and without the last ten years (the Replacement Case). It shows that restructuring the Contract pursuant to the Amendment will save Florida Power and its customers $462 million ($33 million net present value) relative to what they would have paid with the Contract's full 30-year term in effect.

The Contract Case in Exhibit D reflects capacity payments specified in the Contract and energy payments based on Florida Power's current coal price forecast for the ten-year period beginning in 2014. The Replacement Case includes the early termination payments to OCL during the period of 1997 through 2001, as well as the cost of replacing the Contract's capacity and energy based on Florida Power's current projections for the same ten-year period. The comparison shows that the Contract Case produces costs of $742,249,000, while the Replacement Case has costs of $279,855,000. This represents a savings to Florida Power's customers of $462,394,000, or $32,954,000 in current (NPV) dollars. Stated differently, the average cost of power over the last ten years of the Contract is 11.63 cents per kWh, compared with an average cost of 4.38 cents per kWh under the Replacement Case, a reduction of over 60%.

Florida Power requests that cost recovery of the early termination payments be implemented through the CCR clause, consistent with past regulatory practice, beginning in April 1997, the next scheduled change in the CCR factor. Since this is also the time of the annual change in the Energy Conservation Cost Recovery (ECCR) factor, it would allow the impact of these early termination costs on residential customers to be mitigated by crediting the ECCR factor with the previously deferred 1995 revenue decoupling over-recovery balance and

accumulated interest. Florida Power suggests that the decoupling over-recovery be amortized over a period of one to three years, whichever period best minimizes fluctuations in the customers' overall bill. Florida Power will propose a specific amortization period in conjunction with its January 1997 ECCR projection filing, when the effect of all the adjustment clauses on customer bills will be known.

WHEREFORE, Florida Power Corporation respectfully requests approval of the Amendment attached to this petition as Exhibit A and authorization to recover the payments made pursuant to paragraph 1(c) of the Amendment through its Capacity Cost Recovery clause. Florida Power further requests that this petition be addressed through the Commission's Proposed Agency Action procedures as set forth in section 25-22.029, F.A.C.

Respectfully submitted,

OFFICE OF THE GENERAL COUNSEL
FLORIDA POWER CORPORATION

By _____

James A. McGee
Post Office Box 14042
St. Petersburg, FL 33733-4042
Telephone: (813) 866-5184
Facsimile: (813) 866-4931

Petition for Approval of an Early Termination Amendment to the Negotiated QF Contract with Orlando Cogen Limited, Ltd. by Florida Power Corporation

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EXHIBIT A

AMENDMENT TO THE OCL CONTRACT

Amendment to Power Contract for the Purchase of Firm Capacity and Energy from a Qualifying Facility

This Amendment to the Negotiated Contract for the Purchase of Firm Capacity and Energy from a Qualifying Facility (the "Amendment") is made as of the 20th day of September, 1996, by and between Florida Power Corporation, a Florida corporation ("FPC"), and Orlando CoGen Limited, L.P., a Delaware limited partnership ("OCL") (collectively, the "Parties"). Any capitalized term used but undefined herein shall have the meaning given such term in the PPA (hereinafter defined).

WHEREAS, the Parties have heretofore entered into the "Negotiated Contract for the Purchase of Firm Capacity and Energy from a Qualifying Facility" dated 13 March 1991, as amended by the Letter Agreement fully executed on 7 October 1993 among FPC, OCL and Reedy Creek Improvement District and by the Settlement Agreement and Amendment to Negotiated Contract for the Purchase of Firm Capacity and Energy from a Qualifying Facility between Orlando CoGen Limited, L.P. and Florida Power Corporation dated 3 February 1996 between, among others, the Parties (as amended, the "PPA"); and

WHEREAS, FPC has accepted OCL's response to its 2 May 1996 Solicitation for Reverse Auction Bids for FPC's operating Qualifying Facilities with Firm Capacity and Energy payments with respect to OCL's cogeneration facility located in Orlando, Florida, and selling capacity and energy to FPC pursuant to the PPA; and

WHEREAS, FPC and OCL desire to amend the PPA to provide for the following: (a) a ten (10) year reduction in the Term of the PPA so it will now expire at 24:00 hours on the last day of December, 2013; (b) a $49,405,000 payment to OCL, payable as an additional capacity payment equal to $10.40 per kilowatt-month ("kW-mo") commencing 1 January 1997; (c) coordination of the term of the second period of the Settlement Curtailment Assistance under Section 6.5 with the hereby reduced Term of the PPA; and (d) coordination of the number of years of the off-peak hour energy payment discount factor in Appendix G with the hereby reduced Term of the PPA.

NOW THEREFORE, in consideration of the mutual understandings and agreements set forth herein and for other good and valuable consideration, the receipt of which is hereby acknowledged by each Party, the Parties, agreeing to be legally bound, hereby agree as follows:

1. **Amendment of PPA.** The PPA shall be amended, supplemented or otherwise modified as follows:

(a) **Term.** Section 4.1 of the PPA is hereby amended by deleting that Section in its entirety and replacing it with the following:

"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 December, 2013, 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. Each Party shall use its best efforts to enforce the validity of this Agreement and to expedite FPSC action on the Company's request for FPSC approval of this Agreement. The Company shall submit this Agreement and related documentation to the FPSC for approval within ten (10) days of the Execution Date."

(b) **Settlement Curtailment Assistance.** Section 6.5 of the PPA is hereby amended by deleting that Section in its entirety and replacing it with the following:

"6.5 Notwithstanding the provisions of section 6.1 of this Agreement, the QF will use reasonable business efforts to reduce its output to 97.2 MW per hour to the extent such reduction in output is necessary to reduce the scheduled deliveries of energy to the Company: (i) to 67.2 MW per hour during the hours of 11:00 p.m. to 6:00 a.m. each day during the months of October through April for a five (5) year period beginning January 1, 1996, and (ii) to 67.2 MW during the hours of 12:00 midnight to 6:00 a.m. each day during the months of October through April for the remaining Term of this Agreement beginning January 1, 2001 (during both periods "Settlement Curtailment Assistance"). To achieve the reduction in scheduled deliveries of energy in accordance with the section 6.5, the QF will not be required to:

6.5.1 Operate the Facility at a reduced net output level that: (i) is not reasonably maintainable due to technical or physical limitations of the Facility, or (ii) would cause the Facility to violate any of its operating or environmental permits;

6.5.2 Bypass steam from the Facility's steam turbine that would otherwise have been utilized for power production."

(c) **Additional Capacity Payment.** The following Section 8.6 is hereby inserted in its entirety in the PPA:

"8.6 Commencing 1 January 1997, the Company shall pay to the QF an Additional Capacity Payment equal to the product of: (i) $10.40/kW-mo; (ii) the Committed Capacity; and (iii) the Capacity Payment Adjustment (the "Additional Capacity Payment"). The Additional Capacity Payment shall continue each month until such time as the QF has received the sum of forty-nine million four hundred and five thousand dollars ($49,405,000) in Additional Capacity Payments, at which time the Company's obligation to pay the Additional Capacity Payment shall cease."

(d) **Appendix G.** Appendix G of the PPA is hereby amended by deleting that Appendix in its entirety and replacing it with the new Appendix G contained in Attachment 1.

2. **Conditions Precedent.** This Amendment is strictly conditioned upon the following conditions precedent, and this Amendment shall have no force or effect if such conditions precedent are not fulfilled, in which event the PPA will remain in full force and effect and in the form in effect immediately prior to execution of this Amendment, without amendment, supplementation or modification by this Amendment.

(a) Approval of this Amendment by the Florida Public Service Commission ("FPSC") to the extent necessary and appropriate ("FPSC Approval"). FPC shall, upon execution by both Parties hereto, promptly file a petition and any other necessary papers seeking FPSC Approval and make all reasonable efforts to seek expeditious consideration and approval thereof. This condition precedent shall become fulfilled when FPSC Approval becomes final by operation of law. The Parties agree to support fully the petition for FPSC Approval. At FPC's request, OCL shall assist FPC in seeking FPSC Approval. If the FPSC fails to approve this Amendment, nothing contained herein or reflected in any practice of a Party shall operate to waive any right FPC may have to seek repayment of any amounts (including interest) paid by FPC to OCL hereunder. FPC's rights shall include a right to recoup any such repayment from future capacity and energy payments.

(b) Approval of OCL's Lenders to the extent deemed necessary or appropriate by OCL ("Lender Approval"). OCL shall, upon execution by both Parties hereto, promptly seek Lender Approval if it deems such approval necessary or appropriate and if Lender Approval is deemed necessary or appropriate and is sought but not obtained by 31 December 1996, OCL shall, at its option, either waive the Lender Approval condition precedent, request an extension of such deadline date from FPC (which FPC may grant in its sole discretion) or terminate this Amendment. If this Amendment is terminated due to a failure of the Lender to approve this Amendment, nothing contained herein or reflected in any practice of a Party shall operate to waive any right FPC may have to seek repayment of any amounts (including interest) paid by FPC to OCL hereunder. FPC's rights shall include a right to recoup any such repayment from future capacity and energy payments.

3. Interpretation. If any provision of this Amendment conflicts with any provision of the PPA, the provision of this Amendment shall prevail. All terms and conditions of the PPA not inconsistent with the terms of this Amendment shall remain in full force and effect and are hereby ratified and confirmed by the Parties.

4. Miscellaneous. (a) All headings are for convenience of reference only and will not affect any construction or interpretation hereof.

(b) Any provision of this Amendment that is or may become prohibited or unenforceable, as a matter of law or regulation, will be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or of the PPA.

(c) This Amendment may be executed in counterparts, each of which when executed and delivered will be an original, but all such counterparts will constitute one and the same instrument.

(d) This Amendment may be modified only by an instrument in writing executed by the Parties.

(e) This Amendment shall be binding upon and inure to the benefit of the Parties and their respective successors and assigns.

5. Governing Law. This Amendment shall be governed by and construed in accordance with the laws of the State of Florida without giving effect to any choice of law rules that may require the application of laws of another jurisdiction.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the day and year first above written.

Florida Power Corporation

Attest: Lee G. Schuster
Name: LEE G. SCHUSTER
Title: Manager, Dyched Power Resources

By: Michael B. Foley Jr.
Name: Michael B. Foley, Jr.
Title: Senior Vice President

Orlando CoGen Limited, L.P., by Orlando CoGen (I), Inc., in its capacity as Managing General Partner

AEP

Attest: Charles A. Bowes Jr.
Name. Charles A. Bowes, Jr.
Title: Assistant Secretary

By: C J Sutton
Name: Chris J. Sutton
Title: President

Attachment 1
Appendix G
Off-Peak Hour Energy Payment Discount Factor

Year	Discount Factor
1994	1.0
1995	1.0
1996	0.97
1997	0.97
1998	0.96
1999	0.93
2000	0.92
2001	0.91
2002	0.90
2003	0.90
2004	0.90
2005	0.90
2006	0.90
2007	0.90
2008	0.90
2009	0.90
2010	0.85
2011	0.85
2012	0.85
2013	0.85

Petition for Approval of an Early Termination Amendment to the Negotiated QF Contract with Orlando Cogen Limited, Ltd. by Florida Power Corporation

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EXHIBIT B

THE OCL CONTRACT, AS AMENDED BY THE SETTLEMENT AGREEMENT

SETTLEMENT AGREEMENT AND AMENDMENT TO NEGOTIATED CONTRACT FOR THE PURCHASE OF FIRM CAPACITY AND ENERGY FROM A QUALIFYING FACILITY BETWEEN ORLANDO COGEN LIMITED, L.P. AND FLORIDA POWER CORPORATION

THIS SETTLEMENT AGREEMENT AND AMENDMENT TO NEGOTIATED CONTRACT FOR THE PURCHASE OF FIRM CAPACITY AND ENERGY FROM A QUALIFYING FACILITY BETWEEN ORLANDO COGEN LIMITED, L.P. AND FLORIDA POWER CORPORATION ("this Settlement Agreement" or "Settlement Agreement") is made and entered into this 3rd day of February, 1996, by and between Orlando CoGen (I), Inc. ("CoGen I") and Orlando Power Generation I Inc. ("Power Generation I"), as general partners of, and on behalf of Orlando CoGen Limited, L.P., a Delaware limited partnership ("OCL"), Air Products and Chemicals, Inc., a Delaware corporation ("Air Products"), and UtilCo Group Inc., a Delaware corporation ("UtilCo"), and Florida Power Corporation, a Florida corporation ("FPC" or "the Company") all of the foregoing collectively, the "Parties," and individually a "Party."

RECITALS

WHEREAS, OCL and FPC entered into a Negotiated Contract for the Purchase of Firm Capacity and Energy from a Qualifying Facility on 13 March 1991 (the "PPA"), a copy of which is attached hereto as Exhibit 1, said firm capacity and energy to be supplied from a cogeneration facility in Orlando, Florida (the "Facility"); and

WHEREAS OCL and FPC have, at various times, subsequently entered into certain side letters and agreements modifying, amending, and/or clarifying the PPA, which side letters and agreements the Parties do not intend to be superseded except to the extent anything contained herein is inconsistent therewith, in which case this Settlement Agreement shall control;

WHEREAS, OCL, FPC, and the Reedy Creek Improvement District ("RCID") entered into a Letter Agreement on the Allocation of Capacity and Energy From Orlando CoGen Limited's Qualifying Facility dated 7 October 1993 (the "Allocation Agreement"); and

WHEREAS, UtilCo, through wholly-owned subsidiaries, acquired a 50 percent ownership interest in OCL so that, at present, Air Products and UtilCo each owns, directly or through wholly-owned subsidiaries, a 50 percent interest in OCL; and

WHEREAS, the Parties are engaged in litigation styled Orlando CoGen (I), Inc. and Orlando Power Generation I Inc., as general partners of, and on behalf of Orlando CoGen Limited, L.P., a Delaware limited partnership (Plaintiffs, Counter-Defendants) v. Florida Power Corporation, a Florida corporation (Defendant, Counter-Plaintiff); Florida Power Corporation, a Florida corporation (Third Party Counterclaim Plaintiff) v. Air Products and Chemicals, Inc., a Delaware corporation and UtilCo Group Inc., a Delaware corporation (Third Party Counterclaim Defendants), Case No. 94-303-CIV-ORL-18, pending in the United States District Court, Middle District of Florida, Orlando Division (the "Litigation"); and

WHEREAS, OCL has asserted claims against FPC in the Litigation and FPC has asserted counterclaims against OCL and third party counterclaims against Air Products and UtilCo; and

WHEREAS, although Air Products, UtilCo, CoGen I, and Power Generation I are Parties to this Settlement Agreement and in this Litigation, they do not intend to become parties to the PPA between FPC and OCL; and

WHEREAS, after considering the contested issues in the Litigation, the expense of continued litigation, and the benefits to the Parties and FPC's customers to be received under this Settlement Agreement, but without conceding or admitting any liability or wrongdoing of any kind or the correctness of any adverse party's position as to any disputed issue in the Litigation or under the PPA, the Parties have determined to resolve their differences, settle and compromise all claims and counterclaims in the Litigation, execute mutual releases, provide for a dismissal with prejudice of all claims, counterclaims, and third party counterclaims, and the Parties to the PPA have agreed to amend, supplement, and otherwise modify the PPA in accordance with the terms set forth herein; and

WHEREAS, except as explicitly noted herein, the Parties intend for this Settlement Agreement and for their respective undertakings, covenants, and agreements hereunder to be strictly conditioned upon approval by the Florida Public Service Commission ("FPSC") in its entirety to the extent necessary and appropriate; and

WHEREAS, except as explicitly noted herein, the Parties intend for this Settlement Agreement and for their respective undertakings, covenants, and agreements hereunder to be strictly conditioned upon the approval of this Settlement Agreement by OCL's lending institutions ("Lenders") in its entirety;

NOW, THEREFORE, in consideration of the mutual promises and covenants set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree that the PPA is hereby

amended, supplemented or otherwise modified as set forth below, and further agree as follows:

AGREEMENT

The foregoing recitals are herein incorporated by reference in this Settlement Agreement. Unless specifically amended, supplemented or otherwise modified as set forth below, the PPA, including all terms and appendices therein, and all side letters identified on Exhibit 5 hereto, shall remain unchanged and in full force and effect.

1. Definitions

Unless otherwise defined herein, capitalized terms shall have the meaning assigned to such terms in the PPA.

The following terms shall have the following meanings when used herein or in the PPA:

a. *Appendix F sets forth the Letter Agreement on the Allocation of Capacity and Energy From Orlando CoGen Limited's Qualifying Facility dated 7 October 1989 among the Company, the QF, and the Reedy Creek Improvement District (hereinafter referred to as the "Allocation Agreement").*

This definition shall be inserted as Section 1.1.6 of the PPA. Appendix F is included as Attachment 1, attached hereto.

b. *Appendix G sets forth the Off-Peak Hour energy payment discount factor.*

This definition shall be inserted as Section 1.1.7 of the PPA. Appendix G is included as Attachment 2, attached hereto.

c. *Appendix H sets forth the Index calculation procedure.*

This definition shall be inserted as Section 1.1.8 of the PPA. Appendix H is included as Attachment 3, attached hereto.

d. *Appendix I sets forth the list of electric utility generating facilities included in the calculation of the Index and the list of coal supply agreements for those facilities excluded from the calculation of the Index.*

This definition shall be inserted as Section 1.1.9 of the PPA. Appendix I is included as Attachment 4, attached hereto.

e. *Appendix J sets forth the lessor agreements relating to the PSC Curtailment Assistance to be provided to the Company.*

This definition shall be inserted as Section 1.1.10 of the PPA. Appendix J is included as Attachment 6, attached hereto.

f. *"Avoided Unit Variable O&M" shall mean for calendar year 1995, $3.73/MWH. For calendar year 1996 and for each calendar year thereafter, the Avoided Unit Variable O&M shall be the Avoided Unit Variable O&M in effect for the calendar year immediately preceding the year for which the adjustment is being made, multiplied by one hundred four and one-half percent (104.5%).*

This definition shall supersede and replace the corresponding definition appearing in Section 1.6 of the PPA.

g. *"Coal Price" for any month shall mean the higher of:*

i) The three month rolling average monthly inventory charge out price of coal burned at the Avoided Unit Fuel Reference Plant expressed in $/MMBTU; and

ii) the Proxy Coal Price for the current calendar year; provided however, the Parties agree to initially use the Proxy Coal Price applicable to the prior calendar year for each month of a new calendar year until the necessary data is available to calculate the Proxy Coal Price applicable to the current calendar year in accordance with Appendix H. Once the Proxy Coal Price for the prior calendar year becomes available, the Parties agree to recalculate the Full Firm Energy Cost for each prior month of the current calendar year using the Proxy Coal Price applicable to the current calendar year as calculated in accordance with Appendix H;

Provided, however, that: (i) in no event shall the Coal Price be less than $1.73/MMBTU, and (ii) the Parties agree that there will always be an Avoided Unit Fuel Reference Plant and a Proxy Coal Price.

This definition shall be inserted as Section 1.46 of the PPA.

h. "Curtailment Plan" shall mean the Generation Curtailment Plan for Minimum Load Conditions as filed on October 14, 1994 by the Company in FPSC Docket No. 941101-EQ and approved by the FPSC Order PSC-95-1133-FOF-EQ dated September 11, 1995, as may be amended from time to time.

This definition shall be inserted as Section 1.47 of the PPA.

i. *"Discount Factor" shall mean the factor contained in Appendix G which is applicable to the energy payment during Off-Peak Hours for each calendar year.*

This definition shall be inserted as Section 1.48 of the PPA.

j. *"District #8 Coal" shall mean coal originating from the mines designated by the US Bureau of Mines as being in District #8.*

This definition shall be inserted as Section 1.49 of the PPA.

k. *"Fall-back Index" shall mean in any calendar year n, a weighted index that will replace the Index as provided for in section 1.52. The Parties agree to negotiate in good faith to establish an actual commercial market related Fall-back Index as opposed to a futures market related Fall-back Index which meets the following criteria:*

(i) The Fall-back Index will consist of two components: (a) a coal commodity component which tracks actual commercial market transactions for District #8 Coal sales of coal having a sulfur content of 1.2 to 2.1 lbs sulfur dioxide per MMBTU and (b) a rail transportation component which is indicative of rail coal deliveries from coal mines which supply District #8 Coal to electric utility plants in the southeast, and

(ii) The Fall-back Index will be the weighted average of these two components using the following weights:

Coal commodity component	*66%*
Rail transportation component	*34%*

This definition shall be inserted as Section 1.50 of the PPA.

l. *"Full Firm Energy Cost" shall mean the energy rate calculated as the sum of: (i) the product of (A) the Coal Price in $/MMBTU, (B) the Fuel Multiplier, and (C) the Avoided Unit Heat Rate in MMBTU/MWH, plus (ii) the Avoided Unit Variable O&M in $/MWH.*

This definition shall supersede and replace the definition of Firm Energy Cost appearing in Section 1.23 of the PPA.

m. *"Incremental Production Cost" shall mean the Facility incremental production cost for the energy associated with the Settlement Curtailment Assistance as calculated by the QF based on: the Facility's commodity fuel price, variable fuel transportation expense, consumables and variable expenses such as make-up water, chemicals, and blowdown disposal costs, and a heat rate of 7960 BTU/KWH (HHV). The QF shall provide to the Company during February of each year the QF's calculation of the Facility's commodity fuel price, variable fuel transportation expense, consumables and variable expenses for the following 12 months. The QF shall also amend such information when changes in the QF's circumstances affect the calculation of such prices and expenses.*

This definition shall be inserted as Section 1.51 of the PPA.

n. *"Index" shall mean an index of market coal prices for coal, as described and as calculated pursuant to the procedures set forth in Appendix H.*

This definition shall be inserted as Section 1.52 of the PPA.

o. *"MMBTU" shall mean one million (1,000,000) BTU's.*

This definition shall be inserted as Section 1.53 of the PPA.

p. *"Off-Peak Hours" shall mean all hours other than On-Peak Hours.*

This definition shall be inserted as Section 1.54 of the PPA.

q. *"On-Peak Hours" shall mean the eleven (11) hours per day as follows:*

i) For all days in the calendar months of November through March:
6:00 A.M. to 12:00 Noon, and
5:00 P.M. to 10:00 P.M.

ii) *For all days in the calendar months of April through October: 11:00 A.M. to 10:00 P.M..*

This definition shall supersede and replace the corresponding definition appearing in Section 1.35 and Appendix C of the PPA.

r. *"Proxy Coal Price" shall mean $1.76/MMBTU for calendar year 1996. For each calendar year 1997 and beyond, the Proxy Coal Price shall be calculated by the following formula:*

$$PCP_{1997} = \$1.76/MMBTU \times (Index_{1995} + Index_{1996})$$

$$PCP_i = PCP_{1997} \times (Index_{i-1} + Index_{1996})$$

where:

PCP_i = Value of the Proxy Coal Price for calendar year i beginning with calendar year 1998.

