

ORIGINAL

Florida Power
CORPORATION

JAMES A. MCGEE
SENIOR COUNSEL

January 26, 2000

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

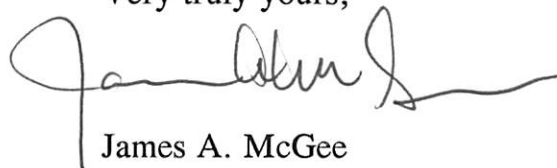
Re: Docket No. 991973-EI; Revisions to
Exhibits A and B of Petition.

Dear Ms. Bayó:

Enclosed for filing in the subject docket are an original and fifteen copies of revised Sheet Nos. 9.9506, 9.9513, 9.9516, 9.9600, 9.9601, 9.9603, 9.9614, 9.9615, 9.9650 and 9.9651 of Exhibit A, and pages 2 and 3 of Exhibit B, to Florida Power Corporation's Petition filed December 20, 1999 in this docket.

Please acknowledge your receipt of the above filing on the enclosed copy of this letter and return to the undersigned. Thank you for your assistance in this matter.

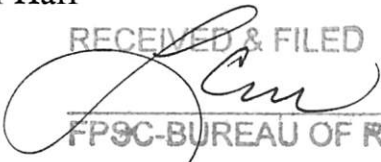
Very truly yours,


James A. McGee

JAM/ams
Enclosure

cc: Mr. Michael Haff

- AFA _____
- APP _____
- CAF _____
- CMU _____
- CTR _____
- EAG Haff
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DIVISION OF RECORDS

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

2. Term of Contract

Except as otherwise provided herein, this Contract shall become effective immediately upon its execution by the Parties and shall end at 12:01 a.m., November 1, 2008, unless terminated earlier in accordance with the provisions hereof.

Notwithstanding the foregoing, if the Capacity Delivery Date of the Facility is not accomplished by the QF before November 1, 2003 (or such later date as may be permitted by FPC pursuant to Section 5), FPC's obligations under this Contract shall be rendered of no force and effect.

3. Minimum Specifications

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

1. The avoided unit ("Avoided Unit") on which this Contract is based is a 20 MW portion of a 531 MW combined cycle unit.
2. The total Committed Capacity needed to fully subscribe the Avoided Unit is 20 MW (the "Subscription Limit").
3. This offer shall expire on the earlier of (i) the date of the subscription limit is fully subscribed or (ii) 2 weeks after approval of this standard offer by the Florida Public Service Commission.
4. The date by which firm capacity and energy deliveries from the QF to FPC shall commence is November 1, 2003 unless the Facility chooses capacity payments under Options B, C, or D, pursuant to the terms of this Contract.
5. The period of time over which firm capacity and energy shall be delivered from the QF to FPC is the five- (5) year period beginning on November 1, 2003.

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

The specific security instrument provided for purposes of this Contract is:

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

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

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

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

9.5 If an Event of Default has not occurred and the QF fails to achieve the Capacity Delivery Date on or before November 1, 2003, FPC shall be entitled immediately to receive, draw upon, or retain, as the case may be, one-hundred percent (100%) of the Completion/Performance Security. The Parties acknowledge that the injury that FPC will suffer as a result of delayed availability of Committed Capacity and energy is difficult to ascertain and that FPC may accept such sums as liquidated

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

11. Performance Factor

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

12. Default

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

- (a) The QF fails to maintain the "qualifying" status of the Facility specified in Section 1 of this Contract;
- (b) The QF changes or modifies the Facility from that provided in Section 1 with respect to its type, location, technology or fuel source, without prior written approval from FPC;
- (c) After the Capacity Delivery Date, the Facility fails for twelve (12) consecutive months to maintain an Annual Capacity Billing Factor, as described in Appendix B, of at least eighty percent (80%);
- (d) The QF fails to satisfy its obligations under Section 8.4.6 hereof;
- (e) The QF fails to comply with any of the provisions of Section 9 hereof;
- (f) The QF fails to comply with any of the provisions of Section 10 hereof;
- (g) The QF, or the entity which owns or controls the QF, ceases the conduct of active business; or if proceedings under the federal bankruptcy law or insolvency laws shall be instituted by or for or against the QF or the entity which owns or controls the QF; or if a receiver shall be appointed for the QF or any of its assets or properties, or for the entity which owns or controls the QF; or if any part of the



**APPENDIX A
TO
FLORIDA POWER CORPORATION STANDARD OFFER CONTRACT
RATE SCHEDULE COG-2**

SCHEDULE

COG-2, Firm Capacity and Energy

AVAILABLE

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

APPLICABLE

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

CHARACTER OF SERVICE

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

LIMITATION

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

- A. Are Specified in FPSC Rule 25-17.0832 (4);
- B. Execute a Standard Offer Contract;
- C. Provide capacity which would not result in the 20 MW capacity subscription limit for FPC to be exceeded.