$Index_{1995}$ = Value of the Index for calendar year 1995 calculated pursuant to the procedure set forth in Appendix H.

$Index_{1996}$ = Value of the Index for calendar year 1996 calculated pursuant to the procedure set forth in Appendix H.

$Index_{i-1}$ = Value of the Index for calendar year i-1 calculated pursuant to the procedure set forth in Appendix H.

If either of the following events occur during a calendar year j regarding the Index:

(a) FERC Form 423 data is no longer reported or publicly available to the Parties, or

(b) the data reported in FERC Form 423 no longer represents actual commercial activity for the sale and purchase of District #8 Coal having a sulfur dioxide content of 1.2 to 2.1 lb sulfur dioxide per MMBTU delivered to utility generating facilities in the southeastern region of the United States,

the Parties agree to begin calculating the Proxy Coal Price for the immediately following calendar year j+1 and for the remaining Term utilizing the Fall-back Index by the following formula:

$$PCP_{j+1} = PCP_j \times (\text{Fall-back Index}_j \div \text{Fall-back Index}_{j-1})$$

where:

PCP_{j+1} = Proxy Coal Price in calendar year j+1 which is the current calendar year.

PCP_j = Proxy Coal Price in calendar year j which is the prior calendar year (and in the calendar year this formula is initially used is the last Proxy Coal Price calculated under the Index).

Fall-back Index_j = Value of the Fall-back Index as calculated for calendar year j.

$\text{Fall-back Index}_{j-1}$ = Value of the Fall-back Index as calculated for calendar year j-1.

This definition shall be inserted as Section 1.55 of the PPA.

s. "Settlement Date" shall mean the date on which this Settlement Agreement is fully executed by all Parties.

t. "Settlement Curtailment Assistance" means the curtailment assistance provided to the Company by the QF in accordance with section 6.5 hereof.

This definition shall be inserted as Section 1.56 of the PPA.

u. "PSC Curtailment Assistance" shall mean the curtailment assistance provided to the Company (including both the amounts of any such assistance and the notification mechanisms for such provision) by the QF pursuant to the PSC Curtailment Agreement established by letter agreement executed May 8 and 9, 1995, and as filed with the FPSC under Docket 950596-EQ and approved by FPSC Order No. PSC-95-1088-FOF-EQ issued August 31, 1995.

This definition shall be inserted as Section 1.57 of the PPA.

2. Approval by the Florida Public Service Commission

a. This Settlement Agreement and the Parties' respective undertakings, covenants, and agreements hereunder are strictly conditioned upon

3.3.7 The Company agrees that the requirements of sections 3.3.1, 3.3.2, 3.3.3, 3.3.4, 3.3.5 and 3.3.6 hereof are the only fuel related requirements of the Agreement with which the QF must comply and that as long as the QF meets such requirements, the Company shall not assert that the QF is in default of the Agreement with respect to the adequacy of the QF's fuel supply and transportation arrangements or interruptions thereof.

b. The Company agrees to remove its October 11, 1993 declaration of an operational event of default no later than 15 days after FPSC Approval becomes final by operation of law and the Order of Dismissal with Prejudice included in Exhibit 4 has been entered.

5. Energy Payments

a. Section 9.1.2 of the PPA is hereby amended by deleting that section in its entirety and replacing it with the following which shall become part of the PPA:

9.1.2 Except as otherwise provided in sections 9.1.1 and 9.1.4 hereof, for each billing month beginning with January 1996, the QF shall receive for the energy delivered hereunder electric energy payments calculated as follows:

(i) during any On-Peak Hour, the Full Firm Energy Cost; and

(ii) during any Off-Peak Hour, when the As-Available Energy Cost is:

(A) Less than or equal to the Full Firm Energy Cost, the greater of:

(1) the Discount Factor multiplied by the Full Firm Energy Cost; or

(2) the As-Available Energy Cost

(B) Greater than the Full Firm Energy Cost, the Full Firm Energy Cost.

b. The following Section 9.1.4 is hereby inserted in its entirety in the PPA.

9.1.4 Notwithstanding anything provided in section 9.1.2 hereof, FPC shall pay for Actual Declined Energy as provided for in the Allocation Agreement.

c. Section 9.2 of the PPA is hereby amended by deleting that section in its entirety and replacing it with the following:

9.2 Energy Payments pursuant to section 9.1.3 hereof shall be subject to the Delivery Voltage Adjustment pursuant to Appendix C, Schedule 8, of the PPA.

d. The following Section 12.1.5 is hereby inserted in its entirety in the PPA:

12.1.5 For each month during the period in which the Full Firm Energy Cost is recalculated in accordance with section 1.46, the Company will issue an adjustment to each monthly bill issued to the QF during such period with cost tabulations showing the adjustments resulting from this recalculation. Monthly amounts owed from the QF to the Company shall be due and payable with interest calculated pursuant to section 12.1.4 twenty (20) business days after the date of the Company's adjusted billing statement. Interest will be calculated for amounts owed to the Company from the QF as if the due date for that month was twenty (20) business days following the date the meters were read for that month. Amounts owed from the Company to the QF shall be due and payable with interest calculated pursuant to section 12.1.4 with the Company's adjusted billing statement. Interest will be calculated for amounts owed from the Company to the QF from the date the QF actually received payment from the Company for that month pursuant to section 12.1.1.

6. Settlement Curtailment Provisions

a. The following section 6.5 is hereby inserted in its entirety in the PPA.

6.5 Notwithstanding the provisions of section 6.1 of this Agreement, the QF will use reasonable business efforts to reduce its output to 97.2 MW per hour to the extent such reduction in output is necessary to reduce the scheduled deliveries of energy to the Company: (i) to 67.2 MW per hour during the hours of 11:00 p.m. to 6:00 a.m. each day during the months of October through April for a five (5) year period beginning January 1, 1996, and (ii) to 67.2 MW during the hours of 12:00 midnight to

6:00 a.m. each day during the months of October through April for a 15 year period beginning January 1, 2001 (during both periods "Settlement Curtailment Assistance"). To achieve the reduction in scheduled deliveries of energy in accordance with this section 6.5, the QF will not be required to:

6.5.1 Operate the Facility at a reduced net output level that: (i) is not reasonably maintainable due to technical or physical limitations of the Facility, or (ii) would cause the Facility to violate any of its operating or environmental permits;

6.5.2 Bypass steam from the Facility's steam turbine that would otherwise have been utilized for power production.

b. **The following section 6.6 is hereby inserted in its entirety in the PPA.**

6.6 In the event the QF has reduced its output to 97.2 MW per hour but is still scheduling deliveries of energy at greater than 67.2 MW per hour to the Company during the times set forth in section 6.5, the Company agrees to purchase all scheduled deliveries of energy to the Company greater than 67.2 MW per hour but not exceeding 79.2 MW per hour. Notwithstanding any other provision of this Agreement, the Full Firm Energy Cost for that portion of the QF's scheduled deliveries of energy above 67.2 MW per hour the Company is able to resell as a sale for resale shall be the Incremental Production Cost. The Full Firm Energy Cost for that portion of the QF's scheduled deliveries of energy above 67.2 MW per hour that the Company is unable to resell as a sale for resale shall be the energy price pursuant to section 9.1.2.

c. **Appendix C, Schedule 6, Page 1 of 1 of the PPA is hereby amended by deleting that page and replacing it with Attachment 5 hereto, which attachment is made a part of the PPA.**

d. **Section 8.3 of the PPA is hereby amended by deleting that section in its entirety and replacing it with the following:**

8.3 At the end of each billing month, beginning with the first full month following the Contract In-Service Date, the Company shall calculate the On-Peak Capacity Factor on a rolling average basis 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. 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; (ii) the QF's payments for electric energy are being calculated pursuant to section 9.1.1 hereof; (iii) the QF is providing PSC Curtailment Assistance or Settlement Curtailment Assistance; or (iv) the first 33 On-Peak Hours of each event where the QF suffers a full or partial forced outage due to a fuel supply or fuel transportation interruption that does not qualify as a Force Majeure Event.

c. **The following Section 6.7 is hereby inserted in its entirety in the PPA:**

6.7 When the QF's Settlement Curtailment Assistance meets the PSC Curtailment Assistance minimum requirements the Facility shall be treated by the Company as a Group A NUG under the Curtailment Plan. The Company further agrees that any future modifications to the Company's Curtailment Plan will incorporate provisions for similarly recognizing the value of the QF's PSC Curtailment Assistance.

7. Reimbursement of Certain Disputed Payments

FPC shall make a retroactive energy payment to OCL in an amount of $282,000.00. The amount shall be paid by electronic transfer to OCL within 5 business days of the Settlement Date.

8. Negotiation Between Senior Executives

a. **The Parties shall attempt in good faith to resolve any controversy, claim or dispute of whatever nature arising between the Parties, including but not limited to those arising out of or relating to this Settlement Agreement or under the PPA or the construction, interpretation, performance, breach, termination, enforceability or validity thereof, or the commercial, economic, or other relationship of**

the Parties hereto, whether such claim is based on rights, privileges or interests recognized by or based upon statute, contract, tort, common law or otherwise (a "Dispute"), promptly by negotiation ("Negotiation") between executives who have authority to settle the Dispute and who are at a Vice President level of management ("Senior Party Representatives").

b. Either Party may give the other Party written notice (a "Dispute Notice") of any Dispute which has not been resolved in the normal course of business. Within 15 days after delivery of the Dispute Notice, the receiving Party shall submit to the other a written response (the "Response"). The Dispute Notice and the Response shall include (a) statement setting forth the position of the Party giving such notice and a summary of arguments supporting such position and (b) the name and title of such Party's Senior Party Representative and any other persons who will accompany the Senior Party Representative at the meeting at which the Parties will attempt to settle the Dispute. Within 30 days after delivery of the Dispute Notice, the Senior Party Representatives shall meet at a mutually acceptable time and place, and thereafter as often as they reasonably deem necessary, to attempt to resolve the Dispute. All reasonable requests for information made by one Party to the other will be honored.

c. If the Dispute has not been resolved within 60 days after delivery of the Dispute Notice, or if the Parties fail to meet within 30 days after delivery of the Dispute Notice as hereinabove provided, either Party may give written notice of termination of Negotiations.

d. All Negotiations pursuant to this Section 8 shall be treated as compromise and settlement negotiations. Nothing said or disclosed, nor any document produced, in the course of such Negotiations which is not otherwise independently discoverable shall be offered or received as evidence or used for impeachment or for any other purpose in any current or future administrative proceeding, arbitration or litigation.

e. During the pendency of the Negotiations required by this section 8, the Parties agree that they will not exercise any legal or administrative remedy available to them at law, equity or pursuant to the PPA, it being specifically understood and agreed that the 60 day period set forth in section 15.3.5 of the PPA shall be tolled during the Negotiation ("Tolling Period"). The Negotiations and Tolling Period will end upon receipt of a notice of termination of Negotiations as provided in Section 8(c) above.

9. **Mutual Releases**

Within 15 days after the FPSC Approval becomes final by operation of law, the Parties to the Litigation shall each execute and deliver their respective releases, the forms for which are attached hereto as Exhibits 2 and 3A-3C.

10. **Agreement Not to Assert Claims Regarding Coal Procurement Practices**

Air Products, UtilCo, CoGen I, Power Generation I, and OCL hereby covenant and agree that they will not in the future bring any claim, cause of action, or complaint of any kind in any court, arbitration, or before any administrative agency, including without limitation the FERC or the FPSC ("Claim"), against FPC or its affiliates, including without limitation Florida Progress Corporation, Progress Energy Corporation and Electric Fuels Corporation, or any of their successors, relating to FPC's past, present, or future coal procurement or transportation actions, practices, or procedures for FPC's Crystal River Units 1 & 2 as they relate to firm or as-available energy payments; provided, however, that such Claim may be brought, and nothing in this Settlement Agreement shall be interpreted to waive any Claim, that relates to a material change to the coal procurement or transportation actions, practices or procedures of FPC for Crystal River Units 1 & 2 which were in place on 8 November, 1995; provided further, however, that any change after 8 November, 1995, in the actual physical mix of rail versus barge transportation of District #8 Coal to Crystal River Units 1 & 2 shall be deemed not to be a material change to the coal procurement or transportation actions, practices, or procedures of FPC.

11. **Stay of Discovery and Pre-Trial Matters**

a. Pursuant to the Parties' Confidential Settlement Memorandum of Understanding, the Parties will jointly move the court to stay all discovery in the Litigation until the earlier of the date on which the FPSC issues its order on FPC's petition for FPSC Approval pursuant to Section 2 hereof or April 15, 1996, and to continue the deadlines for pre-trial proceedings and motions.

b. In the event FPSC Approval has not been obtained by April 15, 1996, the Parties shall consult in good faith regarding appropriate steps to further the goal of obtaining expeditious FPSC Approval, but without incurring unnecessary expense.

c. Within 15 days of the FPSC Approval becoming final by operation of law, the Parties shall file the papers attached hereto as Exhibit 4 in order to effect a dismissal with prejudice of the Litigation, including all claims, counterclaims, and third party counterclaims.

12. **Legal Fees and Expenses**

Each Party shall bear its own legal fees and expenses incurred in the Litigation.

13. **Return or Destruction of Confidential Materials**

a. FPC may retain copies of those transcripts or exhibits (or portions thereof) set forth on the attached Exhibit 7, and may use such materials in the litigation currently pending between FPC and Pasco Cogen, Lake Cogen, Pasco-Kathleen or in any future litigation involving Ridge Generating Station or Dade County arising out of acts or omissions prior to 8 November, 1995 relating to the calculation of energy payments under section 9.1.2 of the PPA as it existed before amendment, including coal transportation issues. Air Products agrees to produce (at a mutually convenient time and place) Roger Yott, and UtiliCo agrees to produce (at a mutually convenient time and place) Bruce Reed and Tom Wertz once each for deposition in the litigation currently pending between FPC and Pasco Cogen. Examination of each such witness by FPC will be limited in scope to the facts and information contained in those exhibits on Exhibit 7 as follows: Mr. Yott – all exhibits on Exhibit 7 except exhibits 168 and 170; Messrs. Reed and Wertz – exhibits 168 and 170. Reasonable follow-up questions will be permitted. However, such examinations on the part of FPC shall be limited in time respectively to four hours, one and one-half hours, and one and one-half hours. Mr. Yott's deposition shall take place in Allentown, Pa, and Messrs. Reed's and Wertz' depositions shall take place in Kansas City, Mo, unless otherwise agreed to between counsel for the respective deponents and counsel for FPC. Any use of those transcripts or exhibits set forth on Exhibit 7 shall be in accordance with, and nothing herein constitutes a waiver of, the terms of the Confidentiality Agreement between the Parties, executed on March 13, and 20, 1995 and attached hereto as Exhibit 6. Further, no transcripts or exhibits may be used in accordance with this section 13.a. unless the parties with whom FPC is litigating have executed a confidentiality agreement with the producing party materially identical to the Confidentiality Agreement between the Parties attached hereto as Exhibit 6, and persons receiving such information have executed a certification materially identical to the one appended to that agreement.

If FPC wishes to use any other deposition transcripts or deposition exhibits or portions thereof in the litigation identified above, counsel for FPC may submit a list to counsel for the producing party and such counsel shall respond within ten days by providing FPC a list of those

depositions or exhibits which the producing party consents may be used. In the event the producing party's counsel does not respond within ten days or indicates an objection to such use by the producing party, nothing herein is intended to waive FPC's rights to seek such documents or testimony through appropriate judicial process, including subpoena, or intended to waive a producing party's rights to object thereto. In addition, nothing herein is intended to waive FPC's rights to seek testimony from any individual, including Messrs. Yott, Reed, and Wertz, on any subjects relevant to any of the above-referenced litigation, nor is anything herein intended to waive OCL's, Air Products' or UtiliCo's rights to object to such testimony except to the extent specifically set forth above with respect to deposition testimony of Messrs. Yott, Reed, and Wertz in the Fusco case. At the conclusion of all litigation set forth above, FPC's right to utilize the transcripts or exhibits set forth on Exhibit 7 for any purpose other than as specifically set forth in b. and c. below shall completely terminate and FPC shall return or destroy all such transcripts or exhibits.

b. Notwithstanding the terms of the Confidentiality Agreement governing return or destruction of confidential documents, outside counsel for the respective Parties may retain copies of deposition transcripts and copies of marked deposition exhibits (1) in accordance with their respective firm's procedures for retention of litigation files, and (2) for use in any dispute among the Parties arising under this Settlement Agreement or under the PPA.

c. Other than as expressly provided in 13.a. and b. above, all Confidential and Specially Restricted documents produced by any Party in the Litigation shall be returned to the producing party or destroyed within 15 days of FPSC Approval becoming final by operation of law. In the event the documents are destroyed, rather than returned, counsel for that Party shall certify in writing to the producing party that destruction has in fact occurred, said notification to be provided within 10 days of document destruction. Neither the Parties nor counsel for the Parties shall be permitted to utilize Confidential or Specially Restricted information (as such information is defined in the Confidentiality Agreement) in any fashion, except as provided in 13.a. and 13.b., above.

14. No Assistance in Other Litigation

Beginning on the Settlement Date and continuing thereafter, unless the approvals required by Sections 2 and 3 hereof have not been obtained, neither CoGen I, Power Generation I, OCL, Air Products, nor UtiliCo, either directly or through their agents,

shall assist (except to the extent required by the process of law) parties adverse to FPC with the prosecution of the litigation currently pending between FPC and Pasco Cogen, FPC and Lake Cogen, FPC and Pasco-Kathleen, or in any future litigation involving Ridge Generating Station, Dade County, Tiger Bay Cogen, Orange Cogen, and involving any issues arising out of acts or omissions prior to 8 November, 1995 relating to: fuel supply and transportation to the particular facility; backup fuel; energy payments under section 9.1.2 of the PPA as it existed before amendment by this Agreement; and coal transportation issues. Beginning on the Settlement Date and continuing thereafter, unless the approval required pursuant to Section 2 hereof has not been obtained, neither FPC, Electric Fuels Corporation, Progress Energy Corporation or Florida Progress Corporation, either directly or through their agents, shall assist (except to the extent required by the process of law) parties adverse to CoGen I, Power Generation I, OCL, Air Products, or UtiliCo with the prosecution of currently pending litigation involving Allegheny Power Systems, Inc., Allegheny Power Service Corp., and West Penn Power Company. This provision is not intended to disqualify any outside counsel, consultant, or expert witness who has been or may be engaged by any party adverse to the Parties hereto in the pending litigation or any litigation which may be brought; provided, however, that this provision is not intended to waive a party's right to assert any independent basis for disqualification of any of the foregoing persons; nor is this provision intended to excuse obligations otherwise imposed under the terms of the aforesaid Confidentiality Agreement. Notwithstanding any other provision in the PPA, this agreement not to assist in other litigation will not extend to: (i) any matter not of the type actually disputed in the Litigation, and (ii) claims of the type specifically preserved in Section 10 hereof.

15. **Representations and Warranties**

Each of the Parties hereto represents and warrants that:

a. It has full authority, and has obtained all necessary internal approvals, to execute this Settlement Agreement and the Releases attendant thereto.

b. The individual signing on its behalf is authorized to do so.

c. It has obtained or will undertake reasonable efforts to obtain all necessary approvals of third parties. In the case of CoGen I, Power Generation I, OCL, Air Products, and UtiliCo, this includes all of the Project's Lenders. In the case of FPC this includes the FPSC.

OCL represents and warrants that, as of the Settlement Date, the QF's natural gas supply and transportation arrangements are of like quality and firmness as those in place on November 8, 1995, and that such arrangements include (a) a warranted gas

supply contract provided by Vastar and (b) a firm tariff and firm contract transportation arrangement provided by FGT.

16. Complete Agreement

With the exception of certain side letters and agreements which are attached hereto as Exhibit 5, those certain side letters and agreements modifying, amending, and/or clarifying the PPA, which side letters and agreements were previously entered into and which are not inconsistent herewith, the PSC Curtailment Agreement and the Allocation Agreement, this Settlement Agreement together with the PPA contains the complete agreement and understanding between the Parties hereto, their agents, and their employees as to the subject matter of this Settlement Agreement and supersedes in its entirety any and all previous communications between the Parties (including but not limited to the Parties' Confidential Settlement Memorandum of Understanding executed on 8 November 1995) as to the subject matter hereof.

17. Governing Law

This Settlement Agreement shall be governed by and construed in accordance with the laws of the State of Florida without giving effect to any choice of law rules that may require the application of laws of another jurisdiction.

18. Interpretation

If any provision of this Settlement Agreement conflicts with any provision of the PPA, the provisions of this Settlement Agreement shall prevail.

19. Audit

Upon request, FPC shall provide OCL with access to any and all information forming the basis for the calculation of any energy payment made to OCL, including underlying data and working papers. OCL shall have the right, upon reasonable notice, to audit the Company's books, accounts, charts and records to the extent necessary to verify the accuracy of the statements and payments rendered under the PPA as modified by this Settlement Agreement. Any such audit will be conducted during normal business hours at the offices where such books, accounts and records are maintained. Audits will be conducted by OCL's designated personnel or by an accounting firm recognized as experienced in electric utility accounting practices. Audits will be conducted at OCL's expense. The Company shall be entitled to review the audit report and any supporting materials. In the event the Company agrees an error is discovered in any statement or payment previously made by the Company, such error shall be adjusted within twenty (20) days following OCL's mailing of notice of the error. Any information provided by FPC to OCL hereunder, and any audit report and supporting materials resulting therefrom, are provided solely for the

purpose of assisting OCL and FPC in determining the correctness of payments made by FPC to OCL, and no such materials may be used for any other purpose or competitive reason.

20. Amendments

This Settlement Agreement may be modified only by an instrument in writing executed by the Parties.

21. Successors and Assigns

This Settlement shall be binding upon and inure to the benefit of the Parties and their respective successors and assigns.

22. Section Headings for Convenience

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

23. Counterparts

This Settlement Agreement may be executed in multiple counterparts, each of which shall be deemed to be an original.

24. No Admission of Fault

The Parties acknowledge that this Settlement Agreement is being entered into for the purposes of settlement only and to avoid the expense and length of legal proceedings, taking into account the uncertainty and risk inherent in any litigation. Neither this Settlement Agreement nor any action taken to reach, effectuate or further this Settlement Agreement may be construed as, or may be used as an admission by or against any party of any fault, wrongdoing or liability whatsoever, nor as an admission concerning any specific issue raised in the Litigation.

25. Parties to PPA

Notwithstanding any provision of the Settlement Agreement, Air Products, UtilCo, CoGen I, and Power Generation I are not, nor should any provision herein be interpreted to make, any of these entities parties to the PPA.

26. **Negotiations Not Admissible**

All discussions, negotiations and preliminary draft materials leading to the preparation and execution of this Settlement Agreement shall be treated as compromise and settlement materials. Nothing said or disclosed, and no documents prepared in the course of such negotiations not otherwise independently discoverable shall be offered or received as evidence or used for impeachment or for any other purpose in any current or future administrative proceeding, arbitration or litigation.

Orlando CoGen (I), Inc., Managing General Partner, on behalf of, Orlando CoGen Limited, L.P.

By: C. J. Sutton
C. J. Sutton

As Its: Vice President

Dated: 3 Feb 96

Orlando CoGen (I), Inc.

By: C. J. Sutton
C. J. Sutton

As Its: Vice President

Dated: 3 Feb 96

Orlando Power Generation I Inc.

By: Bruce A. Reed
Bruce A. Reed

As Its: Vice President

Dated: 2/3/96

Air Products and Chemicals, Inc.

By: C. J. Sutton
C. J. Sutton

As Its: Vice President

Dated: 3 Feb 96

UtilCo Group Inc.

By: Bruce A. Reed
Bruce A. Reed

As Its: Vice President

Dated: 2/3/96

Florida Power Corporation

By: Michael B. Foley, Jr.
Michael B. Foley, Jr.

As Its: Vice President

Dated: 2/3/96

Attachment 1
Appendix F
Allocation Agreement

Florida Power
CORPORATION

Wayne A. Hinman
Orlando CoGen Limited,L.P.
c/o Air Products and Chemicals, Inc.
7201 Hamilton Blvd.
Allentown, PA. 18195-1501

Thomas M. Moses
Reedy Creek Improvement
District
1675 Buena Vista Dr.
Lake Buena Vista, Fla. 32830

Re: Allocation Of Capacity And Energy From
Orlando CoGen Limited's Qualifying Facility

Ladies and Gentlemen:

This Letter Agreement sets forth certain agreements among Florida Power Corporation, a Florida corporation ("FPC"), Orlando CoGen Limited, L.P., a Delaware limited partnership ("OCL") and Reedy Creek Improvement District, a public corporation organized under the laws of the State of Florida ("RCID") (collectively, "the Parties") concerning allocation of electric capacity and energy from OCL's cogeneration facility being constructed pursuant to the "Negotiated Contract for the Purchase of Firm Capacity and Energy from a Qualifying Facility" dated March 13, 1991 between FPC and OCL (the "FPC Contract").

OCL is constructing a cogeneration facility (the "Facility") having a net generating capacity of approximately 115 megawatts ("MW"), a portion of which capacity has been committed to FPC for the duration of the FPC Contract. In a separate "Firm Power Purchase Agreement" dated December 10, 1991 between OCL and RCID (the "RCID Contract"), OCL also has agreed to sell a portion of the capacity and energy from the Facility to RCID. The Facility is expected to be in commercial service on or before October, 1993. The Facility will be located within FPC's service territory and will be electrically interconnected directly to FPC's transmission system in accordance with the terms of the FPC Contract. Because the Facility will not be directly interconnected with RCID's system, RCID desires to have FPC transmit capacity and energy associated with RCID's capacity entitlement to RCID's existing or future points of transmission interconnection with FPC. The RCID Contract provides RCID with certain dispatch rights associated with its capacity purchase from OCL, which allows, among other things, RCID to curtail up to all of the associated energy deliveries.

FPC currently provides partial requirements and transmission services to RCID pursuant to the September 15, 1989 Agreement For Partial Requirements Resale Service And Transmission/Distribution Service ("PR and Transmission Contract"). This Letter Agreement recognizes that under the PR and Transmission Contract the RCID Contract will be a District Resource, as defined in the PR and Transmission Contract. This Letter Agreement does not amend the rates and charges or terms and conditions provided under the PR and Transmission Contract.

The Parties agree that it is necessary to enter into this Letter Agreement to calculate RCID's energy deliveries separately for each hour, and for RCID to provide FPC with advance notice of hourly dispatch levels.

In consideration of the mutual understandings and agreements set forth herein, OCL, RCID and FPC agree as follows:

1. TERM

This Letter Agreement will become effective upon execution by all Parties hereto; provided however, that the Parties' obligations to allocate capacity and energy and make available to RCID their share hereunder shall not begin prior to the date on which this Letter Agreement is allowed to become effective by the Federal Energy Regulatory Commission ("FERC") without any material change or additional conditions.

The Term will continue until 31 December 2013, and year to year thereafter unless and until

(a) this Letter Agreement is terminated in accordance with its terms or otherwise upon written agreement between OCL and RCID, or

(b) the RCID Contract, the FPC Contract, or the PR and Transmission Contract, is cancelled or terminated for any reason, or

(c) at RCID's option, if RCID were to interconnect other than through FPC.

2. CALCULATION OF ENERGY DELIVERIES

The following obligations to calculate energy and capacity deliveries to the Parties shall arise upon the date OCL first delivers energy to RCID under the RCID Contract in accordance with this Agreement.

2.1 At least forty (40) minutes prior to each hour in which OCL expects to deliver energy to the FPC "Point of Delivery" (as defined in the FPC Contract), OCL will specify to FPC and RCID the level of projected net

output expected to be delivered from the Facility (as defined as "Projected GEN" in Attachment A) and the amount of turnback (as defined as "PTB" in Attachment A hereto) that OCL is willing to provide in response to RCID's Declined Energy (as defined in Attachment A hereto). At least thirty (30) minutes prior to each hour, RCID will specify to FPC and OCL the level of RCID's Declined Energy. Based on the Projected GEN, PTB, and the Declined Energy, FPC will calculate the MWH share of Projected GEN to be (i) retained by FPC (the "FPC Share" as defined in Attachment A hereto), and (ii) available for delivery to RCID (the "RCID Share" as defined in Attachment A hereto).

2.2 The parties recognize that in any hour the actual net energy delivered from the Facility to the FPC Point of Delivery (metered by FPC and defined as "Actual GEN" in Attachment B) can differ from Projected GEN. Except as provided in Section 3.1 during each hour in which OCL is delivering energy to the FPC Point of Delivery, FPC will purchase FPC Actual (determined according to Attachment B) to the extent required by and pursuant to the terms and conditions of the FPC Contract, and RCID will purchase RCID Actual (determined according to Attachment B) to the extent required by and pursuant to the terms and conditions of the RCID Contract. RCID acknowledges that it will be responsible for obtaining energy from alternative sources to compensate for OCL's failure to deliver any portion of the RCID Share. FPC will have no obligation to RCID to make up for or to deliver any shortfalls in the RCID Share that may occur for any reason, including a difference between Actual GEN and Projected GEN; provided, however, that inadvertent energy shall be accounted for in accordance with the effective operating agreement (currently the Contract for Interchange Service between FPC and RCID dated September 15, 1989) between FPC and RCID and the applicable Florida Coordinating Group guidelines.

2.3 FPC agrees that OCL may redesignate Projected GEN once during an hour due to a partial or full forced outage of the Facility (a "Permitted Redesignation"), provided, however, that Permitted Redesignations may not occur more frequently than twice daily unless otherwise agreed by FPC in its sole discretion. Following a Permitted Redesignation, FPC will permit RCID to redesignate its Declined Energy (if any) for that hour as described in Section 2.1, and FPC will recalculate the RCID Share accordingly. Redesignations permitted by this Section 2.3 will be made as promptly as practicable but adjustments to RCID Actual will not be made retroactively.

2.4 It is recognized that the calculations made in according to Attachments A and B will be rounded to the nearest kilowatt or kilowatt-hour, while

delivered amounts will be expressed in whole megawatts. RCID and FPC agree that these differences will be recorded on a continuous basis and the residual kilowatts resulting from the rounding of delivered amounts will be carried forward to the next interval of time such that these differences are reconciled.

3. PRICING OF DECLINED ENERGY

3.1 FPC will pay for the Actual Declined Energy, (as defined in Attachment B hereto), in accordance with FPC's As-Available Energy Tariff entitled "Agreement for the Purchase of As Available Energy and or Parallel Operation with a Qualifying Facility" dated March 31, 1992, as superseded or amended from time to time.

4. VOLTAGE SCHEDULE

4.1 OCL agrees to follow the voltage schedule or schedules established from time to time by FPC.

4.2 In the event that OCL fails, in accordance with prudent utility practices, to follow any required voltage schedule, FPC may, in its sole discretion, bill OCL, in which case OCL will pay, a cost-based reactive power charge associated with providing the additional reactive power support (beyond that provided by the Facility) required to deliver the RCID Actual to RCID's system.

4.3 FPC acknowledges and agrees that, under this Letter Agreement, reactive power charges are the sole responsibility of OCL, and that RCID will not be held liable for such amounts.

5. TRANSMISSION SERVICE

5.1 FPC shall provide transmission service to RCID for the RCID Contract in accordance with the PR and Transmission Contract, or a successor tariff or rate schedule, as may be in effect from time to time. Nothing contained in this Letter Agreement shall be construed as affecting in any way the right of FPC to unilaterally make application to the FERC for changes in rates, terms or conditions of the PR and Transmission Contract or any other contract, tariff or rate schedule.

5.2 The share (RCID Actual) determined to be delivered to RCID in accordance with this Letter Agreement and Actual GEN will be electronically transferred by FPC to RCID and OCL on continuous basis.

5.3 FPC shall supply a report to RCID and OCL showing the energy deliveries to RCID each month.

5.4 If FPC is able to accept physical delivery of energy from OCL but is excused from purchasing some or all of the capacity and energy from OCL provided for under the FPC Contract, FPC will transmit the RCID Actual to RCID in accordance with the PR and Transmission Contract, or a successor tariff or rate schedule, as may be in effect from time to time. If FPC is not able to accept physical delivery of energy from OCL, FPC shall have no obligation to transmit the RCID Actual to RCID.

6.0 COST OF SOFTWARE MODIFICATIONS

6.1 OCL will be responsible for the cost of software modifications required to calculate the respective shares of energy output from the Facility for FPC and RCID. Except as provided in Section 6.3 hereof, OCL will be responsible for all costs incurred by FPC for future software upgrades required to accommodate the proration and/or delivery of the Facility's energy output. Unless otherwise agreed by FPC in its sole discretion, all cost reimbursements under this Section 9.1 will be due and payable in accordance with the FPC Contract.

6.2 FPC acknowledges and agrees that under this Letter Agreement software upgrade costs are the sole responsibility of OCL, and that RCID will not be held liable for such amounts.

6.3 OCL will have the one-time option to pay a lump sum fee of $35,000 upon execution of this Letter Agreement as compensation for all future software upgrades. OCL and FPC agree that this figure represents a reasonable estimate of future software upgrade costs on a net present value basis.

7.0 OPERATING REPRESENTATIVES

FPC, OCL and RCID will each designate in writing an appropriate operating representative and an alternate representative for purposes of exchanging operational information pursuant to this Letter Agreement. A Party's representative or alternate may be changed at any time by delivery of a written notice to the other Parties. Any notice required by this Letter Agreement must be in writing and will be deemed to have been delivered when properly addressed as designated below and deposited first class postage prepaid in the United States mail, transmitted by confirmed facsimile, delivered to a recognized next day delivery service or delivered by hand:

Emergency and Operational

To FPC:	**System Dispatcher on Duty**
Title:	**System Dispatcher**
Telephone:	**813/866-5868**
Telecopier:	**813/384-7865**
To OCL:	**Plant Operator on Duty**
Title:	**Plant Operator**
Telephone:	**407/851-1350**
Telecopier:	**407/851-1686**
To RCID:	
Title:	**Energy System Coordinator**
Telephone:	**407/824-4990**
Telecopier:	**407/824-3655**

Non-Emergency

To FPC:	
Title:	**Manager, Cogeneration Contacts & Administration** **Florida Power Corporation** **3201 34th St. S.** **St. Petersburg, Fla. 33711**
Telephone:	**813/866-4745**
Telecopier:	**813/866-4994**
To OCL:	**Orlando CoGen Limited, L.P.** **c/o Air Products and Chemicals, Inc.**
Title:	**Vice President and General Manager,** **Environmental and Energy Systems.** **7201 Hamilton Blvd.** **Allentown, PA 18195-1501**
Telephone:	**215/481-4911**
To RCID:	
Title:	**Thomas M. Moses** **District Administrator** **Reedy Creek Improvement District** **1675 Buena Vista Dr.** **Lake Buena Vista, Fla. 32830**
Telephone:	**407/828-2241**

8.0 MISCELLANEOUS

8.1 Nothing contained in this Letter Agreement is intended to or is to be construed as creating any association, joint venture, partnership or other type of entity between or among any of the parties hereto and no Party shall be deemed to act as agent or representative of any other Party.

8.2 None of the Parties hereto may assign its obligations, benefits, and duties under this Letter Agreement without prior written consent of the other Parties, which consent will not be unreasonably withheld or delayed.

8.3 FPC and RCID each acknowledge receipt of a copy of the Assignment and Security Agreement (the "Security Agreement"), dated September 29, 1992 between OCL (together with its successors and assigns, the "Borrower") and the Sumitomo Bank, Limited (together with its successors and assigns, the "Collateral Agent"). Notwithstanding the restriction on assignment established in Section 8.2 but subject to the assignment of the RCID Contract and the FPC Contract to the same entity, FPC and RCID each acknowledge and consent to the collateral pledge and assignment by the Borrower to the Collateral Agent pursuant to the Security Agreement, of all the right, title, and interest of the Borrower in, to, and under (but not its obligations, liabilities or duties with respect to) this Letter Agreement, as security for the payment and performance of all or any part of the secured obligations. The Borrower hereby acknowledges that it shall remain liable to FPC and RCID for each and every duty, liability, and obligation of the Borrower under this Letter Agreement.

8.4 Nothing contained in this Letter Agreement is intended to or shall be construed as amending or waiving any provision of the FPC Contract.

9.0 FERC FILING

Upon execution of this Letter Agreement, FPC will tender for filing with the FERC:

(a) This Letter Agreement, and

(b) A Supplement to RCID's Service Agreement under the PR and Transmission Contract in substantially the form appended to this Letter Agreement as Attachment C, and

(c) Information relevant to OCL's contribution in aide of construction.

OCL and RCID agree to support any such filings before the FERC and to provide any information or assistance reasonably requested by FPC in connection with such filings. OCL and RCID each shall reimburse FPC for one-half of any required filing fees paid in connection with such FERC filings.

10.0 SCHEDULING CHARGES

FPC will not, during the term of the Letter Agreement, assess any scheduling charges to either OCL or RCID in connection with the scheduling activities undertaken pursuant to this Letter Agreement.

If you are in agreement with all of the foregoing understandings and commitments, please so indicate by providing the signature of an authorized officer below.

Very truly yours,

Attest: _____

Date: 10/1/93

Philip C. Henry

Senior Vice President
Florida Power Corporation

FLORIDA POWER CORP.
LEGAL DEPT.
APPROVED
Date 9/24/93
By _____

Attest: _____
Assistant Secretary

Date: 10/4/93

Wayne A. Hinman

President
Orlando CoGen (I), Inc., in its capacity as
Managing General Partner of
Orlando CoGen Limited, L.P.

Attest: _____

Date: 10/7/93

Thomas M. Moses

District Administrator
Reedy Creek Improvement
District

ATTACHMENT A

Hourly Calculation of Reedy Creek Improvement District's and Florida Power Corporation's Respective Shares of Orlando CoGen Limited's Projected Net Output

FPCC =	Florida Power Corporation's (FPC) Committed Capacity (specified in the "Negotiated Contract for the Purchase of Firm Capacity and Energy from a Qualifying Facility" between Orlando CoGen Limited, L.P. (OCL) and FPC dated March 13, 1991)
RCCC =	Reedy Creek Improvement District's (RCID) Committed Capacity (specified in the "Firm Power Purchase Agreement" by and between OCL and RCID dated December 10, 1991)
Projected GEN =	Projected net output from the Facility to be provided to FPC and RCID by OCL at the FPC Delivery Point
Declined Energy (DE) =	Declined Energy which RCID notifies FPC that it does not want delivered by FPC to RCID from OCL.
Projected Turnback (PTB) =	Minimum level up to which OCL designates it will reduce Projected GEN to partially or fully match the RCID designated Declined Energy.
Effective Turnback (ETB) =	Lesser of OCL's Projected Turnback or Declined Energy.

If Projected GEN > (FPCC + RCCC), then

RCID Share = RCCC - DE

and

FPC Share = Projected GEN - RCID Share - ETB

where

$0 \leq DE \leq RCCC$

ATTACHMENT A (continued)

Hourly Calculation of Reedy Creek Improvement District's and Florida Power Corporation's Share of Orlando CoGen Limited's Projected Net Output

If Projected GEN ≤ (FPCC + RCCC), then

RCID Share = (Projected GEN * (RCCC / FPCC + RCCC)) - DE

FPC Share = Projected GEN - RCID Share - ETB

where

0 ≤ DE ≤ Projected GEN * (RCCC / FPCC + RCCC)

ATTACHMENT B

Continuous calculation of Reedy Creek Improvement District's and Florida Power Corporation's Respective Shares of Orlando CoGen Limited's Actual Net Output

Actual GEN	=	**Actual Net Output (MW) From the Facility provided to FPC and RCID by OCL as metered at the FPC Point of Interconnection**
RCID Share	=	**As defined in Attachment A hereto unless redesignated to comply with Section 5.4 herein such that RCID share would be the same amount as if FPC were able to accept all of the capacity and energy from OCL.**
FPC Share	=	**As defined in Attachment A hereto unless redesignated to comply with Section 5.4 herein**
Projected GEN	=	**As defined in Attachment A hereto**
FPCC	=	**As defined in Attachment A hereto**
RCCC	=	**As defined in Attachment A hereto**
ETB	=	**As defined in Attachment A hereto**
ATB	=	**The Actual Turnback evidenced by reduced output calculated as:**

If Actual GEN ≥ Projected GEN/hour, then:

ATB = 0

If Actual GEN < Projected GEN/hour, then:

ATB = Minimum of:

Projected GEN/hour - Actual GEN

and

ETB/hour

ATTACHMENT B (continued)

If (Actual GEN + ATB) ≥ (RCCC + FPCC), then:

RCID Actual = Maximum of (RCCC - DE/hour) and 0

If (Actual GEN + ATB) < (RCCC + FPCC), then:

RCID Actual = Maximum of:

(Actual GEN + ATB) * RCCC / (RCCC + FPCC)) - DE/hour

and

0 (zero)

In all conditions:

FPC Actual = Actual GEN - RCID Actual

and

If Actual GEN > 0

Actual Declined Energy = DE/hour - ATB

If Actual GEN = 0

Actual Declined Energy = 0

ATTACHMENT C

Supplement to RCID's Service Agreement under the "Agreement for Partial Requirements Resale and Transmission/Distribution Service" dated September 15, 1989

Attachment 2
Appendix G
Off-Peak Hour Energy Payment Discount Factor

Year	Discount Factor
1994	1.00
1995	1.00
1996	0.97
1997	0.97
1998	0.96
1999	0.93
2000	0.92
2001	0.91
2002	0.90
2003	0.90
2004	0.90
2005	0.90
2006	0.90
2007	0.90
2008	0.90
2009	0.90
2010	0.85
2011	0.85
2012	0.85
2013	0.85
2014	0.85
2015	0.85
2016	0.85
2017	0.85
2018	0.85
2019	0.85
2020	0.85
2021	0.85
2022	0.85
2023	0.85

Attachment 3
Appendix H
Index Calculation Procedures

The Index for each calendar year will be constructed from monthly coal data submitted by utilities to the Federal Energy Regulatory Commission ("FERC") on FERC Form 423, "Monthly Report of Cost and Quality of Fuels for Electric Plants" as published for each month of the prior calendar year. For those reporting utility plants burning coal, the FERC Form 423 data includes by source name: Bureau of Mines district, company and mine name, quantity (in thousands of tons), coal BTU content (in BTU/lb.), sulfur content (in %), and cost (in cents/MMBTU).

The following steps will be utilized to determine the value of the Index for a calendar year based on the monthly FERC Form 423 data for each calendar month of that calendar year:

1. Screen the FERC Form 423 data monthly to identify only those records for coal purchases which meet the following criteria:

   a. Origin is Bureau of Mines District #8,
   b. Reporting plant is (i) one of the plants identified in Appendix I or (ii) located in North American Electric Reliability Council, Southeastern Electric Reliability Council region and has an in-service date after 1 January 1996, and

2. For each reporting company remove data (where applicable) for coal purchases made under the specified contract company and mine source names identified in Appendix I. At the initiative of either Party, the excluded contracts listed in Appendix I may be reviewed no earlier than 31 December 2000 and at five year intervals thereafter. If, as a result of such review, both Parties agree that the price of coal delivered under a contract listed in Appendix I is at the then prevailing market rate, such contract shall be removed from the list of excluded contracts in Appendix I.

3. For each remaining record calculate the SO_2 content in lb/MMBTU using the following formula:

$$\frac{2.0 \times \text{sulfur content (expressed in decimal form)} \times 10^6}{\text{coal BTU content (expressed in BTU/lb.)}}$$

   Remove each monthly record for which the calculated SO_2 content is less than 1.2 or greater than 2.1 lb SO_2/MMBTU

4. Sort the monthly records by plant and for each state in total.

5. Using the records remaining after completing steps 1 through 4 above, calculate the calendar year State Index Price for each state or combination of states as listed in Table 1 below using the data on each applicable monthly record for a plant based on its location as follows:

$$\text{State Index Price} = \frac{\Sigma_{i=1}^{\text{total records for calendar year}} \text{Delivered Cost}_i}{\Sigma_{i=1}^{\text{total records for calendar year}} \text{Delivered MMBTU}_i}$$

where:

Delivered Cost_i = Σ[quantity (in thousands of Tons) x coal BTU content (in BTU/lb) x price (in cents/MMBTU) x (2.0×10^{-3})]

Delivered MMBTU_i = Σ[quantity (in thousands of Tons) x coal BTU content (in BTU/lb) x 2.0]

6. Calculate the Individual State Weight for each state or combination of states in Table 1 using (i) the 1996 actual FERC Form 423 data remaining after steps 1 through 5 above have been completed for calendar year 1996 and (ii) the following formula:

$$\text{State Weight} = \frac{\Sigma \text{ Delivered 1996 MMBTU for state or combination of states} \times 100\%}{\Sigma \text{ Delivered 1996 MMBTU for all states}}$$

Where the Σ Delivered 1996 MMBTU for a state or combination of states is calculated using the formula:

$$\Sigma_{i=1}^{\text{total records for state}} [\text{quantity (in thousands of Tons)}_i \times \text{coal BTU content (in BTU/lb)}_i \times 2.0]$$

Round the State Weights to the nearest whole percent and enter into Table 1 below.

Table 1

State	Total 1996 MMBTU	State Weight
Alabama/Mississippi		%
Florida		%
Georgia		%
N. Carolina		%

S. Carolina	%
Tennessee	%
Virginia	%
Total	*100 %*

In the event that there is no reported coal deliveries in a calendar year for a state then for that calendar year only the State Weight for each remaining state or combination of states will be determined by recalculating the State Weight using the above formula but excluding from the denominator the Tons for the state or combination of states with no reported coal deliveries. The recalculation will be based upon FERC Form 423 data recorded from the 1996 base year.