RATES FOR PURCHASES BY FPC

Firm Capacity and Energy are purchased at unit cost, in dollars per kilowatt per month and cents per kilowatt-hour, respectively, based on the value of deferring additional capacity required by FPC. For the purpose of this Schedule, an Avoided Unit has been designated by FPC. FPC's next Avoided Unit has been identified as a 20 MW portion of a 531 MW combined cycle unit with an in-service date of November 2001, Schedule 1 to this Appendix describes the methodology used to calculate payment schedules, general terms, and conditions applicable to FPC's Standard Offer Contract filed and approved pursuant to FPSC Rules 25-17.080 through 25-17.091, F.A.C.

A. Firm Capacity Rates

Four options, A through D, as set forth below, are available for payments of firm capacity that is produced by a QF and delivered to FPC. Once selected, an option shall remain in effect for the term of the Standard Offer Contract with FPC. Exemplary payment schedules, shown below, contain the monthly rate per kilowatt of Firm Capacity which the QF has contractually committed to deliver to FPC and are based on a contract term which extends through October 31, 2008. Payment schedules for other contract terms will be made available to any QF upon request and may be calculated based on the methodologies described in Schedule 1. The currently approved parameters used to calculate the following schedule of payments are found in Schedule 2 to this Appendix.

Option A - Fixed Value of Deferral Payments - Normal Capacity

Payment schedules under this option are based on the value of a year-by-year deferral of FPC's Avoided Unit with an in-service date of November 1, 2003, calculated in accordance with FPSC Rule 25-17.0832, F.A.C., as described in Schedule 1. Once this option is selected, the current schedule of payments shall remain fixed and in effect throughout the term of the Standard Offer Contract. The payment schedule for this option follows Option D.



EXAMPLE MONTHLY CAPACITY PAYMENT IN \$/kW/MONTH
 FPC'S 2003 COMBINED CYCLE AVOIDED UNIT (20 MW)
 STANDARD OFFER CONTRACT AVOIDED CAPACITY PAYMENTS
 (\$/kW/MONTH)

Contract Year	<u>Option A</u>	<u>Option B</u>	<u>Option C</u>	<u>Option D</u>
	Normal Capacity Payment Starting 11/01/2003	Early Capacity Payment Starting 11/01/2000	Levelized Capacity Payment Starting 11/01/2003	Early Levelized Capacity Payment Starting 11/01/2000
2000	-	2.15	-	2.29
2001	-	2.21	-	2.30
2002	-	2.26	-	2.31
2003	4.08	2.32	4.23	2.33
2004	4.19	2.38	4.26	2.34
2005	4.30	2.44	4.28	2.35
2006	4.41	2.50	4.31	2.36
2007	4.53	2.56	4.34	2.38

B. Energy Rates

Payments Prior to November 1, 2003

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

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

Payments Starting on November 1, 2003

The calculation of payments to the QF for energy delivered to FPC on and after November 1, 2003 shall be the sum, over all hours of the Monthly Billing Period, of the product of (a) each hour's Firm Energy Rate ($\$/kWh$); and (b) the amount of energy (kWh) delivered to FPC from the Facility during that hour.

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



**SCHEDULE 2
TO RATE SCHEDULE COG-2
CAPACITY OPTION PARAMETERS**

**FIXED VALUE OF DEFERRAL PAYMENTS -
NORMAL CAPACITY OPTION PARAMETERS**

Where, for one year deferral:

		<u>Value</u>
VAC_m	= FPC's value of avoided capacity and O&M, in dollars per kilowatt per month, during month m;	\$4.08
K	= present value of carrying charges for one dollar of investment over L years with carrying charges computed using average annual rate base and assumed to be paid at the middle of each year and present valued to the middle of the first year;	1.399
I_n	= total direct and indirect cost, in mid-year dollars per kilowatt including AFUDC but excluding CWIP, of FPC's Avoided Unit with an in-service date of year n;	\$345.56
O_n	= total fixed operation and maintenance expense, for the year n, in mid-year dollars per kilowatt per year, of FPC's Avoided Unit;	\$3.78
i_p	= annual escalation rate associated with the plant cost of FPC's Avoided Unit;	2.5%
i_o	= annual escalation rate associated with the operation and maintenance expense of FPC's Avoided Unit;	3.1%
r	= annual discount rate, defined as FPC's incremental after-tax cost of capital;	8.53%
L	= expected life of FPC's Avoided Unit;	25
n	= year for which FPC's Avoided Unit is deferred starting with its original anticipated in-service date and ending with the termination of the Standard Offer Contract.	2003

**FIXED VALUE OF DEFERRAL PAYMENTS -
EARLY CAPACITY OPTION PARAMETERS**

A_m	= monthly avoided capital cost component of capacity payments to be made to the QF starting as early as three years prior to the anticipated in-service date of FPC's Avoided Unit, in dollars per kilowatt per month;	\$2.15
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i_p	=	annual escalation rate associated with the plant cost of FPC's Avoided Unit;	2.5%
n	=	year for which early capacity payments to a QF are to begin;	2000
F	=	the cumulative present value of the avoided capital cost component of capacity payments which would have been made had capacity payments commenced with the anticipated in-service date of FPC's Avoided Unit and continued for a period of 5 years;	\$122.95
r	=	annual discount rate, defined as FPC's incremental after-tax cost of capital;	8.53%
t	=	the term, in years, of the Standard Offer Contract for the purchase of firm capacity commencing prior to the in-service date of FPC's Avoided Unit;	8
G	=	the cumulative present value of the avoided fixed operation and maintenance expense component of capacity payments which would have been made had capacity payments commenced with the anticipated in-service date of FPC's Avoided Unit and continued for a period of 5 years.	\$34.51

**APPENDIX B
TO
FLORIDA POWER CORPORATION STANDARD OFFER CONTRACT

PAY FOR PERFORMANCE PROVISIONS
MONTHLY CAPACITY PAYMENT CALCULATION**

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

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

$$\text{MCP} = 0$$

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

$$\text{MCP} = \text{BCP} [5x (\text{ACBF} - .7)] x \text{CC}$$

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

$$\text{MCP} = \text{BCP} x \text{CC}$$

Where:

MCP = Monthly Capacity Payment in dollars.

BCP = Base Capacity Payment in \$/kW/Month as specified in FPC's Rate Schedule COG-2.

CC = Committed Capacity in kW.

ACBF = Annual Capacity Billing Factor. This factor is calculated using the 12 month, rolling average of the Monthly Capacity Factor. This 12 month rolling average shall be defined as the electric energy actually received by FPC for the 12 consecutive months preceding the date of calculation, divided by the product of the Committed Capacity and the number of hours in the 12 consecutive months preceding the date of calculation. During the first 12 consecutive Monthly Billing Periods commencing with the first Monthly Billing Period in which Capacity payments are to be made, the calculation of 12-month rolling



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

MCF = Monthly Capacity Factor. The total energy received during the Monthly Billing Period for which the calculation is made, divided by the product of Committed Capacity times the total hours during the Monthly Billing Period.

Monthly Billing Period = The period beginning on the first calendar day of each calendar month, except that the initial Monthly Billing Period shall consist of the period beginning 12:01 a.m., on the Capacity Delivery Date and ending with the last calendar day of such month.

**Florida Power Corporation
Standard Offer Contract
Economic Escalation Assumptions**

General Inflation	Plant Construction Cost	Fixed O & M Cost	Variable O & M Cost
3.1%	2.5%	3.1%	3.1%

**Florida Power Corporation
Standard Offer Contract
Unit Information**

PLANT TYPE: Combined Cycle Unit
NET CAPACITY: 20 MW Portion of a 531 MW Combined Cycle Unit
BOOK LIFE: 25 Years

INSTALLED COST (IN-SERVICE YEAR 2001)

TOTAL INSTALLED COST (\$/KW):	345.56
DIRECT CONSTRUCTION COST (\$/KW):	311.28
AFUDC AMOUNT (\$/KW):	34.28
FIXED O & M (\$/KW-YR):	3.78
VARIABLE O & M (¢/KWH)	0.101
ASSUMED CAPACITY FACTOR	65%
 K FACTOR	 1.399