7. *Calculate the Index for the calendar year using the following formula:*

$$Index = \Sigma^{Plants} (State\ Index\ Price \times State\ Weight)$$

Attachment 4

Appendix I
List of Electric Utility Generating Facilities
Included In the Index
and
List of Coal Supply Agreements For These Facilities
Excluded From the Index

INCLUDED PLANT NAME - STATE	***EXCLUDED CONTRACTS FOR ALL FACILITIES*** (Company/Mine Source Name/FERC Supplier)
Alabama Electric Cooperative -	
Lowman (Tombigbee) - AL	No excluded contracts
Alabama Power Company -	
Barry - AL	Pittston/Ram Creek/Elkay Mining Co.
Gaston - AL	
Greene County - AL	
Carolina Power & Light Company -	
Asheville - NC	Arch./Holden #25 Complex/Cumberland River
Cape Fear - NC	Peabody/Boone County/Eastern Associated
Lee - NC	Zeigler/Wolf Creek #4/Wolf Creek Collieries
Robinson - NC	
Roxboro 1-3 - NC	
Sutton - NC	
Weatherspoon - NC	
Duke Power Company -	
Allen - NC	Coastal/Bens Creek/Virginia Iron Coal **
Belews Creek - NC	Cumberland River/Highsplint Tipple/Manalapan.
Buck - NC	Cumberland River/Harlan County/BB Coal
Cliffside - NC	Massey/Martin County/Martin County Coal *
Dan River - NC	Massey/Long Fork/Long Fork Coal Co. *
Lee - SC	Westmoreland/Wise County/Westmoreland **
Marshall - NC	Zeigler/Wolf Creek #4/Wolf Creek Collieries
Riverbend - NC	

** All contract and spot coal deliveries from Massey are excluded.*

Georgia Power Company -	
Arkwright - GA	Archbald/Archbald of Kentucky
Bowen - GA	Archbald/Archbald [illegible]/Cumberland River
Hammond - GA	Blue Diamond/Leatherwood/Blue Diamond
Harlee Branch - GA	Cyprus Amax/Leslie County/Straight Creek **
McDonough - GA	James River/Leslie County/Hazlehill Pool **
Mitchell - GA	Westmoreland/Wilson Mine/Westmoreland **
Wansley - GA	Westmoreland/Wise County/Westmoreland **
Yates - GA	Zeigler/Knox County/Knox County Coal
	Zeigler/Pike County/Pike County Coal
Jacksonville Electric Authority -	
St. John's River - FL	Ashland/Blaker
	Sun/Clover
Lakeland Dept. of Electric & Water -	
McIntosh - FL	Archbald/Archbald of Kentucky **
Orlando Utilities Commission -	
Stanton Energy Center - FL	Blue Diamond/Leatherwood/Blue Diamond
Savannah Electric & Power Company -	
McIntosh - GA	No excluded contracts.
Plant Kraft - GA	
South Carolina Electric & Gas -	
Canadys - SC	No excluded contracts.
McMeekin - SC	
Urquhart - SC	
Wateree - SC	
Williams - SC	
South Carolina Public Service Authority -	
Cross - SC	New Horizons/Wolfpen, Creech, Low/New Horizons **
Grainger - SC	Zeigler/Wildcat/Pike County Coal
Jefferies - SC	
Winyah - SC	
Tennessee Valley Authority -	
Bull Run - TN	No excluded contracts.
Kingston - TN	
Sevier - TN	

Virginia Electric & Power Company -

Bremo Bluff - VA ***No excluded contracts.***
Chesapeake Energy Center - VA
Chesterfield - VA
Clover - VA
Possum Point - VA
Yorktown - VA

*** ***Removed from the excluded list for shipments starting on or after 1 January 1996.***

Attachment 5

APPENDIX C
RATES FOR PURCHASE OF FIRM CAPACITY AND ENERGY
FROM A QUALIFYING FACILITY

SCHEDULE 6
Performance Adjustment

The Performance Adjustment provision of Article IX in this Agreement shall be calculated as follows each month after the Contract In-Service Date for all hours in the month:

last hour

$$PERADJ_i = [KWH_i - (CC \times 1.0 \text{ hr.} \times CF/100)] \times (EP1_i - EP2_i)$$

for i = first hour

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 Committed Capacity in KW.

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

$EP1_i$ = the As-Available Energy Cost in $/KWH for hour i.

$EP2_i$ = during any On-Peak Hour, the Full Firm Energy Cost in $/KWH for hour i; during any Off-Peak Hour when the As-Available Energy Cost is less than or equal to the Full Firm Energy Cost, the greater of the Discount Factor multiplied by the Full Firm Energy Cost or the As-Available Energy Cost in $/KWH for hour i; and, during any Off-Peak Hour when the As-Available Energy Cost is greater than the Full Firm Energy Cost, the Full Firm Energy Cost in $/KWH for hour i

Notes:

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

   (a) the energy payment is determined on the basis of the As-Available Energy Cost;

   (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 Full Firm Energy Cost exceeds the As-Available Energy Cost;

(d) the QF cannot deliver due to a forced outage caused by a fuel supply or fuel transportation interruption which does not qualify as a Force Majeure Event and is limited to 39 On Peak-Hours per year and 39 Off-Peak Hours per event.

2. The Performance Adjustment, PERADJ, shall not be less than zero during any hour if during that hour the QF is providing PSC Curtailment Assistance or Assistance Curtailment Assistance.

Attachment 6

Appendix J
PSC Curtailment Assistance Letters

Law Offices

McWHIRTER, REEVES, McGLOTHLIN, DAVIDSON, RIEF & BAKAS, P.A.

100 North Tampa Street, Suite 2800
TAMPA, FLORIDA 33602-5126

Mailing Address: Tampa
P.O. Box 3350, Tampa, Florida 33601-3350

Telephone (813) 224-0866
Fax (813) 221-1854
Cable Grandlaw

Please Reply To:
TALLAHASSEE

315 South Calhoun Street
Suite 716
Tallahassee, Florida 32301

Telephone (904) 222-2525
Fax (904) 222-5606

John W. Bakas, Jr.
Linda C. Dabney
C. Thomas Davidson
Stephen O. Decker
Leslie Joughin, III
Vicki Gordon Kaufman
Joseph A. McGlothlin
John W. McWhirter, Jr.
Richard W. Reeves
Frank J. Rief, III
Paul A. Strasser

May 8, 1995

James P. Fama, Esquire
Assistant General Counsel
Florida Power Corporation
Post Office Box 14042
St. Petersburg, Florida 33733

Re: Docket No. 941101-EQ, FPC's Proposed Curtailment Plan

Dear Jim:

This letter responds to your letter of May 3rd concerning treatment of OCL as a Group A NOO under FPC's curtailment plan.

Apparently, you misunderstood the previous correspondence between Roger Yott and FPC personnel. It is clear therefrom that OCL, on several occasions, made a written firm commitment to offer voluntary curtailment assistance to FPC. This commitment was not conditioned upon or subject to any further agreement from Reedy Creek Improvement District.

In any event, OCL is still (and consistently has been) willing to commit, in writing, certain unconditional assistance to alleviate FPC's minimum load problem. In furtherance of your May 3rd proposal, OCL would suggest the following Agreement.

FPC agrees to (i) manually override the Letter Agreement on the Allocation of Capacity and Energy from Orlando CoGen Limited's Qualifying Facility dated 7 October 1993 among Florida Power Corporation ("FPC"), Orlando CoGen Limited ("OCL"), and Reedy Creek Improvement District ("RCID") (the "Allocation Agreement") during the hours of 11:00 p.m. through 6:00 a.m. daily ("FPC Low Load Hours") to allow RCID to receive 35 MW less Declined Energy ("DE") under the Allocation Agreement regardless of OCL's operating level during each FPC Low Load Hour, and (ii) treat OCL as a Group A QF under the Curtailment Plan for the period during which OCL meets the following criteria:

(1) OCL makes a firm commitment to operate its Facility at not more than 97.2 MW daily during the FPC Low Load Hours; thus, if RCID takes its full 35 MW, FPC's share of OCL's net output will be only 62.2 MW during the FPC Low Load Hours.

(2) OCL represents that it has RCID's commitment that it will take sufficient energy such that its DE under the Allocation Agreement will be 12 MW or less during the FPC Low Load Hours; thus, FPC's share of OCL's net output will be no greater than 74.2 MW during the FPC Low Load Hours.

(3) OCL's commitment to the above is in no event less than two weeks. OCL will provide three business days prior written notice of its commitment to FPC.

Of course we would expect both parties to withdraw testimony relative to this issue in the event we reach an agreement.

This proposal should not be construed to suggest that a two week commitment period is necessary; however, in the spirit of compromise, and only for purposes of settlement, OCL is willing to accept a two week minimum.

Awaiting your advice, I am

Sincerely,

Joseph A. McGlothlin

JAM/jfg

Florida Power
CORPORATION

JAMES P. FAMA
ASSISTANT GENERAL COUNSEL

May 8, 1995

Gregrory A. Presnell, Esquire
Ackerman, Senterfitt & Edison
255 S. Orange Avenue
Orlando, Florida 32802

Re: Docket No. 941181-EQ

Dear Greg:

This is to acknowledge that, pursuant to the terms outlined in Mr. McGlothlin's letter of May 8, 1995, FPC and OCL have agreed that OCL will be placed in Group A when OCL chooses to invoke its right to Group A status pursuant to the terms outlined in Mr. McGlothlin's letter (incorporated by reference and attached hereto). In doing so, FPC is not agreeing to any characterizations or descriptions of FPC's or OCL's prior actions relating to OCL's exclusion from Group A.

As a result of this agreement, OCL agrees to withdraw all pre-filed testimony related to its assertion that OCL has been, or will continue to be, discriminated against by virtue of the Curtailment Plans A-B-C QF classification scheme. FPC will also withdraw its testimony that responds specifically and solely to OCL's pre-filed testimony on this issue. The testimony to be withdrawn is attached as Exhibit A.

In withdrawing testimony, each side agrees that no cross-examination of each other's witnesses will occur regarding the propriety of the A-B-C groupings, and neither party will further brief the issue for the Commission, except as necessary to address the contentions of those parties opposing such groupings.

OCL reserves the right to assert in the federal litigation that in past curtailments OCL was discriminatorily placed in Group B and which were improper for that reason, but waives any such claim with respect to any future curtailments.

Of course, FPC will persist in supporting all aspects of its Curtailment Plan in the pending FPSC proceeding and the federal litigation, and in defending all curtailments implemented to date. Likewise, OCL reserves the right to contest the legality of the Curtailment Plan and its implementation in the pending FPSC proceeding and the federal litigation.

15

This agreement shall become effective upon execution by each side and will continue in effect unless disapproved by the Florida Public Service Commission. The parties agree that the terms for placing OCL in Group A and this agreement, including the letter of Mr. McGlothlin, will be filed with the Commission for its approval, to the extent necessary.

Very truly yours,

James P. Fama

JPF/jb

Agreed to and accepted this 9th day of May, 1995

Gregory A. Presnell, Esquire
Ackerman, Senterfitt & Edison
255 S. Orange Avenue
Orlando, FL 32802
Attorneys for OCL

EXHIBIT A

TESTIMONY TO BE WITHDRAWN

YOTT - All

SOUTHWICK REBUTTAL

Page 8, line 1, sentence beginning "It is . . ." through line 12;

Page 53, lines 8 through 26;

Page 56, lines 16 through 24, up through sentence ending "written commitments."

Page 58, line 13, delete words "as proposed by Mr. Yott."

Page 58, lines 15 through 22.

Page 58, line 24 through Page 61, line 17

(d) Exceptions. A qualifying facility's generator having a capacity rating that can:

1. produce power in excess of 1/2 of the minimum utility customer requirements of the interconnected distribution or transmission circuit; or
2. produce power flows approaching or exceeding the thermal capacity of the connected utility distribution or transmission lines or transformers; or
3. adversely affect the operation of the utility or other utility customer's voltage, frequency or overcurrent control and protection devices; or
4. adversely affect the quality of service to other utility customers; or
5. interconnect at voltage levels greater than distribution voltages,

will require more complex interconnection facilities as deemed necessary by the utility.

(8) Quality of Service. The qualifying facility's generated electricity shall meet the following minimum guidelines:

(a) Frequency. The governor control on the prime mover shall be capable of maintaining the generator output frequency within limits for loads from no-load up to rated output. The limits for frequency shall be 60 hertz (cycles per second), plus or minus an instantaneous variation of less than 1%.

(b) Voltage. The regulator control shall be capable of maintaining the generator output voltage within limits for loads from no-load up to rated output. The limits for voltage shall be the nominal operating voltage level, plus or minus 5%.

(c) Harmonics. The output sine wave distortion shall be deemed acceptable when it does not have a higher content (root mean square) of harmonics than the utility's normal harmonic content at the interconnection point.

(d) Power Factor. The qualifying facility's generation system shall be designed, operated and controlled to provide reactive power requirements from 0.85 lagging to 0.95 leading power factor. Induction generators shall have static capacitors that provide at least 90% of the magnetizing current requirements of the induction generator field. Capacitors shall not be so large as to permit self-excitation of the qualifying facility's generator field).

(e) DC Generators. Direct current generators may be operated in parallel with the utility's system through a synchronous inverter. The inverter must meet all criteria in these rules.

(9) Metering. The normal metering equipment required, its voltage rating, number of phases, size, current transformers, potential transformers, number of inputs and associated energy is dependent on the type, size and location of the electric service provided. In situations where power may flow both in and out of the qualifying facility's system, power flowing into the qualifying facility's system will be measured separately from power flowing out of the qualifying facility's system.

The utility will provide, at no additional cost to the qualifying facility, the metering equipment necessary to measure capacity and energy deliveries to the qualifying facility. The utility will provide, at the qualifying facility's expense, the necessary additional metering equipment to measure energy deliveries by the qualifying facility to the utility.

(10) Cost Responsibility. The qualifying facility is required to bear all costs associated with the change-out, upgrading or addition of protective devices, transformers, lines, services, meters, switches, and associated equipment and devices beyond that which would be required to

provide normal service to the qualifying facility if the qualifying facility were a non-generating customer. These costs shall be paid by the qualifying facility to the utility for all material and labor that is required. Prior to any work being done by the utility, the utility shall supply the qualifying facility with a written cost estimate of all its required materials and labor and an estimate of the date by which construction of the interconnection will be completed. This estimate shall be provided to the qualifying facility within 60 days after the qualifying facility supplies the utility with its final electrical plans. The utility shall also provide project timing and feasibility information to the qualifying facility.

(11) Each utility shall submit to the Commission, a standard agreement for interconnection by qualifying facilities as part of their standard offer contract or contracts required by Rule 25-17.0832(3).

Specific Authority: 366.051, 366.127(2), F.S.
Law Implemented: 366.051, F.S.
History: New 9/4/90, Formerly 25-17.87, Amended 10/25/90.

25-17.088 Transmission Service for Qualifying Facilities.
Specific Authority: 366.127(2), 366.051, F.S.
Law Implemented: 366.051, 366.06(1), 366.065(2), F.S.
History: New 10/4/88, Formerly 25-17.86, Amended 2/3/87, Repealed 10/25/90.

25-17.0882 Transmission Service Not Required for Self-Service.
Specific Authority: 366.127(2), 366.05(1), F.S.
Law Implemented: 366.05(7), 366.06(1), 366.065(2), F.S.
History: New 10/4/88, Formerly 25-17.862, Repealed 10/25/90.

25-17.0883 Conditions Requiring Transmission Service for Self-service.
Public utilities are required to provide transmission and distribution services to enable a retail customer to transmit electrical power generated at one location to the customer's facilities at another location when the provision of such service and the associated charges, terms, and other conditions are not reasonably anticipated to result in higher cost electric service to the utility's general body of retail and wholesale customers or adversely affect the adequacy or reliability of electric service to all customers. The determination of whether transmission service for self service is likely to result in higher cost electric service may be made using cost effectiveness methodology employed by the Commission in evaluating conservation programs of the utility, adjusted as appropriate to reflect the qualifying facility's contribution to the utility for standby service and shaping charges, other utility program costs, the fact that qualifying facility self-service performance can be precisely metered and monitored, and taking into consideration the unique load characteristics of the qualifying facility compared to other conservation programs.
Specific Authority: 366.051, 366.127(2), F.S.
Law Implemented: 366.051, F.S.
History: New 10/25/90.

25-17.089 Transmission Service for Qualifying Facilities.
(1) Upon request by a qualifying facility, each electric utility in Florida shall provide, subject to the provisions of subsection (3) of this rule, transmission service to wheel as-available energy or firm energy and capacity produced by a Qualifying Facility from the Qualifying Facility to another electric utility.

(2) The rates, terms, and conditions for transmission services as described in subsection (1) and in Rule 25-17.0883 which are provided by an investor-owned utility shall be those approved by the Federal Energy Regulatory Commission.

(3) An electric utility may deny, curtail, or discontinue transmission service to a Qualifying Facility on a non- discriminatory basis if the provision of such service would adversely affect the safety, adequacy, reliability, or cost of providing electric service to the utility's general body of retail and wholesale customers.
Specific Authority: 366.051, 366.127(2), F.S.
Law Implemented: 366.051, 366.063(3), F.S.
History: New 10/25/90.

25-17.090 Reserved.

25-17.091 Governmental Solid Waste Energy and Capacity.
(1) Definitions and Applicability:
(a) "Solid Waste Facility" means a facility owned or operated by, or on behalf of, local government, the purpose of which is to dispose of solid waste, as that term is defined in section 403.703(13), Fla. Stat. (1988), and to generate electricity.
(b) A facility is owned by or operated on behalf of a local government if the power purchase agreement is between the local government and the electric utility.
(c) A solid waste facility shall include a facility which is not owned or operated by a local government but is operated on its behalf. When the power purchase agreement is between a non-governmental entity and an electric utility, the facility is operated by a private entity on behalf of a local government if:
1. One or more local governments have entered into a long-term agreement with the private entity for the disposal of solid waste for which the local governments are responsible and that agreement has a term at least as long as the term of the contract for the purchase of energy and capacity from the facility; and
2. The Commission determines there is no undue risk imposed on the electric ratepayers of the purchasing utility, based on:
a. The local government's acceptance of responsibility for the private entity's performance of the power purchase contract, or
b. Such other factors as the Commission deems appropriate, including, without limitation, the issuance of bonds by the local government to finance all, or a substantial portion, of the costs of the facility; the reliability of the solid waste technology; and the financial capability of the private owner and operator.
3. The requirements of subparagraph 2 shall be satisfied if a local government described in subparagraph 1 enters into an agreement with the purchasing utility providing that in the event of a default by the private entity under the power purchase contract, the local government shall perform the private entity's obligations, or cause them to be performed, for the remaining term of the contract, and shall not seek to renegotiate the power purchase contract.
(d) This rule shall apply to all contracts for the purchase of energy or capacity from solid waste facilities executed into, or renegotiated as provided in subsection (3), after October 1, 1990.
(2) Except as provided in subsections (3) and (4) of this rule, the provisions of Rules 25-17.080 - 25-17.089, Florida Administrative Code, are applicable to contracts for the purchase of energy and capacity from a solid waste facility.

Petition for Approval of an Early Termination Amendment to the Negotiated QF Contract with Orlando Cogen Limited, Ltd. by Florida Power Corporation

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EXHIBIT C

SOLICITATION FOR REVERSE AUCTION BIDS

Florida Power Corporation

Solicitation for Reverse Auction Bids

May 2, 1996

Table of Contents

SECTION 1
INTRODUCTION

1.1 Purpose

Florida Power Corporation (FPC or Company) is issuing this Request for Proposals for Reverse Auction Bids (RFP) to solicit proposals for capacity payment buy downs from the Company's operating qualifying facility (QF) suppliers. Capacity buy downs would result in a rescheduling of capacity payments over the remaining life of existing purchase agreements, resulting in higher capacity payments in the near term and lower capacity payments in the future. This RFP explains the basis for FPC's request and provides information and instructions to prospective bidders.

FPC's objective is to continue to meet the electric needs of its customers at competitive prices. The Company is issuing this RFP pursuant to this objective as part of its normal, ongoing efforts, in the interests of its customers, to deliver its product as cost effectively as possible. FPC believes that opportunities exist to creatively restructure purchased power payments to the mutual benefit of both customers and QF suppliers. In January of this year FPC advised the Florida Public Service Commission (FPSC) of its intent to solicit capacity buy downs from its QF suppliers using a reverse auction process. At that time, the Company proposed that a $17.7 million over-recovery balance (resulting from FPC's revenue decoupling mechanism) be used to provide funding for the reverse auction. FPC advised the FPSC that capacity buy downs resulting from a reverse auction could result in benefits to FPC's customers. This RFP includes capacity payment buy downs in the form of specific, structured options. Additionally, alternatives are provided for QFs to respond by initiating creative buy down or buy out concepts for consideration. This open-ended structure is intended to facilitate effective communication and the exchange of proposals to arrive at mutually beneficial transactions.

1.2 Summary of the Solicitation Process

Proposals will be judged according to their ability to reduce the long term cost of purchases under existing QF contracts in a manner that is cost effective to FPC's customers. Accordingly, a key element of the evaluation process will be an analysis of the impact of each proposal on future customer revenue requirements. The objective of this process is to elicit a proposal or group of proposals that result in benefits on a net present value basis. Given that most or all of the proposals will require project lender and regulatory approval, these activities have been included in the RFP process schedule. This is a limited solicitation. Only those operating QFs supplying energy and capacity under contract to FPC as of the issuance date of this solicitation are eligible to participate as bidders.

SECTION 2
SOLICITATION PROCESS AND SCHEDULE

2.1 Schedule of Events

FPC plans to conduct this solicitation according to the following schedule:

Announcement of RFP	March 25, 1996
Pre-RFP conference	April 23, 1996
Issue date of RFP	May 2, 1996
Pre-bid conference	May 17, 1996
RFP response deadline	July 1, 1996
Notify selected bidders	August 1, 1996
Definitive agreements signed	August 30, 1996
Petition filed for FPSC approval	October 1, 1996
Contract amendments effective	January 1, 1997

It is our intent to maintain this schedule and complete the overall process in an expeditious manner. However, some creative proposals may be evaluated and completed according to a somewhat different schedule more suitable to the nature of those proposals (see Section 4.3 for additional discussion of custom bid proposals). Given that this RFP is limited to the Company's existing QF suppliers, announcements and correspondence regarding the RFP process will be communicated directly to those suppliers. The RFP will be issued by sending a copy of the RFP to each qualified QF bidder. No interpretation or revision of the RFP is valid unless in writing and signed by the official FPC contact. FPC reserves the right to terminate the solicitation process entirely at any time. Under no circumstances will FPC reimburse or be liable for any expense incurred by a bidder in relation to this solicitation. FPC reserves the right to reject any or all bids received in response to the RFP.

2.2 Pre-Bid Conference

On Friday, May 17, 1996 FPC will conduct a pre-bid conference in St. Petersburg, Florida for the purpose of discussing this solicitation process with prospective bidders. The conference will be held at FPC's corporate offices and will begin at 10:00 A.M. Bidders are encouraged to forward questions and suggestions regarding the RFP to the official FPC contact prior to the pre-bid conference. General questions from bidders regarding the RFP process that are received after the pre-bid conference will be addressed at FPC's discretion and any response by FPC will be made only in the form of written communication to all qualified bidders in a manner consistent with

protecting the confidential nature of any information involved in the inquiry as set forth later herein. Questions that arise that are unique to an individual supplier's contract will be handled in the context of normal ongoing contract administration.

2.3 RFP Response and Deadline

All proposals must be received by FPC no later than the response deadline of 5:00 P.M. on July 1, 1996. All proposals must include five (5) paper copies of each completed proposal, including all supporting documents, in a sealed package addressed to the official FPC contact and marked: "Confidential Response to Solicitation for Reverse Auction Bids. Deliver to Addressee Unopened." A bidder may withdraw its proposal or any part of its proposal at any time prior to the execution of an agreement based on an accepted bid by providing written notice to the official FPC contact.

Bidders may respond using the format of standard bid options included in this RFP, by proposing a modified version of a standard option, or by creating a proposal of their own design. In the event that more than one option or proposal is included in the RFP response, bidders will be required to identify one proposal as the bidder's "Primary Proposal". If any group of multiple proposals are mutually exclusive, the bidder is instructed to indicate a preference or ranking for these proposals. Each individual proposal supplied in response to the RFP should be clearly identified and distinguished in order to facilitate its review in the evaluation process. The bid response must include a completed bidder information form which identifies an official bidder contact who has authority to speak for the bidder on all matters related to its proposal.

Any questions or comments on this RFP should be directed to the official FPC contact for this solicitation process:

FLORIDA POWER CORPORATION
Mr. Lee G. Schuster
Purchased Power Specialist
Post Office Box 14042
St. Petersburg, Florida 33733

Phone (813) 824-6506
Fax (813) 866-4922

2.4 Notification of Selected Bids

Once FPC has completed its evaluation of proposals, all bidders will be notified as to the status of their bids. Immediately following the notification of accepted bids, FPC will schedule meetings with successful bidders to initiate the necessary steps to proceed with closing the transaction corresponding to each winning bid. These steps may be different for individual bids but are expected to include the following steps: (1) prepare and execute a definitive contract amendment or agreement corresponding to the bid, (2) if necessary, obtain project lender approval; and, (3) obtain FPSC approval. It is contemplated that such agreements will be executed subject to the required approvals. If required, project lender approvals will be obtained as soon as possible after the execution of agreements and no later than December 31, 1996. The notification of accepted bids does not imply any commitment on the part of FPC to enter into an agreement and FPC shall not be bound in any respect until such time as a definitive contract amendment or agreement containing satisfactory terms and conditions is signed by both parties and approved as appropriate.

SECTION 3
EVALUATION METHODOLOGY

3.1 Qualified Bidders and the Basis for Disqualification

This reverse auction is a limited solicitation. Only those operating QFs supplying energy and capacity under contract to FPC as of the issuance date of this solicitation are eligible to participate as bidders. Bids received from any party other than a qualified bidder will not be considered. Bids received from qualified bidders may be disqualified and dropped from further consideration at any point in the solicitation process in FPC's sole discretion for reasons including, but not limited to, those listed below:

1. Failure to submit a complete, executed bidder information form.

2. Failure to submit a proposal before the response deadline.

3. Failure to provide clarification of a bid as requested by FPC subsequent to the submission of a proposal.

4. Illegal conduct, attempts or the appearance of attempts to improperly influence the consideration or ranking of proposals.

5. Failure to honor representations made in a proposal.

6. Failure to maintain the confidentiality of any information provided on a confidential basis or as part of any negotiations associated with this solicitation process.

3.2 Confidentiality of Information

The nature of this solicitation process may entail the disclosure of information deemed confidential by bidders. FPC will take reasonable precautions to protect any information identified as confidential. It is the responsibility of bidders to clearly identify any information provided to FPC that should be treated as confidential. If deemed necessary by a bidder, FPC will execute a confidentiality agreement.

3.3 Bid Evaluation Process

Proposals will be judged according to their ability to reduce the long term cost of purchases under existing QF contracts in a manner that is cost effective to FPC's customers. Accordingly, a key element of the evaluation process will be an analysis of the impact of each proposal on future customer revenue requirements. The objective of the bid evaluation process is to arrive at a proposal or group of proposals that FPC is prepared to accept and pursue to implementation.

The evaluation process will begin with a review of all proposals to ensure that each one is sufficiently specific and complete to undertake evaluation. If necessary, FPC may contact individual bidders for clarification to facilitate the review of proposals. The proposals will be divided into two groups for evaluation purposes. The first group will include only buy down proposals that consist of rescheduled capacity payments. The second group will include all proposals other than those based on rescheduled capacity payments. FPC will then proceed with a detailed evaluation of each group of proposals. Subject to the overall review of these bids, a principle selection criterion will be the resulting impact on the net present value of customer revenue requirements.

Capacity buy down proposals will be judged primarily on two criteria. First, bids based on higher discount rates are more likely to be accepted, and will be accepted in preference to bids based on lower discount rates. Second, bids that provide net benefits (revenue requirement reductions) to customers sooner rather than later will be given preference. For example, given two bids with the same net present value benefit, a bid that results in a reduction in customer rates within five years will be preferred to another bid that reduces rates only after ten or fifteen years. The bid discount rate, as computed for bid options #1 and #2 (refer to Section 4.2), will be highly correlated with the net benefit to customers determined in the bid evaluation process. FPC stressed this point in its testimony before the FPSC: "To the extent that QFs assign a higher value for up-front payments than a reduction in payments over time (by the use of the discount rate they use to value cash flows), the $17.7 million can be leveraged to produce more value to customers."

The second group of proposals (other than proposals for rescheduled capacity payments) will be subjected to a more comprehensive evaluation process appropriate to the variety and unique nature of these offers. The evaluation criteria will include: (1) the net present value of reduction in future customer revenue requirements; (2) the specific timing of the impact on customer revenues; (3) the nature of the proposal, such as fixed energy payment buy down, project buy out, contract buy out, or other; (4) the funding commitment which may be required by FPC to pursue a given proposal; (5) consideration of the regulatory and/or lender approval required for the proposal; and (6) any other factors that are judged to have a bearing on the financial impact or viability of proposals.

Based on the results of the bid evaluation process, FPC will make a decision to accept or reject each proposal. For bids that result in a near term increase in capacity payments, the aggregate amount of bids accepted may be limited to a net present value rate impact of $17.7 million (based on FPC's revenue decoupling fund balance). However, in the event that highly attractive bids exceed the $17.7 million limit, FPC may choose to pursue ways with the FPSC to implement such proposals on behalf of its customers. For proposals such as an offer to sell a project outright to FPC, which may entail a capital investment by FPC, there is no predetermined upper limit for the value of accepted bids.

SECTION 4
INSTRUCTIONS TO RESPONDENTS

4.1 General Instructions

Each proposal must include a completed bidder information form. Beyond this single requirement, the form and content of each bid proposal is flexible. The format for bids is not fixed because FPC recognizes that a variety of proposals are possible that might be precluded by a rigid bid format. In order to be successful, this solicitation process requires flexibility to accommodate the creativity and unique needs and circumstances of each potential bidder. As desirable as this open-ended, flexible format is in principle, it will represent a challenge for bidders in the preparation and submittal of bids and for FPC in the evaluation of bids. It is essential that bidders provide a clear, concise presentation of bid proposals.

4.2 Preparation of Standard Buy Down Bid Forms

This solicitation includes standard formats for two general types of capacity buy down options that may be of interest to bidders (see appendix for forms). The existing capacity payment schedule has been inserted in columns (1) and (2) of these forms for each potential QF bidder. The RFP package includes a 3.5 inch diskette containing these forms in Excel 5.0 files.

Option #1 allows a bidder to specify a new capacity payment ($/KW-month) to be effective January 1, 1997. The new payment rate is specified in combination with a new annual capacity payment escalation rate for the remaining life of the power purchase agreement. Bidding option #1 is intended to be used to specify a new capacity payment rate for 1997 that is equal to or higher than the existing payment rate in conjunction with an escalation rate that is lower than the existing capacity payment escalation rate. Note that the new escalation rate may be positive, zero or negative, resulting in a capacity payment stream that increases more slowly than the existing payment stream, is flat over time, or decreases over time from its initial value.

Column 3 of the bid form calculates the year-by-year change in capacity payments resulting from the bid. In general, column 3 will indicate an increase in payments in the near term and a reduction in payments in the long term. A discount rate is calculated by the form and appears at the bottom of column 3. This discount rate is calculated based on the cash flow stream in column 3 in exactly the same manner as a standard financial internal rate of return calculation. The calculated discount rate will be a critical factor in FPC's review and acceptance of bids (see Section 3.3 for additional discussion of the bid evaluation process).

Bidding option #2 is intended to be used to specify a capacity payment schedule that may not be compatible with the format of option #1. Option #2 may be used to specify capacity payment amounts on a year-by-year basis using a pattern that is tailored to the financial and operating needs of the bidder's project. Once annual capacity payment rates have been entered into column 4 of the form, the format for option #2 is identical to option #1.

4.3 Preparation of Custom Bid Proposals

Any bid proposal that does not fit one of the standard bidding formats described above will be treated as a custom bid. FPC encourages bidders to make creative proposals that meet the stated purpose of the solicitation as well as their own unique circumstances. As noted previously, it may be appropriate for custom proposals to be pursued according to a schedule suitable to the unique nature of the proposal rather than according to the standard schedule defined in Section 2.1. Any such modified schedule will be determined on a case-by-case basis in a manner acceptable to both FPC and the bidder. As examples of custom proposals, FPC will give full consideration to bids based upon, but not limited to, the following concepts:

1. Contract buy outs may be designed to partially or completely buy out the existing contract. Partial buy outs can be based on a reduction in the term of the contract, a reduction in the committed capacity, or other changes in the existing terms of the contract.

2. A rescheduling of capacity, fixed O&M, or variable O&M (non-fuel) payments that results in a lower escalation rate for future payments can be traded for higher payments in the near term or an up-front payment that "buys out" some or all future escalation of a particular payment stream.

3. FPC is interested in receiving proposals to buy out existing projects. This may take the form of an immediate buy out of a project, a commitment for a future buy-out, or an option for FPC to buy out a project. Bidders may choose to offer a specific price and terms for a buy out or simply offer a framework or threshold for a buy out, leaving FPC the option to respond with a definitive buy out offer.

Petition for Approval of an Early Termination Amendment to the Negotiated QF Contract with Orlando Cogen Limited, Ltd. by Florida Power Corporation

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EXHIBIT D

CONTRACT RESTRUCTURING COST EFFECTIVENESS COMPARISON

Exhibit D

Savings to FPC Customers
Due to OCL Contract Buyout
(2000)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Contract Case			Replacement Case				
Year	Capacity	Energy	(1)+(2) Total	Capacity	Energy	Buyout Cost	(4)+(5)+(6) Total	(3)-(7) Customer Savings
1997	0	0	0	0	0	9,881	9,881	(9,881)
1998	0	0	0	0	0	9,881	9,881	(9,881)
1999	0	0	0	0	0	9,881	9,881	(9,881)
2000	0	0	0	0	0	9,881	9,881	(9,881)
2001	0	0	0	0	0	9,881	9,881	(9,881)
2002	0	0	0	0	0	0	0	0
2003	0	0	0	0	0	0	0	0
2004	0	0	0	0	0	0	0	0
2005	0	0	0	0	0	0	0	0
2006	0	0	0	0	0	0	0	0
2007	0	0	0	0	0	0	0	0
2008	0	0	0	0	0	0	0	0
2009	0	0	0	0	0	0	0	0
2010	0	0	0	0	0	0	0	0
2011	0	0	0	0	0	0	0	0
2012	0	0	0	0	0	0	0	0
2013	0	0	0	0	0	0	0	0
2014	36,322	24,311	60,634	9,011	16,959	0	25,970	34,664
2015	38,177	25,118	63,296	9,243	16,721	0	25,964	37,331
2016	40,116	26,025	66,141	9,515	17,082	0	26,597	39,544
2017	42,171	26,819	68,991	9,788	17,441	0	27,229	41,762
2018	44,312	27,716	72,027	10,062	17,799	0	27,861	44,166
2019	46,579	28,644	75,223	10,341	18,152	0	28,493	46,730
2020	48,963	29,667	78,630	10,691	17,807	0	28,498	50,132
2021	51,463	30,602	82,065	10,883	18,257	0	29,120	52,935
2022	54,070	31,634	85,704	11,189	18,862	0	29,751	55,954
2023	56,836	32,703	89,539	11,478	18,897	0	30,383	59,156
Total 2014-2023 =			$742,249				$279,866	$462,384
Net present value at 1/1/97 =			$119,621				$86,667	$32,954

approval by the FPSC to the extent necessary and appropriate ("FPSC Approval"). This Settlement Agreement shall have no force or effect if FPSC Approval is not obtained in its entirety, and the PPA will remain as is, without amendment, supplementation or modification by this Settlement Agreement.

b. FPC shall promptly file a petition and any other necessary papers seeking FPSC Approval, and shall make all reasonable efforts to seek expeditious consideration and approval thereof.

c. The Parties agree to support fully the petition for FPSC Approval. At FPC's request, OCL shall assist FPC in seeking FPSC Approval.

d. In the event the FPSC fails to provide the approval pursuant to Section 2.a above, nothing contained herein or in any other agreement or understanding among the Parties or reflected in any practice of a Party shall operate to waive any right FPC may have to seek repayment of any amounts (including interest) paid pursuant to this Settlement Agreement or the PPA, or to resume the payment methodologies and practices adopted for the computation of energy payments for the period following August 9, 1994 or under the PPA, pending an approved settlement of the Parties or disposition of the Parties' claims by the court. FPC's rights shall include a right to recoup any such repayment from future capacity and energy payments, and the right to assert a set-off in the Litigation in an amount sufficient to place FPC in the position it would have been had FPC not made the payments described herein; provided, however, that to the extent FPC exercises any right of recoupment, repayment, and/or set-off, FPC will abide by its agreement to maintain the Facility at a 1.2 debt coverage ratio until such time as a final judgment is entered by the district court in the Litigation, in accordance with the arrangements set forth in FPC's prior written assurances on this subject.

3. **Approval by OCL's Lending Institutions**

a. This Settlement Agreement is expressly conditioned on its being approved by the Lenders in its entirety without modification or condition. Except as otherwise noted, this Settlement Agreement shall have no force or effect if such approval is not obtained.

b. OCL shall promptly contact its Lenders and provide them with this Settlement Agreement. OCL shall make all reasonable efforts to obtain

expeditious consideration and approval of this Settlement Agreement by its Lenders.

4. **Back-up Fuel**

a. Section 3.3 of the PPA is hereby amended by deleting that section in its entirety and replacing it with the following, which shall become part of the PPA:

3.3 The QF shall maintain the following fuel supply and transportation arrangements:

3.3.1 A supply of natural gas of like quality to the QF's natural gas supply arrangements provided by Vastar Gas Marketing, Inc. ("Vastar") existing on the Settlement Date until January 1, 2014, the term of the QF's natural gas supply agreement with Vastar, unless the QF is prevented from maintaining a supply of natural gas of such quality by the action or inaction of a governmental authority having jurisdiction over such natural gas supply arrangements, in which case the QF shall maintain a supply as close to such quality as is permitted by law.

3.3.2 Natural gas transportation of like quality to the QF's firm transportation arrangement provided by Florida Gas Transmission ("FGT") existing on the Settlement Date for the remaining Term, unless the QF is prevented from maintaining transportation of such quality by the action or inaction of a governmental authority having jurisdiction over such transportation arrangements, in which case the QF shall maintain transportation as close to such quality as is permitted by law.

3.3.3 Notwithstanding any other provision of this Agreement to the contrary, the QF shall not be required to install a back-up fuel supply system.

3.3.4 The QF agrees to pay the Company forty thousand dollars ($40,000) for each hour, which amount shall be prorated for a partial hour or for a partial output interruption (or both), in which the QF suffers a full or partial forced outage due to a fuel supply or fuel transportation interruption that does not qualify as a

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 On-Peak Capacity Factor on a rolling average basis 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 The monthly capacity payment shall equal the product of (i) the applicable capacity payment rate; (ii) the Committed Capacity; (iii) the ratio of the Committed On-Peak Capacity Factor to the Minimum On-Peak Capacity Factor; (iv) the Capacity Payment Adjustment; (v) the Capacity Discount Factor of 0.995 and (vi) 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.

8.5 The Parties recognize that Accelerated Capacity Payments are in the nature of "early payment" for a future capacity benefit to the Company when such payments exceed Normal Capacity Payments without consideration of the Capacity Discount Factor. 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:

8.5.1 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 Accelerated Capacity Payments and shall be debited in the amount which the Company would have paid for capacity in the month pursuant to the Normal Capacity Payment without consideration of the Capacity Discount Factor.

8.5.2 In addition to the amounts pursuant to section 8.5.1 hereof, each month the Capacity Account shall be credited in the amount of any increased income taxes owed by the Company resulting from Accelerated Capacity Payments and shall be debited in the amount of any decreased income taxes owed by the Company resulting from Accelerated Capacity Payments. If such tax impacts are recovered by the Company, the Company will adjust the Capacity Account accordingly.

8.5.3 The monthly balance in the Capacity Account shall accrue interest at the annual rate of 9.00%, or 0.750% per month.

8.5.4 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 execute a promise to repay any credit balance in the Capacity Account; 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.

8.5.5 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 As-Available Energy Cost 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 Contract In-Service Date, the QF will receive electric energy payments based upon the Firm Energy Cost calculated on an hour-by-hour basis as follows: (i) the product of the average monthly inventory charge-out price of fuel burned at the Avoided Unit Fuel Reference Plant, the Fuel Multiplier, and the Avoided Unit Heat Rate, plus the Avoided Unit Variable O & M, if applicable, for each hour that the Company would have had a unit with these characteristics operating; and (ii) during all other hours, the energy cost shall be equal to the As-Available Energy Cost.

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.

9.2 Energy payments pursuant to sections 9.1.1 and 9.1.2 hereof shall be subject to the Delivery Voltage Adjustment pursuant to Appendix C.

ARTICLE X: CHARGES TO THE QF

10.1 The Company shall bill and the QF shall pay 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 a monthly charge equal to any taxes, assessments or other impositions for which the Company may be liable 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 amounts billed shall not include any amounts (I) for which the Company would have been liable had it generated or purchased from other sources an equivalent amount of Committed Capacity and electric energy; or (II) which are recovered by the Company; or (III) which are accrued in the Capacity Account pursuant to section 8.5.2 hereof.

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. Metering equipment required to measure electric energy delivered to the Company and the telemetering equipment required to transmit such measurements to a location specified by the Company shall be installed, calibrated and maintained by the Company and all related applicable 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 system; 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, and the total shall be reduced by the amount of any payment adjustments pursuant to section 7.3 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 13.3 hereof.

ARTICLE XIII: SECURITY GUARANTEE

13.1 Within sixty (60) days after the Contract Approval Date, the QF shall post an Completion 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 Completion Security Guaranty is not tendered by the QF on or before the applicable due date specified herein. The QF shall either: (I) pay the Company cash in the form of a certified check in an amount equal to the Completion Security Guaranty; or (II) provide the Company an unconditional and irrevocable direct pay letter of credit or other promise to pay such amount upon failure 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 From the date on which the QF first becomes entitled to capacity payments under this Agreement through the remaining Term, the QF shall post an Operational Security Guaranty with the Company equal to $30.00 per KW of Committed Capacity to ensure timely performance by the QF of its obligations under this Agreement. The QF shall either: (I) pay the Company cash in the form of a certified check in an amount equal to the Operational Security Guaranty; or (II) provide the Company an unconditional and irrevocable direct pay letter of credit or other promise to pay such amount upon failure 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. Furthermore, if

option (ii) is selected, the Operational Security Guaranty shall be increased monthly as if it had accrued interest pursuant to section 13.3 hereof.

13.3 All Completion and Operational Security Guaranties paid in cash 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.

13.4 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 Completion Security Guaranty and accrued interest within thirty (30) days thereafter and shall cancel any other form of Completion Security Guaranty which the Company has accepted in lieu of a cash deposit. If the Facility fails to achieve Commercial In-Service Status on or before the Contract In-Service Date for any reason, including Force Majeure Events, except as provided in section 4.2.2 hereof, then in addition to any other rights or obligations of the Parties, the QF shall immediately forfeit and the Company, in lieu of any other remedies except as provided in section 15.1.6 hereof, shall retain any cash Completion Security Guaranty and accrued interest, and any other form of Completion Security Guaranty which the Company has accepted in lieu of a cash deposit shall become immediately due and payable to the Company.

13.5 Upon expiration of the Term of this Agreement, without early termination by either Party, the Company shall refund to the QF any cash Operational Security Guaranty and accrued interest within thirty (30) days thereafter and shall cancel any other form of Operational Security Guaranty which the Company has accepted in lieu of a cash deposit. Upon any earlier termination of this Agreement for any reason, including Force Majeure Events, but excluding an early termination by the QF permitted pursuant to this Agreement, then in addition to any other rights or obligation of the Parties, the QF shall immediately forfeit and the Company shall retain the Operational Security Guaranty and accrued interest, and any other form of Operational Security

Guaranty which the Company has accepted in lieu of a cash deposit shall become immediately due and payable to the Company.

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 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, except events caused by the Company, shall constitute a Pre-Operational Event of Default and shall give the Company the right to exercise, without limitation, the remedies specified under section 15.2 hereof:

15.1.1 The QF, without a prior assignment permitted pursuant to Article XXIII 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 Reserved

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 unless the QF notifies the Company on or before the Contract In-Service Date that it agrees to pay the Company in weekly installments in cash or certified check an amount equal to $0.15 per KW times the Committed Capacity specified in section 7.1 hereof for every day between the date that the Facility achieves Commercial In-Service Status and the Contract In-Service Date and the Facility subsequently achieves Commercial In-Service Status no later than ninety (90) days after 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, in its sole discretion and without an election of one remedy to the exclusion of the other remedy, take any of the actions pursuant to sections 15.2.1 and 15.2.2 hereof; provided, however, that the Company shall first exercise the remedy pursuant to section 15.2.1 hereof if (i) the Construction Commencement Date has occurred on or before the date specified in Article IV hereof, as extended only pursuant to said Article IV; and (ii) the QF is not in arrears for any monies owed to the Company pursuant to this Agreement.

15.2.1 Renegotiate any applicable provisions of this Agreement with the QF when necessary to preserve its validity. If the Parties cannot agree within thirty (30) days from the date of the Pre-Operational Event of Default, the Company shall have the right to exercise the remedy pursuant to section 15.2.2 hereof.

15.2.2 Terminate this Agreement.

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 Operational Security Guaranty required under Article XIII is not tendered on or before the applicable due date specified in the Article.

15.3.2 The QF fails upon request by the Company pursuant to section 7.6 hereof to re-demonstrate the Facility's Commercial In-Service Status to the satisfaction of the Company.

15.3.3 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.

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

15.3.5 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 conditions within sixty (60) days after a demand by the Company to do so.

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 one remedy to the exclusion of the other remedies, take any of the actions pursuant to sections 15.4.1, 15.4.2, and 15.4.3 hereof; provided, however, that the Company shall first exercise the remedy pursuant to section 15.4.1 h... of except for an Operational Event of Default pursuant to section 15.3.3 hereof.

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 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 On-Peak Capacity factor is calculated.

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 authorizations 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 (except as provided for in section 7.3 hereof), whether arising in contract, tort, or otherwise.

ARTICLE XIX: INSURANCE

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. 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: REGULATORY CHANGES

20.1 The Parties agree that the Company's payment obligations under this Agreement are expressly conditioned upon the mutual commitments set forth in this Agreement and upon the Company's being fully reimbursed for all payments to the QF through the Fuel and Purchased Power Costs Recovery Clause or other authorized rates or charges. Notwithstanding any other provision of this Agreement, should the Company at any time during the Term of this Agreement be denied the FPSC's or the FERC's authorization, or the authorization of any other regulatory bodies which in the future may have jurisdiction over the Company's rates and charges, to recover from its customers all payments required to be made to the QF under the terms of this Agreement, payments to the QF from the Company shall be reduced accordingly. Neither Party shall initiate any action to deny recovery of payments under this Agreement and each Party shall participate in defending all terms and conditions of this Agreement, including, without limitation, the payment levels specified in this Agreement. Any amounts initially recovered by the Company from its ratepayers but for which recovery is subsequently disallowed by the FPSC or the FERC and charged back to the Company may be off-set or credited against subsequent payments made by the Company for purchases from the QF, or alternatively, shall be repaid by the QF. If any disallowance is subsequently reversed, the Company shall repay the QF such disallowed payments with interest at the rate specified in section 13.3 hereof to the extent such payments and interest are recovered by the Company.

20.2 If the QF's payments are reduced pursuant to section 20.1 hereof, the QF may terminate this Agreement upon thirty (30) days notice; provided that the QF gives the Company written notice of said termination within eighteen (18) months after the effective date of such reduction in the QF's payments.

ARTICLE XXI: FORCE MAJEURE

21.1 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:

21.1.1 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.

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

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

21.1.4 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.

21.1.5 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.

21.2 Unless and until the QF temporarily redesignates the Committed Capacity pursuant to section 7.4 hereof, no capacity payment obligation pursuant to Article VII hereof shall accrue during any period of a declared Force Majeure Event pursuant to section 21.1.1 through 21.1.5. During any such period, the Company will pay for such energy as may be received and accepted pursuant to section 9.1.1 hereof.

21.3 If the QF temporarily or permanently redesignates the Committed Capacity pursuant to section 7.4 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 XXII: FACILITY RESPONSIBILITY AND ACCESS

22.1 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.

22.2 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. Any Company inspection of property or equipment owned or controlled by the QF or any Company review of or consent to the QF's plans, shall not be construed as

endorsing the design, fitness or operation of the Facility equipment nor as a warranty or guarantee.

22.3 The QF shall reactivate the Facility at its own expense if the Facility 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 XXIII: SUCCESSORS AND ASSIGNS

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

ARTICLE XXIV: 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 XXV: 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 XXVI: 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 XXVII: 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.

28.1 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:

Vice President - Corporate Secretary
Orlando Cogen Limited, L.P.
c/o Air Products and Chemicals, Inc.
7201 Hamilton Blvd.
Allentown, PA 18195

Notices to the Company shall be addressed to:

Manager, Cogeneration Contracts & Administration
Florida Power Corporation
P. O. Box 14042
St. Petersburg, FL 33733

28.2 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)384-7965

To The QF: Name (To be provided later)
Title: _____
Telephone: ( ) _____
Telecopier: ( ) _____

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

28.4 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 XXIX: 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 XXX: 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:

AEF

By: _____

Title: _____

Date: 13 March 1991

ATTEST:

_____
Asst. Secretary

The Company:

By: _____
M. H. Phillips
Executive Vice President

Date: 3/6/91

ATTEST:

_____

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 Scheduling and Cost Estimates.**

2.1 No later than sixty (60) days after the Contract Approval 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, including without limitation, a one-line diagram, and anticipated Facility site data. 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. Reserved.

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.

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 _____ 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.

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 A-1-1, 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 number(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 customers 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 operate the manual disconnect switch number(s)_____ owned by the QF pursuant to section 3.6 hereof.

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

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

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

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

(iv) Each Party shall be responsible for returning its facilities to approved operating conditions, including removal of grounds, prior to 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: [redacted]
Telecopier: [redacted]

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

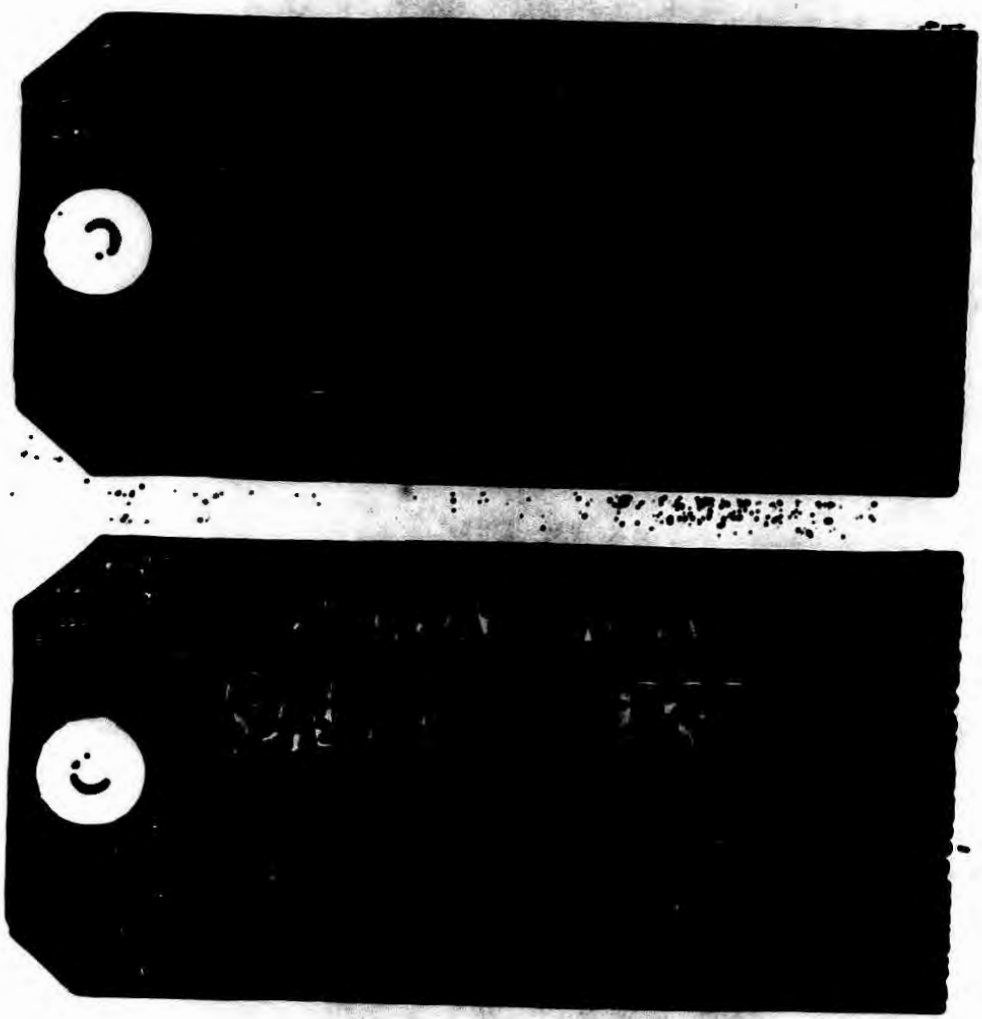
5.2 Each Party shall provide as much notification as practicable to the other Party regarding planned outages of equipment that may affect the other Party's operation.

EXHIBIT B-1

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

EXHIBIT B-2

A switch or switch point (i.e., elbow, open jumper, 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.



APPENDIX C
RATES FOR PURCHASE OF FIRM CAPACITY AND ENERGY
FROM A QUALIFYING FACILITY

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(d) the cogeneration facility is not owned by a person primarily engaged in the generation or sale of electricity. This criterion is met if less than 50% of the equity interest in the facility is owned by a utility, utility holding company, or a subsidiary of them.

Specific Authority: 366.05(9), 350.127(3), F.S.
Law Implemented: 366.05(9), F.S.
History: New 5/13/81, amended 9/6/83, formerly 25-17.00.

25-17.061 Reserved.

25-17.062 The Utility's Obligation to Purchase; Customer's Selection of Billing Method.

(1) Upon compliance by the qualifying facility with Rule 25-17.087, each utility shall purchase electricity produced and sold by qualifying facilities at rates which have been agreed upon by the utility and qualifying facility or at the utility's published tariff. Each utility shall file a tariff or tariffs and standard offer contract or contracts for the purchase of energy and capacity from qualifying facilities which reflects the provisions set forth in these rules.

(2) Unless the Commission determines that alternative metering requirements cause no adverse effect on the cost or reliability of electric service to the utility's general body of customers, each tariff and standard offer contract shall specify the following metering requirements for billing purposes:

(a) Hourly recording meters shall be required for qualifying facilities with an installed capacity of 100 kilowatts or more.

(b) For qualifying facilities with an installed capacity of less than 100 kilowatts, at the option of the qualifying facility, either hourly recording meters, dual kilowatt-hour register time-of-day meters, or standard kilowatt-hour meters shall be installed. Where special circumstances warrant, meters shall be read at monthly intervals on the approximate corresponding day of each meter reading period.

(3)(a) A qualifying facility, upon entering into a contract for the sale of firm capacity and energy or prior to delivery of as-available energy to a utility, shall elect to make either simultaneous purchases from the interconnecting utility and sales to the purchasing utility or net sales to the purchasing utility. Once made, the selection of a billing methodology may only be changed:

1. when a qualifying facility selling as-available energy enters into a negotiated contract or standard offer contract for the sale of firm capacity and energy; or
2. when a firm capacity and energy contract expires or is lawfully terminated by either the qualifying facility or the purchasing utility; or
3. when the qualifying facility is selling as-available energy and has not changed billing methods within the last twelve months; and
4. when the election to change billing methods will not contravene the provisions of Rule 25-17.0832 or any contract between the qualifying facility and the utility.

Firm capacity and energy contracts in effect prior to the effective date of this rule shall remain unchanged.

(b) If a qualifying facility elects to change billing methods in accordance with this rule, such change shall be subject to the following provisions:

1. upon at least thirty days advance written notice;
2. upon the installation by the utility of any additional meter or equipment reasonably required to effect the change in billing upon payment by the qualifying facility for such metering equipment and its installation; and

Force Majeure Event; provided, however, that said amount paid by the QF to the Company for a forced outage due to a fuel supply or fuel transportation interruption that does not qualify as a Force Majeure Event shall not exceed six hundred thousand dollars ($600,000) in any given calendar year or three million six hundred thousand dollars ($3,600,000) over the Term. The Parties agree that payment by the QF of the amounts specified herein will fully satisfy the QF's obligations with respect to any such circumstances.

3.3.5 If the QF fails to maintain the fuel supply and transportation arrangements required by sections 3.3.1 and 3.3.2 above, the Company may to the extent otherwise permitted by law assert a claim against the QF, including a claim for damages, notwithstanding the agreement governing forced outages set forth in 3.3.4 above; provided, however, that the QF shall be entitled to a set-off to such damage claim to the full extent of payments made to the Company pursuant to 3.3.4 for outages resulting from the QF's failure to maintain the fuel supply and transportation arrangements required by sections 3.3.1 and 3.3.2 above; and provided further that the relief provided may include any remedy (interim or otherwise) that appropriately would be available at law or equity in a court of competent jurisdiction.

3.3.6 The QF shall notify the Company in writing of any material change in the firmness, quality or term of its fuel supply or transportation arrangements as required by sections 3.3.1 and 3.3.2 occurring after the Settlement Date, whether such change is the result of change to a governing contract, tariff, or for some other reason. Notwithstanding the foregoing, the Company shall have the right to examine, upon reasonable notice and execution of a confidentiality agreement satisfactory to the QF's fuel supplier described in section 3.3.1, the contracts, tariffs and other arrangements supporting the Facility's fuel supply and transportation arrangements. Any information provided by OCL to FPC hereunder is provided solely for the purpose of assisting FPC in determining the correctness of OCL's fuel supply and transportation arrangements, and such materials may not be used for any other purpose or competitive reason.

APPENDIX C
RATES FOR PURCHASE OF FIRM CAPACITY AND ENERGY FROM A QUALIFYING FACILITY

SCHEDULE 1

GENERAL INFORMATION FOR 1991 COMBUSTION TURBINE UNIT

GENERAL

YEAR OF AVOIDED UNIT = 1991
AVOIDED UNIT FUEL REFERENCE PLANT = BARTOW CT UNITS

OPERATING DATA

AVOIDED UNIT VARIABLE O&M COSTS IN 1/90 $'s = $1.74/MWH
SYSTEM VARIABLE O&M COSTS IN 1/90 $'s = [illegible]/MWH
ANNUAL ESCALATION RATE OF O&M COSTS = 5.1%
MINIMUM ON-PEAK CAPACITY FACTOR = [illegible]
AVOIDED UNIT HEAT RATE = 12,400 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.

[redacted]

[redacted]

[redacted]

[redacted] Page 1 of 1

[redacted]

(1)	(2)	(3)	(4)	(5)	(6)
CALENDAR YEAR	[redacted]	[redacted]	[redacted] (c) (ESTIMATED) [redacted]		TOTAL
1991	3.96		29.78	0.76	30.54
1992	4.17		31.42	0.80	32.42
1993	4.37		34.28	0.84	35.12
1994	4.59		39.75	0.88	40.63
1995	4.86		44.44	0.93	45.37
1996	5.08		47.98	0.98	48.96
1997	5.36		52.48	1.08	53.46
1998	5.66		55.82	1.08	56.90
1999	5.98		58.78	1.13	54.83
2000	6.30		58.78	1.19	59.97
2001	6.91		56.42	1.25	57.67
2002	6.66		62.36	1.32	63.68
2003	7.19		65.46	1.38	67.84
2004	7.56		72.28	1.48	73.78
2005	7.94		79.78	1.53	81.33
2006	8.34		85.76	1.61	88.37
2007	8.77		88.86	1.69	89.73
2008	9.22		92.55	1.77	94.32
2009	9.70		97.38	1.86	99.11
2010	10.19		102.38	1.96	104.14
2011	10.71		107.42	2.06	109.48
2012	11.26		113.08	2.16	115.06
2013	11.83		118.48	2.27	120.92
2014	12.43		124.78	2.39	127.89
2015	13.07		131.06	2.51	133.57
2016	13.73		137.78	2.64	140.39
2017	14.43		144.77	2.78	147.55
2018	15.17		152.16	2.92	155.08
2019	15.94		159.92	3.07	162.99
2020	16.76		168.07	3.22	171.29
2021	17.61		176.64	3.39	180.02
2022	18.51		185.62	3.56	189.21
2023	19.44(a)		195.12	3.74	198.86

NOTES:

(a) If the Term of the Agreement is extended beyond 2023 pursuant to Article IV hereof, the normal payment rate schedule shall be escalated at 5.0% per year.

(b) The NF may construct an accelerated payment rate schedule that has the same or lower net present value over the Term as the normal payment rate schedule using the discount rate specified in section 6.3.3 hereof and which assumes the Contract In-Service Date specified as of the Execution Date. At the request of the NF prior to the commencement of capacity payments if the Contract In-Service Date differs from the date specified as of the Execution Date, the accelerated payment rate schedule in this schedule will be recalculated so that the ratio of the net present value as of January 1, 1995, of the recalculated schedule to the normal payment schedule over the Term is not increased.

(c) Information provided is estimated and excludes the Delivery Voltage Adjustment.

[redacted]

[redacted]

[redacted] Page 1 of 1

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

APPENDIX C

RATES FOR PURCHASE OF FIRM CAPACITY AND ENERGY FROM A QUALIFYING FACILITY

SCHEDULE 4

Payments for Avoided 1991 Pulverized Coal Unit

Option A

Fuel Multiplier = 1.0

(1)	(2)	(3)	(4)	(5)	(6)
	CAPACITY PAYMENT - $/KW-MONTH		ENERGY PAYMENT - $/MWH (c) (ESTIMATED)		
CALENDAR YEAR	NORMAL PAYMENT RATE	ACCELERATED PAYMENT RATE (b)	FUEL	O&M	TOTAL
1991	10.92		21.07	4.70	25.77
1992	11.48		21.94	4.86	26.80
1993	12.07		22.86	5.19	28.05
1994	12.68		23.87	5.45	29.32
1995	13.32		25.09	5.73	30.82
1996	14.00		26.37	6.02	32.39
1997	14.72		27.71	6.33	34.04
1998	15.46		29.13	6.65	35.78
1999	16.25		30.41	6.99	37.40
2000	17.08		32.17	7.35	39.52
2001	17.95		33.61	7.73	41.34
2002	18.87		35.34	8.12	43.46
2003	19.83		37.30	8.53	45.83
2004	20.85		39.26	8.97	48.23
2005	21.91		41.26	9.43	50.69
2006	23.02		43.36	9.91	53.27
2007	24.20		45.57	10.41	55.98
2008	25.43		47.90	10.94	58.84
2009	26.73		50.34	11.50	61.84
2010	28.09		52.91	12.09	65.00
2011	29.53		55.61	12.70	68.31
2012	31.03		58.44	13.35	71.79
2013	32.61		61.42	14.03	75.45
2014	34.28		64.55	14.75	79.30
2015	36.03		67.85	15.50	83.35
2016	37.86		71.31	16.29	87.60
2017	39.80		74.94	17.12	92.06
2018	41.82		78.77	18.00	96.77
2019	43.96		82.78	18.91	101.69
2020	46.20		87.01	19.88	106.89
2021	48.56		91.45	20.89	112.34
2022	51.03		96.11	21.96	118.07
2023	53.64(a)		101.11	23.08	124.19

NOTES:

(a) If the Term of the Agreement is extended beyond 2023 pursuant to Article IV hereof, the normal payment rate schedule shall be escalated at 5.1% per year.

(b) The QF may structure an accelerated payment rate schedule that has the same or lower net present value over the Term as the normal payment rate schedule using the discount rate specified in section 8.8.3 hereof and which assumes the Contract In-Service Date specified as of the Execution Date. At the request of the QF prior to the commencement of capacity payments or if the Contract In-Service Date differs from the date specified as of the Execution Date, the accelerated payment rate schedule in this schedule will be recalculated so that the ratio of the net present value as of January 1, 1991, of the recalculated schedule to the normal payment schedule over the Term is not increased.

(c) Information provided is estimated and excludes the Delivery Voltage Adjustment.

[redacted]

[redacted]

[redacted]

Payments for Avoided 1991 Pulverized Coal Unit

Option B

Fuel Multiplier = 1.0

(1)	(2)	(3)	(4)
CALENDAR YEAR	[redacted]	[redacted]	[redacted] (c) (ESTIMATED)
1991	13.77		21.67
1992	14.47		21.94
1993	15.21		24.48
1994	15.98		25.87
1995	16.80		26.89
1996	17.65		28.37
1997	18.55		27.71
1998	19.49		30.13
1999	20.49		30.61
2000	21.54		32.17
2001	22.63		33.81
2002	23.79		35.54
2003	25.00		37.38
2004	26.28		39.26
2005	27.62		41.26
2006	29.03		43.36
2007	30.51		45.57
2008	32.07		47.89
2009	33.71		50.34
2010	35.43		52.91
2011	37.23		55.61
2012	39.13		58.44
2013	41.11		61.42
2014	43.22		64.56
2015	45.42		67.85
2016	47.73		71.31
2017	50.17		74.96
2018	52.73		78.77
2019	55.42		82.78
2020	58.25		87.01
2021	61.23		91.48
2022	64.36		96.11
2023	67.65(a)		101.01

NOTES:

(a) If the term of the Agreement is extended beyond 2023 pursuant to Article IV hereof, the normal payment rate schedule shall be escalated at 5.1% per year.

(b) The NF may construct an accelerated payment rate schedule that has the same or lower net present value over the term as the normal payment rate schedule using the discount rate specified in section 6.3.3 hereof and which assumes the Contract In-Service Date specified as of the Execution Date. At the request of the NF prior to the commencement of capacity payments or if the Contract In-Service Date differs from the date specified as of the Execution Date, the accelerated payment rate schedule in this schedule will be recalculated so that the ratio of the net present value as of January 1, 1991, of the recalculated schedule to the normal payment schedule over the term is not increased.

(c) Information provided is estimated and excludes the Delivery Voltage Adjustment.

APPENDIX C
RATES FOR PURCHASE OF FIRM CAPACITY AND ENERGY
FROM A QUALIFYING FACILITY

SCHEDULE 4

Payments for Avoided 1991 Pulverized Coal Unit

Option C

Fuel Multiplier = 0.8

(1) CALENDAR YEAR	(2) CAPACITY PAYMENT - $/KW/MONTH: NORMAL PAYMENT RATE	(3) CAPACITY PAYMENT - $/KW/MONTH: ACCELERATED PAYMENT RATE (b)	(4) ENERGY PAYMENT - $/MWH (c) (ESTIMATED)
1991	16.37		16.86
1992	17.18		17.35
1993	18.04		18.27
1994	18.95		19.10
1995	19.90		20.07
1996	20.91		21.10
1997	21.98		22.17
1998	23.09		23.30
1999	24.27		24.49
2000	25.52		25.74
2001	26.81		27.05
2002	28.18		28.43
2003	29.62		29.88
2004	31.13		31.41
2005	32.72		33.01
2006	34.39		34.69
2007	36.14		36.46
2008	37.99		38.32
2009	39.93		40.27
2010	41.96		42.33
2011	44.10		44.49
2012	46.35		46.75
2013	48.70		49.14
2014	51.20		51.64
2015	53.81		54.28
2016	56.56		57.05
2017	59.45		59.95
2018	62.47		63.02
2019	65.65		66.23
2020	69.00		69.61
2021	72.52		73.16
2022	76.21		76.89
2023	80.11(a)		80.81

NOTES:

(a) If the Term of the Agreement is extended beyond 2023 pursuant to Article IV hereof, the normal payment rate schedule shall be escalated at 5.1% per year.

(b) The QF may structure an accelerated payment rate schedule that has the same or lower net present value over the Term as the normal payment rate schedule using the discount rate specified in section [illegible] hereof and which assumes the Contract In-Service Date specified as of the Execution Date. At the request of the QF prior to the commencement of capacity payments or if the Contract In-Service Date differs from the date specified as of the Execution Date, the accelerated payment rate schedule in this schedule will be recalculated so the ratio of the net present value as of January 1, 1991, of the recalculated schedule to the normal payment schedule over the Term is not increased.

(c) Information provided is estimated and excludes the Delivery Voltage Adjustment.

APPENDIX C
RATES FOR PURCHASE OF FIRM CAPACITY AND ENERGY
FROM A QUALIFYING FACILITY

SCHEDULE D
Capacity Payment Adjustment for On-Peak Capacity Factor

On-Peak C.F.	Capacity Payment Adjustment Multiplying Factor
Greater than or Equal to the Committed On-Peak C.F.	1.0
From 50.0% to the Committed On-Peak C.F.	[On-Peak C.F. / Committed On-Peak C.F.] 1.5
Below 50.0%	0

Where On-Peak C.F. = On-Peak Capacity Factor

[redacted]

[redacted]

[redacted] Page 1 of 1

The Performance Adjustment provision of Article III in this Agreement shall be calculated as follows each month after the Contract In-Service Date for all hours in the month:

[redacted]

Where:

[redacted] = the Performance Adjustment for hour i.

[redacted] = the hourly energy delivered to the Company by the CF during hour i.

[redacted] = the Committed Capacity in kW.

[redacted] = if the On-Peak Capacity Factor (CF) is 50.0% or greater, then CF equals the lesser of (a) the Committed On-Peak Capacity Factor (CPF) or (b) the On-Peak Capacity Factor (X); if the On-Peak Capacity Factor is less than 50.0%, then CF equals zero.

[redacted] = the As-Available Energy Cost in $/kWh for hour i.

[redacted] = the Firm Energy Cost in $/kWh for hour i.

Note:

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

(a) the energy payment is determined on the basis of the of As-Available Energy Cost;

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

(c) the Firm Energy Cost exceeds the As-Available Energy Cost.

[redacted]

[redacted]

[redacted]
Charges to Qualifying Facility Page 1 of 1

[redacted]

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.

[redacted]

The Qualifying Facility shall be billed monthly for the costs associated with the operation, maintenance, and repair of the Interconnection. These include all the Company's inspections of the interconnection and the 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.

In lieu of payments for actual charges, the Qualifying Facility shall pay a monthly charge equal to 0.00% of the Interconnection Costs less the Interconnection Costs offset. This monthly rate shall be adjusted periodically to the same rate applicable to standard offer contracts pursuant to the rules in Appendix E.

APPENDIX C
RATES FOR PURCHASE OF FIRM CAPACITY AND ENERGY
FROM A QUALIFYING FACILITY

SCHEDULE D
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 rules in Appendix E.

APPENDIX D

RESERVED

APPENDIX E
FPSC RULES 25-17.080 THROUGH 25-17.091

PART III

UTILITIES' OBLIGATIONS WITH REGARD TO CONSERVATION AND SMALL POWER PRODUCERS

25-17.080 Definitions and Qualifying Criteria.

(1) For the purposes of these rules the Commission adopts the Federal Energy Regulatory Commission Rules 292.101 through 292.207, effective March 20, 1980 regarding definitions and criteria that a small power producer or cogenerator must meet to achieve the status of a qualifying facility. Small power producers or cogenerators which fail to meet the FERC criteria for achieving qualifying facility status but otherwise meet the objectives of economically reducing Florida's dependence on oil and the economic deferment of utility power plant expenditures may petition the Commission to be granted qualifying facility status for the purpose of receiving energy and capacity payments pursuant to these rules.

(2) In general, under the FERC regulations, a small power producer is a qualifying facility if:

(a) the small power producer does not exceed 80 MW; and

(b) the primary (at least 75%) energy source of the small power producer is biomass, waste, or another renewable resource; and

(c) the small power production facility is not owned by a person primarily engaged in the generation or sale of electricity. This criterion is met if less than 50% of the equity interest in the facility is owned by a utility, utility holding company, or a subsidiary of them.

(3) In general, under the FERC regulations, a cogenerator is a qualifying facility if:

(a) the useful thermal energy output of a topping cycle cogeneration facility is not less than 5% of the facility's total energy output per year; and

(b) the useful power output plus half of the useful thermal energy output of a topping cycle cogeneration facility built after March 13, 1980, with any one input of natural gas or oil is greater than 42.5% or 45% if the useful thermal energy output is less than 15% of the total energy output of the facility; and

(c) the useful power output of a bottoming cycle cogeneration facility built after March 13, 1980, with any energy input as supplementary firing of natural or oil is not less than 45% of the natural gas or oil input on an annual basis;

3. upon completion and approval by the utility of any alterations to the interconnection reasonably required to effect the change in billing and upon payment by the qualifying facility for such alterations.

(c) Should a qualifying facility elect to make simultaneous purchases and sales, purchases of electric service by the qualifying facility from the interconnecting utility shall be billed at the retail rate schedule under which the qualifying facility load would receive service as a non-generating customer of the utility; sales of electricity delivered by the qualifying facility to the purchasing utility shall be purchased at the utility's avoided energy and capacity rates, where applicable, in accordance with Rules 25-17.0825 and 25-17.0832.

(d) Should a qualifying facility elect a net billing arrangement, the hourly net energy and capacity data delivered to the purchasing utility shall be purchased at the utility's avoided energy and capacity rates, where applicable, in accordance with Rules 25-17.0825 and 25-17.0832; purchases from the interconnecting utility shall be billed pursuant to the utility's applicable standby service or supplemental service rate schedules.

(4)(c) Payments for energy and capacity sold by a qualifying facility shall be rendered monthly by the purchasing utility and as promptly as possible, normally by the twentieth business day following the day the meter is read. The kilowatt-hours sold by the qualifying facility, the applicable avoided energy rate at which payments were made, and the rate and amount of the applicable capacity payment shall accompany the payment by the utility to the qualifying facility.

(5) Where simultaneous purchases and sales are made by a qualifying facility, avoided energy and capacity payments to the qualifying facility may, at the option of the qualifying facility, be taken as a credit to the qualifying facility's bill; the kilowatt-hours purchased by the qualifying facility, the avoided energy rate at which payments were made, and the rate and amount of the capacity payment shall accompany the bill to the qualifying facility. A credit shall not exceed the amount of the qualifying facility's bill from the utility and the excess, if any, shall be paid directly to the qualifying facility in accordance with this rule.

(6) A utility may require a reasonable deposit from each interconnected qualifying facility in accordance with Rule 25-6.097 for the qualifying facility's purchase of power from the utility. Each utility's tariff shall contain specific criteria for determining the applicability and amount of a deposit from an interconnected qualifying facility consistent with projected net cash flow on a monthly basis.

(7) Each utility shall keep separate accounts for sales to qualifying facilities and purchases from qualifying facilities.

Specific Authority: 366.051, 366.81(2), F.S.
Law Implemented: 366.051, F.S.
History: New 8/12/81, Amended 9/4/85, Formerly 25-17.02, Amended 10/25/90.

25-17.0826 As-Available Energy.

(1) As-available energy is energy produced and sold by a qualifying facility on an hour-by-hour basis for which contractual commitments as to the quantity, time, or reliability of delivery are not required. Each utility shall purchase as-available energy from any qualifying facility. As-available energy shall be sold by a qualifying facility and purchased by a utility pursuant to the terms and conditions of a published tariff or a mutually negotiated contract.

As-available energy sold by a qualifying facility shall be purchased by the utility at a rate, in cents per kilowatt-hour, not to exceed the utility's avoided energy cost. Because of the lack of assurance as to the quantity, time, or reliability of delivery of as-available energy, no capacity payments shall be made to a qualifying facility for the delivery of as-available energy.

(2) Tariff Rates: Each utility shall publish a tariff for the purchase of as-available energy from qualifying facilities. Each utility's published tariff shall state that the rate of payment for as-available energy is the utility's

avoided energy cost as defined in subsection (2) of this rule, less the additional costs directly attributable to the purchase of such energy from a qualifying facility. The additional costs directly associated with the purchase of as-available energy from qualifying facilities shall be specifically identified in the utility's tariff.

(b) Contract Rates: Each utility may enter into a separately negotiated contract for the purchase of as-available energy from a qualifying facility. All contracts for the purchase of as-available energy between a qualifying facility and a utility shall be filed with the Commission within 10 working days of their signing. Those qualifying facilities wishing to negotiate a contract for the sale of firm capacity and energy with terms different from those in a utility's standard offer contract may do so pursuant to Rule 25-17.0832(2). Where parties cannot agree on the terms and conditions of a negotiated contract, either party may apply to the Commission for relief pursuant to Rule 25-17.0834.

(3)(a) Avoided energy costs associated with as-available energy are defined as the utility's actual avoided energy cost before the sale of interchange energy. Avoided energy costs associated with as-available energy shall be all costs the utility avoided due to the purchase of as-available energy, including the utility's incremental fuel, identifiable variable operating and maintenance expense, and identifiable variable utility power purchases. Demonstrable utility administrative costs required to calculate avoided energy costs may be deducted from avoided energy payments. Avoided line losses reflecting the voltage at which generation by the qualifying facility is received by the utility shall also be included in the determination of avoided energy costs. Each utility shall calculate its avoided energy cost associated with as-available energy deterministically, on an hour-by-hour basis, after accounting for interchange sales which have taken place, using the utility's actual avoided energy cost for the hour, as affected by the output of the qualifying facilities committed to the utility's system. A megawatt block size at least equal to the most recent available estimate of the combined average hourly generation of all qualifying facilities making energy sales based on the utility's as-available energy rate to the utility shall be used to calculate the utility's hourly avoided energy costs associated with as-available energy. For the purpose of this subsection, interchange sales are inter-utility sales which are provided at the option of the selling utility exclusive of central pool dispatch transactions.

(b) Each utility's tariff shall include a description of the methodology to be used in the calculation of avoided energy cost implementing subsection (3) of this Rule. Each utility's implementation methodology shall specify the method by which the utility's incremental fuel and operating and maintenance costs and line losses are determined.

(3)(a) For qualifying facilities with hourly recording meters, monthly payments for as-available energy shall be made and shall be calculated based on the product of: (1) the utility's actual avoided energy rate for each hour during the month; and (2) the quantity of energy sold by the qualifying facility during that hour.

(b) For qualifying facilities with dual kilowatt-hour register time-of-day meters, monthly payments for as-available energy shall be calculated based on the average of the utility's actual hourly avoided energy rate for the on-peak and off-peak periods during the month.

(c) For qualifying facilities with standard kilowatt-hour meters, monthly payments for as-available energy shall be calculated based on the average of the utility's actual hourly avoided energy rate for the off-peak periods during the month.

(4) Each utility shall file with the Commission by the twentieth business day of the following month, a monthly report of their actual hourly avoided energy costs, the average of their actual hourly avoided energy costs for the on-peak and

off-peak periods during the month, and the average of their actual hourly avoided energy costs for the month with the Commission. A copy shall be furnished to any individual who requests such information.

(5) Upon request by a qualifying facility or any interested person, each utility shall provide within 30 days its most current projections of its generation mix, fuel price by type of fuel, and at least a five year projection of fuel forecasts to estimate future as-available energy prices as well as any other information reasonably required by the qualifying facility to project future avoided cost prices including, but not limited to, a 24 hour advance forecast of hour-by-hour avoided energy costs. The utility may charge an appropriate fee, not to exceed the actual cost of production and copying, for providing such information.

(6) Utility payments for as-available energy made to qualifying facilities pursuant to the utility's tariff shall be recoverable by the utility through the Commission's periodic review of fuel and purchased power. Utility payments for as-available energy made to qualifying facilities pursuant to a separately negotiated contract shall be recoverable by the utility through the Commission's periodic review of fuel and purchased power costs if the payments are not reasonably projected to result in higher cost electric service to the utility's general body of ratepayers or adversely affect the adequacy or reliability of electric service to all customers.

Specific Authority: 366.051, 366.127(2), F.S.
Law Implemented: 366.051, F.S.
History: New 9/4/90, Formerly 25-17.08, Amended 10/25/90.

25-17.083 Firm Energy and Capacity.

Specific Authority: 366.04(1), 366.05(1), 366.06(2), 366.127(2), F.S.
Law Implemented: 366.06(2), F.S.
History: New 9/4/90, Formerly 25-17.08, Repealed 10/25/90.

25-17.0831 Contracts.

Specific Authority: 366.05(1), 366.127(2), F.S.
Law Implemented: 366.06(2), F.S.
History: New 9/12/91, Amended 5/4/92, Formerly 25-17.831, Repealed 10/25/90.

25-17.0832 Firm Capacity and Energy Contracts.

(1) Firm capacity and energy are capacity and energy produced and sold by a qualifying facility and purchased by a utility pursuant to a negotiated contract or a standard offer contract subject to certain contractual provisions as to the quantity, time and reliability of delivery.

(2) Within one working day of the execution of a negotiated contract or the receipt of a signed standard offer contract, the utility shall notify the Director of the Division of Electric and Gas and provide the amount of committed capacity and the avoided unit, if any, to which the contract should be applied.

(3) Within 10 working days of the execution of a negotiated contract for the purchase of firm capacity and energy or within 10 working days of receipt of a signed standard offer contract, the purchasing utility shall file with the Commission a copy of the signed contract and a summary of its terms and conditions. At a minimum, such a summary shall report:

1. the name of the utility and the owner and/or operator of the qualifying facility, who are signatories of the contract;
2. the amount of committed capacity specified in the contract, the size of the facility, the type of the facility its location, and its interconnection and transmission requirements;
3. the amount of annual and on-peak and off-peak energy expected to be delivered to the utility;
4. the type of unit being avoided, its size and its in-service year;
5. the in-service date of the qualifying facility; and

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 could 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 subdivision (4) and paragraph (5)(a) of this rule, provided 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, provided 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.

(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

capacity or parts thereof by the purchasing utility. Rates for payment of capacity sold by a qualifying facility shall be specified in the contract for the duration of the contract. In reviewing a utility's standard offer contract or contracts, the Commission shall consider the criteria specified in paragraphs (2)(a) through (2)(d) of this rule, as well as any other information relating to the determination of the utility's full avoided costs.

(c) In lieu of a capacity associated contract, a qualifying facility under 75 megawatts or a solid waste facility as defined in Rule 25-17.091(1), F.A.C., may accept any utility's standard offer contract. Qualifying facilities which are 75 megawatts or greater may negotiate contracts for the purchase of capacity and energy pursuant to subsection (2). Should a utility fail to negotiate in good faith, any qualifying facility may apply to the Commission for relief pursuant to Rule 25-17.0834, F.A.C.

(d) Within 60 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 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 commercially 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.

A standard offer contract which has been accepted by a qualifying facility shall apply towards the subscription limit of the unit designated in the contract effective the date the utility receives the accepted contract. If the contract is not accepted by the utility, the subject shall be removed from the subscription limit effective the date of the Commission order granting the utility's petition.

(e) Minimum specifications. Each standard offer contract shall, at minimum, specify:

1. the avoided unit or units on which the contract is based;
2. the total amount of committed capacity, in megawatts, needed to fully subscribe the avoided unit specified in the contract;
3. the payment options available to the qualifying facility including all financial and economic assumptions necessary to calculate the firm capacity payments available under each payment option and an illustrative calculation of firm capacity payments for a minimum ten year term commonly commencing with the in-service date of the avoided unit for each payment option;
4. the date on which the standard contract offer expires. This date shall be at least four years before the anticipated in-service date of the avoided unit or units unless the avoided unit could be constructed in less than four years, or when the subscription limit has been reached;
5. the date by which firm capacity and energy deliveries from the qualifying facility to the utility shall commence. This date shall be no later than the anticipated in-service date of the avoided unit specified in the contract;
6. the period of time over which firm capacity and energy shall be delivered from the qualifying facility to the utility. Firm capacity and energy shall be delivered, at a minimum, for a period of ten years, commencing with the anticipated in-service date of the avoided unit specified in the contract. 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;

7. the minimum performance standards for the delivery of firm capacity and energy by the qualifying facility during the utility's daily seasonal peak and off-peak periods. These performance standards shall approximate the anticipated peak and off-peak availability and capacity factor of the utility's avoided unit over the term of the contract;

8. provisions to ensure repayment of payments 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 avoided unit specified in the contract in the event that the qualifying facility fails to perform pursuant to the terms and conditions of the contract. Such provisions may be in the form of a surety bond or equivalent assurance of repayment of payments exceeding the year-by-year value of deferring the avoided unit specified in the contract.

(f) The Commission may approve contracts that specify:

1. 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 which may be in the form of an up-front payment, surety bond, or equivalent assurance of payment. Such payment or surety shall be refunded upon completion of the facility and demonstration that the facility can deliver the amount of capacity and energy specified in the contract; and

2. a listing of the parameters, including any impact on electric power transfer capability, associated with the qualifying facility as compared to the avoided unit necessary for the calculation of the avoided cost.

(g) Firm Capacity Payment Options. Each standard offer contract shall also contain, at a minimum, the following options for the payment of firm capacity delivered by the qualifying facility:

1. Value of deferral capacity payments. Value of deferral capacity payments shall commence on the anticipated in-service date of the avoided unit. Capacity payments under this option shall consist of monthly payments escalating annually of the avoided capital and fixed operation and maintenance expense associated with the avoided unit and shall be equal to the value of a year-by-year deferral of the avoided unit, calculated in accordance with paragraph (5)(a) of this rule.

2. Early capacity payments. Each standard offer contract shall specify the earliest date prior to the anticipated in-service date of the avoided unit when early capacity payments may commence. The early capacity payment date shall be an approximation of the lead time required to give and construct the avoided unit. Early capacity payments shall consist of monthly payments escalating annually of the avoided capital and fixed operation and maintenance expense associated with the avoided unit, calculated in conformance with paragraph (5)(b) of the rule. At the option of the qualifying facility, early capacity payments may commence at any time after the specified early capacity payment date and before the anticipated in-service date of the avoided unit provided that the qualifying facility is delivering firm capacity and energy to the utility. When early capacity payments are elected, the cumulative present value of the capacity payments made to the qualifying facility over the term of the contract shall not exceed the cumulative present value of the capacity payments which would have been made to the qualifying facility had such payments been made pursuant to subparagraph (5)(g)1 of this rule.

3. Levelized capacity payments. Levelized capacity payments shall commence on the anticipated in-service date of the avoided unit. The capital portion of capacity payments under this option shall consist of equal monthly payments over the term of the contract, calculated in conformance with paragraph (5)(c) of this rule. The fixed operation and maintenance portion of capacity payments shall be equal to the value of the year-by-year deferral of fixed operation and maintenance expense associated with the avoided unit calculated in conformance with paragraph (5)(a) of this rule. Where levelized capacity payments are elected, the cumulative present value of the levelized capacity payments made to the qualifying facility over the term of the contract shall not exceed the cumulative present value of capacity payments which would have been made to the qualifying facility had such payments been made pursuant to subparagraph (5)(g)1 of this rule, value of deferral capacity payments.

4. Early levelized capacity payments. Each standard offer contract shall specify the earliest date prior to the anticipated in-service date of the avoided unit when early levelized capacity payments may commence. The early capacity payment date shall be an approximation of the lead time required to site and construct the avoided unit. The capital portion of capacity payments under this option shall consist of equal monthly payments over the term of the contract, calculated in conformance with paragraph (5)(c) of this rule. The fixed operation and maintenance expense shall be calculated in conformance with paragraph (5)(a) of this rule. At the option of the qualifying facility, early levelized capacity payments shall commence at any time after the specified early capacity date and before the anticipated in-service date of the avoided unit provided that the qualifying facility is delivering firm capacity and energy to the utility. Where early levelized capacity payments are elected, the discounted present value of the capacity payments made to the qualifying facility over the term of the contract shall not exceed the discounted present value of the capacity payments which would have been made to the qualifying facility had such payments been made pursuant to subparagraph (5)(g)1 of this rule.

(4) Avoided energy payments.

(a) For the purpose of this rule, avoided energy costs associated with firm energy sold to a utility by a qualifying facility pursuant to a utility's standard offer contract shall commence with the in-service date of the avoided unit specified in the contract. Prior to the in-service date of the avoided unit, the qualifying facility may sell as-available energy to the utility pursuant to Rule 25-17.0825.

(b) To the extent that the avoided unit would have been operated, had that unit been installed, avoided energy costs associated with firm energy shall be the energy cost of this unit. To the extent that the avoided unit would not have been operated, the avoided energy costs shall be the as-available avoided energy cost of the purchasing utility. During the periods that the avoided unit would not have been operated, firm energy purchased from qualifying facilities shall be treated as as-available energy for the purposes of determining the megawatt block size in Rule 25-17.0825(2)(a).

(c) The energy cost of the avoided unit specified in the contract shall be defined as the cost of fuel, in cents per kilowatt-hour, which would have been burned at the avoided unit plus variable operation and maintenance expense plus avoided line losses. The cost of fuel shall be calculated as the average market

price of fuel, in cents per million Btu, associated with the avoided unit multiplied by the average heat rate associated with the avoided unit. The variable operating and maintenance expense shall be estimated based on the unit-fuel type and technology of the avoided unit.

(5) Calculation of standard offer contract firm capacity payment options.

(a) Calculation of year-by-year value of deferral. The year-by-year value of deferral of an avoided unit shall be the difference in revenue requirements associated with deferring the avoided unit one year and shall be calculated as follows:

$$VAC_m = \frac{1}{12} \left\{ RR_n \left[\frac{\left(1 - \frac{(1+i_p)}{(1+r)^L}\right)}{\left(1 - \frac{(1+i_p)}{(1+r)}\right)^L} \right] + O_n \right\}$$

Where, for a one year deferral:

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

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

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

O_n = total fixed operation and maintenance expense for the year n, in mid-year dollars per kilowatt per year, of the avoided unit;

i_p = annual escalation rate associated with the plant cost of the avoided unit(s);

i_o = annual escalation rate associated with the operation and maintenance expense of the avoided unit(s);

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

L = expected life of the avoided unit; and

n = year for which the avoided unit is deferred starting with its original anticipated in-service date and ending with the termination of the contract for the purchase of firm energy and capacity.

(b) Calculation of early capacity payments. Monthly early capacity payments shall be calculated as follows:

$$A_m = A_0 \frac{(1+i_p)^{(m-1)}}{12} + A_0 \frac{(1+i_o)^{(m-1)}}{12} \quad \text{for m=1 to t}$$

Where: A_m = monthly early capacity payments to be made to the qualifying facility for each month of the contract year n, in dollars per kilowatt per month;

i_p = annual escalation rate associated with the plant cost of the avoided unit;

i_o = annual escalation rate associated with the operation and maintenance expense of the avoided unit(s);

m = year for which early capacity payments to a qualifying facility are made, starting in year one and ending in the year t;

t = the term, in years, of the contract for the purchase of firm capacity;

$$A_C = P \left| \begin{array}{c} \dfrac{(1+i_P)}{1-(1+r)_E} \\ \dfrac{(1+i_P)^t}{1-(1+r)^t} \end{array} \right|$$

Where: P = the cumulative present value in the year that the contractual payments will begin, of the avoided capital cost component of capacity payments which would have been made had capacity payments commenced with the anticipated in-service date of the avoided unit(s); and

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

$$A_O = O \left| \begin{array}{c} \dfrac{(1+i_O)}{1-(1+r)_E} \\ \dfrac{(1+i_O)^t}{1-(1+r)^t} \end{array} \right|$$

Where: O = The cumulative present value in the year that the contractual payments will begin, of the avoided fixed operation and maintenance expense component of capacity payments which would have been made had capacity payments commenced with the anticipated in-service date of the avoided unit.

(c) Levelized and early levelized capacity payments. Monthly levelized and early levelized capacity payments shall be calculated as follows:

$$P_L = P \times \frac{r}{12} \times \frac{}{1-(1+r)^{-t}} + O$$

Where: P_L = the monthly levelized capacity payment, starting on or prior to the in-service date of the avoided unit;

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

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

t = the term, in years, of the contract for the purchase of firm capacity;

O = the monthly fixed operation and maintenance component of the capacity payments, calculated in accordance with paragraph (f)(4) for levelized capacity payments or with paragraph (f)(5) for early levelized capacity payments.

(6) Sale of excess firm energy and capacity. To the extent that firm energy and capacity purchased from a qualifying facility pursuant to a standard offer contract or an individually negotiated contract is not needed by the purchasing utility, these rules shall be construed to encourage the

purchasing utility to sell all or part of the energy and capacity to the utility in need of energy and capacity at a mutually agreed upon price which is cost effective to the ratepayers.

(7) Upon request by a qualifying facility or any interested person, each utility shall provide within 30 days its most current projections of its future generation mix including type and timing of anticipated generation additions, and at least a 20-year projection of fuel forecasts, as well as any other information reasonably required by the qualifying facility to project future avoided cost prices. The utility may charge an appropriate fee, not to exceed the actual cost of production and copying, for providing such information.

(8)(a) Firm energy and capacity payments made to a qualifying facility pursuant to a separately negotiated contract shall be recoverable by a utility through the Commission's periodic review of fuel and purchased power costs if the contract is found to be prudent in accordance with subsection (3) of this rule.

(b) Upon acceptance of the contract by both parties, firm energy and capacity payments made to a qualifying facility pursuant to a standard offer contract shall be recoverable by a utility through the Commission's periodic review of fuel and purchased power costs.

(c) Firm energy and capacity payments made pursuant to a standard offer contract signed by the qualifying facility, for which the utility has petitioned the Commission to reject, is recoverable through the Commission's periodic review of fuel and purchased power costs if the Commission requires the utility to accept the contract because it satisfies subsection (3) of this rule.

Specific Authority: 350.127, 366.04(2), 366.051, 366.05(8), F.S.
Law Implemented: 366.051, 366.052, F.S.
History: New 10/25/90.

25-17.0833 Planning Hearings.

(1) Upon petition or on its own motion, the Commission shall periodically review optimal generation and transmission plans from a statewide and individual utility perspective. In connection with these proceedings, the Commission shall consider the need for capacity from both a statewide and individual utility perspective, the adequacy of the transmission grid, and other strategic planning concerns affecting the Florida electric grid.

(2) Upon petition, or on its own motion, the Commission, as needed, shall review individual utility generation and expansion plans at any time.

Specific Authority: 366.05(8), 366.051, 350.127(2), F.S.
Law Implemented: 366.051, F.S.
History: New 10/25/90.

25-17.0834 Settlement of Disputes in Contract Negotiations.

(1) Public utilities shall negotiate in good faith for the purchase of capacity and energy from qualifying facilities and interconnection with qualifying facilities. In the event that a utility and a qualifying facility cannot agree on the rates, terms, and other conditions for the purchase of capacity and energy, either party may apply to the Commission for relief. Qualifying facilities may petition the Commission to order a utility to sign a contract for the purchase of capacity and energy which does not exceed a utility's full avoided costs as defined in 366.051, Florida Statutes, should the Commission find that the utility failed to negotiate in good faith.

(2) To the extent possible, the Commission will dispose of an application for relief within 90 days of the filing of a petition by either a utility or a qualifying facility.

(3) If the Commission finds that a utility has failed to negotiate or deal in good faith with qualifying facilities, or has explicitly dealt in bad faith with qualifying facilities, it shall impose an appropriate penalty on the utility as approved by section 366.127, Florida Statutes.
Specific Authority: 366.051, 366.127(2), F.S.
Law Implemented: 366.051, F.S.
History: New 10/25/90.

25-17.0835 Wheeling.
Specific Authority: 366.05(9), 366.127(2), F.S.
Law Implemented: 366.05(9), 366.051(2), F.S.
History: New 9/4/85, repealed 10/4/90, formerly 25-17.835.

25-17.084 The Utility's Obligation to Sell.
Upon compliance with Rule 25-17.087, each utility shall sell energy to qualifying facilities at rates which are just, reasonable, and non-discriminatory.
Specific Authority: 366.05(9), 366.127(2), F.S.
Law Implemented: 366.05(9), F.S.
History: New 5/12/81, amended 9/4/85, formerly 25-17.84.

25-17.085 Reserved.

25-17.086 Periods During Which Purchases are not Required.
Where purchases from a qualifying facility will impair the utility's ability to give adequate service to the rest of its customers or, due to operational circumstances, purchases from qualifying facilities will result in costs greater than those which the utility would incur if it did not make such purchases, or otherwise place an undue burden on the utility, the utility shall be relieved of its obligation under Rule 25-17.083 to purchase electricity from a qualifying facility. The utility shall notify the qualifying facility(ies) prior to the instances giving rise to these conditions, if practicable. If prior notice is not practicable, the utility shall notify the qualifying facility(ies) as soon as practicable after the fact. In either event the utility shall notify the Commission, and the Commission staff shall, upon request of the affected qualifying facility(ies), investigate the utility's claim. Nothing in this section shall operate to relieve the utility of its general obligation to purchase pursuant to Rule 25-17.083.
Specific Authority: 366.05(9), 366.127(2), F.S.
Law Implemented: 366.05(9), F.S.
History: New 5/12/81, Amended 9/4/85, Formerly 25-17.86.

25-17.087 Interconnection and Standards.
(1) Each utility shall interconnect with any qualifying facility which:
(a) is in its service area;
(b) requests interconnection;
(c) agrees to meet system standards specified in this rule; (d) agrees to pay the cost of interconnecting; and
(e) signs an interconnection agreement.
(2) Nothing in this rule shall be construed to preclude a utility from evaluating each request for interconnection on its own merits and modifying the general standards specified in this rule to reflect the result of such an evaluation.
(3) Where a utility refuses to interconnect with a qualifying facility or attempts to impose unreasonable standards pursuant to subsection (2) of this rule, the qualifying facility may petition the Commission for relief. The utility shall have the burden of demonstrating to the Commission why

interconnection with the qualifying facility should not be required or that the standards the utility seeks to impose on the qualifying facility pursuant to subsection (2) are reasonable.

(4) Upon a showing of credit worthiness, the qualifying facility shall have the option of making monthly installment payments over a period no longer than 36 months toward the full cost of interconnection. However, where the qualifying facility exercises that option the utility shall charge interest on the amount owing. The utility shall charge such interest at the 30-day commercial paper rate. In any event, no utility may bear the cost of interconnection.

(5) Application for Interconnection. A qualifying facility shall not operate electric generating equipment in parallel with the utility's electric system without the prior written consent of the utility. Formal application for interconnection shall be made by the qualifying facility prior to the installation of any generation related equipment. This application shall be accompanied by the following:

(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 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 controls; and

(g) Operating/interruption controls.

Any subsequent change in the system must also be submitted for review and written approval prior to actual modification. The above mentioned review, recommendations and approval by the utility do not relieve the qualifying facility from complete responsibility for the adequate engineering design, construction and operation of the qualifying facility equipment and for any liability for injuries to property or persons associated with any failure to perform in a proper and safe manner for any reason.

(6) Personnel Safety. Adequate protection and safe operational procedures must be developed and followed by the joint system. These operating procedures must be approved by both the utility and the qualifying facility. The qualifying facility shall be required to furnish, install, operate and maintain in good order and repair, and be solely responsible for, without cost to the utility, all facilities required for the safe operation of the generation system in parallel with the utility's system.

The qualifying facility shall permit the utility's employees to enter upon its property at any reasonable time for the purpose of inspection and/or testing the qualifying facility's equipment, facilities, or apparatus. Such inspections shall not relieve the qualifying facility from its obligation to maintain its equipment in safe and satisfactory operating condition.

The utility's approval of isolating devices used by the qualifying facility will be required to ensure that these will comply with the utility's switching and tagging procedure for safe working clearances.

(a) Disconnect Switch. A manual disconnect switch, of the visible load break type, to provide a separation point between the qualifying facility's generation system and the utility's system, shall be required. The utility will specify the location of the disconnect switch. The switch shall be mounted separate from the meter socket and shall be readily accessible to

the utility and be capable of being locked in the open position with a utility padlock. The utility may reserve the right to open the switch (i.e. isolating the qualifying facility's generation system) without prior notice to the qualifying facility. To the extent practicable, however, prior notice shall be given.

Any of the following conditions shall be cause for disconnection:

1. Utility system emergencies and/or maintenance requirements;
2. Hazardous conditions existing on the qualifying facility's generating or protective equipment as determined by the utility;
3. Adverse effects of the qualifying facility's generation to one utility's other electric consumers and/or system as determined by the utility;
4. Failure of the qualifying facility to maintain any required insurance; or
5. Failure of the qualifying facility to comply with any existing or future regulations, rules, orders or decisions of any governmental or regulatory authority having jurisdiction over the qualifying facility's electric generating equipment or the operation of such equipment.

(b) Responsibility and Liability. The utility and the qualifying facility shall each be responsible for its own facilities. The utility and the qualifying facility shall each be responsible for ensuring adequate safeguards for other utility customers, utility and qualifying facility personnel and equipment, and for the protection of its own generating system. The utility and the qualifying facility shall each indemnify and save the other harmless from any and all claims, demands, costs, or expense for loss, damage, or injury to persons or property of the other caused by, arising out of, or resulting from:

1. Any act or omission by a party or that party's contractors, agents, servants and employees in connection with the installation or operation of that party's generation system or the operation thereof in connection with the other party's system;
2. Any defect in, failure of, or fault related to a party's generation system;
3. The negligence of a party or negligence of that party's contractors, agents, servants and employees; or
4. Any other event or act that is the result of, or proximately caused by, a party.

For the purposes of this subsection, the term party shall mean either utility or qualifying facility, as the case may be.

(c) Insurance. The qualifying facility shall deliver to the utility, at least fifteen days prior to the start of any interconnection work, a certificate of insurance evidencing the qualifying facility's coverage under a liability insurance policy issued by a responsible insurance company authorized to do business in the State of Florida naming the qualifying facility as named insured, and the utility as an additional named insured, which policy shall contain a broad form contractual endorsement specifically covering the liabilities assumed under this agreement arising out of the interconnection to the qualifying facility, or caused by operation of any of the qualifying facility's equipment or by the qualifying facility's failure to maintain the qualifying facility's equipment in satisfactory and safe operating condition.

The policy providing such coverage shall provide public liability insurance, including property damage, in an amount not less than $300,000 for each occurrence; more insurance may be required as deemed necessary by

the utility. In addition, the above required policy shall be endorsed with a provision whereby the insurance company will notify the utility thirty days prior to the effective date of cancellation or material change in the policy.

The qualifying facility shall pay all premiums and other charges due on said policy and keep said policy in force during the entire period of interconnection with the utility.

(7) Protection and Operation. It will be the responsibility of the qualifying facility to provide all devices necessary to protect the qualifying facility's equipment from damage by the abnormal conditions and operations which occur on the utility system that result in interruptions and restorations of service by the utility's equipment and personnel. The qualifying facility shall protect its generator and associated equipment from overvoltage, undervoltage, overload, short circuits (including ground fault condition), open circuits, phase unbalance and reversal, over or under frequency condition, and other injurious electrical conditions that may arise on the utility's system and any reclosing attempts by the utility.

The utility may reserve the right to perform such tests as it deems necessary to ensure safe and efficient protection and operation of the qualifying facility's equipment.

(a) Loss of Source. The qualifying facility shall provide, or the utility will provide at the qualifying facility's expense, approved protective equipment necessary to immediately, completely, and automatically disconnect the qualifying facility's generation from the utility's system in the event of a fault on the qualifying facility's system, a fault of the utility's system, or loss of source on the utility's system. Disconnection must be completed within the time specified by the utility in its standard operating procedure for its electric system for loss of a source on the utility's system.

The automatic disconnecting device may be of the manual or automatic reclose type and shall not be capable of reclosing until after service is restored by the utility. The type and size of the device shall be approved by the utility depending upon the installation. Adequate test data or technical proof that the device meets the above criteria must be supplied by the qualifying facility to the utility. The utility shall approve a device that will perform the above functions at minimal capital and operating costs to the qualifying facility.

(b) Coordination and Synchronization. The qualifying facility shall be responsible for coordination and synchronization of the qualifying facility's equipment with the utility'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.

(c) Electrical Characteristics. Single phase generator interconnections with the utility are permitted at power levels up to 20 kW. For power levels exceeding 20 kW, a three phase balanced interconnection will normally be required. For the purpose of calculating connected generation, 1 horsepower equals 1 kilowatt. The qualifying facility shall interconnect with the utility at the voltage of the available distribution or the transmission line of the utility for the locality of the interconnection, and shall utilize one of the standard connections (single phase, three phase, wye, delta) as approved by the utility.

The utility may reserve the right to require a separate transformation and/or service for a qualifying facility's generation system, at the qualifying facility's expense. The qualifying facility shall bond all neutrals of the qualifying facility's system to the utility's neutral, and shall install a separate driven ground with a resistance value which shall be determined by the utility and bond this ground to the qualifying facility's system neutral.

Interconnected

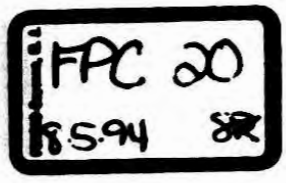
NEGOTIATED CONTRACT FOR THE PURCHASE OF FIRM CAPACITY AND ENERGY FROM A QUALIFYING FACILITY

between

ORLANDO COGEN LIMITED, L.P.

and

FLORIDA POWER CORPORATION



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NEGOTIATED CONTRACT FOR THE PURCHASE OF FIRM CAPACITY AND ENERGY FROM A QUALIFYING FACILITY

This Agreement ("Agreement") is made and entered by and between Orlando CoGen Limited, L.P., a limited partnership, having its principal place of business at Orlando, Florida (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.

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 Rates for Purchase of Firm Capacity and Energy from a Qualifying Facility.

1.1.4 Appendix D is reserved.

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 Accelerated Capacity Payment means payments based upon the accelerated payment rates in Appendix C.

1.3 As-Available Energy Cost means the energy rate calculated in accordance with FPSC Rule 25-17.0825 as such rule may be amended from time to time.

1.4 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 type selected in section 8.2.1 hereof as such unit(s) are defined in Appendix C.

1.5 Avoided Unit Heat Rate means the average annual heat rate associated with the unit type selected in section 8.2.1 hereof as it is defined in Appendix C.

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

1.7 BTU means British thermal unit.

1.8 Capacity Account means that account which complies with the procedure in section 8.5 hereof.

1.9 Capacity Discount Factor means the value specified pursuant to section 8.4 hereof.

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

1.11 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.

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

1.13 Committed On-Peak Capacity Factor means the On-Peak Capacity Factor, as defined in Article VII hereof, which the QF has agreed to make available on a firm basis at the Point of Delivery.

1.14 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.

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

1.16 Contract Approval Date means the date of issuance of a final FPSC order approving this Agreement, without change, finding that it is prudent and cost recoverable by the Company through the FPSC's periodic review of fuel and purchased power costs, which order shall be considered final when all opportunities for requesting a hearing, requesting reconsideration, requesting clarification and filing for judicial review have expired or are barred by law.

1.17 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.

1.18 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.

1.19 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.

1.20 Execution Date means the later of the date on which the Company or the QF executes this Agreement.

1.21 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 that is owned or controlled by the QF required for parallel operation with the interconnected utility.

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

1.23 Firm Energy Cost means the energy rate calculated in accordance with section 9.1.2 hereof.

1.24 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.

1.25 **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.

1.26 **FPSC** means the Florida Public Service Commission and any successor.

1.27 **Fuel Multiplier** means that value associated with the unit type selected in section 8.2.1 hereof as it is defined in Appendix C.

1.28 **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.

1.29 **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.

1.30 **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.

1.31 **KW** means one (1) kilowatt of electric capacity.

1.32 **KWH** means one (1) kilowatthour of electric energy.

1.33 Minimum On-Peak Capacity Factor means that value which is associated with the unit type selected in section 8.2.1 hereof as it is defined in Appendix C.

1.34 MWH means one (1) megawatthour of electric energy.

1.35 On-Peak Hours means the lesser of those daily time periods specified in Appendix C or the hours that the Company would have operated a unit with the characteristics defined in section 9.1.2 (j) hereof.

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

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

1.38 Operational Security Guaranty means the deposits or other assurances as specified in section 13.3 hereof.

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

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

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

1.42 Point of Connection means the interconnection point(s) between the Facility and the interconnected utility.

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

1.44 Qualifying Cogeneration Facility means a facility that meets the requirements defined in section 3(18)(B) of the Federal Power Act, as amended by section 201 of the Public Utility Regulatory Policies Act of 1978, and that is certified as such by the FERC pursuant to applicable FERC regulations.

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

1.46 Renewal.

ARTICLE II: TRANSMISSION LIMITATIONS

2.1 For a QF with a Facility located north of the latitude of the Company's Central Florida Substation, the Company will use its best efforts to obtain an amount of Import Capability equal to the diminution of Import Capability caused by the Facility during the Term of this Agreement and the QF agrees to reimburse the Company for the costs of such Import Capability.

2.2 The Company will notify the QF in writing of the availability and cost of the required Import Capability within sixty (60) days after the Execution Date. Such reimbursement shall not be considered as a reduction in the payments made by the Company to the QF for capacity and energy under this Agreement. The QF may terminate this Agreement after receiving such notification without penalty prior to the date that the Completion Security Guaranty is due pursuant to section 13.1 hereof.

ARTICLE III: FACILITY

3.1 The Facility shall be located in Section 33, Township 23S, Range 29E. 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 Cogeneration 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 December, 2023, 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. Each Party shall use its best efforts to enforce the validity of this Agreement and to expedite FPSC action on the Company's request for FPSC approval of this Agreement. The Company shall submit this Agreement and related documentation to the FPSC for approval within ten (10) days of the Execution Date.

4.2 The Parties agree that time is of the essence and that: (i) the Construction Commencement Date shall occur on or before the first day of September, 1992; and (ii) the Facility shall achieve Commercial In-Service Status on or before the first day of January, 1994, which date shall constitute the Contract In-Service Date. These two dates shall not be modified except as provided in section 4.2.1, 4.2.2, 4.2.3 and 4.2.5 hereof.

4.2.1 Upon written request by the QF, these two dates each may be extended on a day-for-day basis for each day that the Contract Approval Date exceeds one hundred twenty (120) days after the date the Company submits this Agreement and related documentation to the FPSC for approval; provided, however, that the QF's notice shall specifically identify the date and duration for which extension is being requested; and provided, further, that the maximum extension of such date shall in no event exceed a total of one hundred and eighty (180) days. Such delay shall not be considered a Force Majeure Event for purposes of this Agreement.

4.2.2 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 two 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 two 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.

4.2.3 The Contract In-Service Date shall be extended on a day-for-day basis for any delays directly attributable to the Company's failure to complete its obligations hereunder.

4.2.4 If the Contract In-Service Date is extended pursuant to sections 4.2.1, 4.2.2 or 4.2.3 hereof, then the Term of the Agreement may be extended for the same number of days upon separate written request by the QF not more than thirty (30) days after the Contract In-Service Date.

4.2.5 The QF shall have the one-time option of accelerating the Contract In-Service Date by up to six (6) months upon written notice to the Company not less than thirty (30) days before the accelerated Contract In-Service Date; provided, however, that (i) the QF shall be in compliance with all applicable requirements of this Agreement as of such earlier date; and (ii) the Company's Interconnection Facilities can reasonably be expected to be operational as of such earlier date.

ARTICLE V: OF 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 estimated 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.

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 (X) 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 is 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 XXI 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 72,000 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 at a Committed On-Peak Capacity Factor of 95%.

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 as of the Execution Date upon written notice to the Company before such change is to be effective.

7.3 After the one (1) year period specified in section 7.2, and except as provided in section 7.4, the QF may decrease its Committed Capacity over the Term of this Agreement by amounts not to exceed in the aggregate more than twenty percent (20%) of the initial Committed Capacity specified in section 7.1 hereof as of the Execution Date. Notwithstanding any other provision of this Agreement, if less than three (3) years prior written notice is provided for any such decrease, the QF shall be subject to an

adjustment to the otherwise applicable payments (except as provided in section 7.4) which shall begin when the Committed Capacity is decreased and which shall end three (3) years after notice of such decrease is provided. For each month, this adjustment shall be equal to the lesser of (i) the estimated increased costs incurred by the Company to generate or purchase an equivalent amount of replacement capacity and energy and (ii) the reduction in Committed Capacity times the applicable Normal Capacity Payment rate from Appendix C. Such adjustment shall assume that the difference between the original Committed Capacity and the redesignated Committed Capacity, during all hours of the replacement period, would operate at the On-Peak Capacity Factor at the time notice is provided.

7.4 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; provided, however, that such new Committed Capacity shall be subject to the aggregate capacity reduction limit specified in section 7.3. Any temporary or final redesignation of the Committed Capacity pursuant to this section 7.4 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. Redesignations of Committed Capacity pursuant to this section 7.4 shall not be subject to the payment adjustment provisions of section 7.3.

7.5 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.

7.6 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 avoids, if practical, previously notified periods of planned outages and reduction in capacity pursuant to Article V.

ARTICLE VIII: CAPACITY PAYMENTS

8.1 Capacity payments shall not commence before the Contract Approval Date and before the Contract In-Service Date and (i) until the QF has achieved Commercial In-Service Status and (ii) until the QF has posted the Operational Security Guaranty pursuant to section 13.2 hereof.

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

8.2.1 Unit type:
( ) Combustion turbine, Schedule 2
(X) Pulverized coal, Schedule 4, Option A

8.2.2 Payment options:
(X) Normal Capacity Payments
( ) Accelerated Capacity Payments