



ORIGINAL

R. ALEXANDER GLENN
DEPUTY GENERAL COUNSEL
PROGRESS ENERGY SERVICE COMPANY, LLC

October 14, 2005

VIA HAND DELIVERY

Ms. Blanca S. Bayó, Director
Division of the Commission Clerk
and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

050807 - EQ

RECEIVED FPSC
03 OCT 14 PM 2:15
COMMISSION
CLERK

Re: Petition for approval of amended Standard Offer Contract Tariff and Renewable Energy Tariff

Dear Ms. Bayó:

Enclosed for filing on behalf of Progress Energy Florida, Inc. ("PEF") are an original and seven (7) copies of PEF's petition for approval of an amended Standard Offer Contract Tariff and a Renewable Energy Tariff.

Please acknowledge your receipt of the above filing on the enclosed copy of this letter and return to the undersigned. A 3 1/2 inch diskette containing the above-referenced petition in Word format is also enclosed. Thank you for your assistance in this matter.

Sincerely,

/s/ R. Alexander Glenn

R. Alexander Glenn

Original Tariffs forwarded to ECR.

RAG/lms
Attachments

RECEIVED & FILED


FPSC-BUREAU OF RECORDS

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition of Progress Energy
Florida for approval of
amended standard offer
contract tariff and approval of
renewable energy tariff.

Docket No. 050807-EQ

Submitted for filing:
October 14, 2005

PETITION

Progress Energy Florida, Inc. ("PEF" or "the Company"), pursuant to Sections 366.051 and 366.91(3), F.S., and Rule 25-17.0832(4), F.A.C., hereby petitions the Florida Public Service Commission ("the Commission") for approval of: (a) PEF's amended Standard Offer Contract Tariff and accompanying Rate Schedule COG-2 and, (b) a Renewable Energy Tariff. The amended Standard Offer Contract and accompanying rate schedule are attached hereto in standard format as Exhibit A and in legislative format as Exhibit B. The Renewable Energy Tariff is attached hereto as Exhibit D. In support of this petition, PEF submits the following:

1. PEF is a public utility subject to the regulatory jurisdiction of the Commission pursuant to Chapter 366, F.S. The Company's principal place of business is located at 100 Central Avenue, St. Petersburg, Florida 33701.

2. All notices, pleadings and correspondence required to be served on the petitioner should be directed to:

R. Alexander Glenn
Post Office Box 14042
St. Petersburg, FL 33733-4042
Facsimile: (727) 820-5519

DOCUMENT NUMBER-DATE

09949 OCT 14 05

PROGRESS ENERGY FLORIDA

FPSC-COMMISSION CLERK

For express deliveries by private carrier, please use the address in paragraph 1 above.

3. The Amended Standard Offer Contract and accompanying Rate Schedule COG-2 attached hereto are consistent with Commission Rule 25-17.0832 (4)-(6), F.A.C., governing standard offer contracts and tariffs. The standard offer contract subject to this petition includes a two-week open solicitation period, a 20 MW subscription limit, and a five-year term. The avoided unit on which the proposed standard offer contract is based is PEF's next planned capacity addition subject to the Bid Rule; Hines Unit 5, a nominal 528 MW combined cycle unit with a scheduled in-service date of December 2009. The changes from the most recent standard offer are shown in underline and strike-through format in Exhibit B. The attached Exhibit C contains the economic and financial assumptions for the cost parameters and the K Factor of the combined cycle unit on which the amended standard offer contract is based.

4. The proposed Renewable Energy Tariff is required to be filed pursuant to Section 366.91(3), F.S., which states that "[o]n or before January 1, 2006, each public utility must continuously offer a purchase contract to producers of renewable energy." Pursuant to Chapter 366.91(3), F.S., Progress Energy hereby submits a renewable energy tariff attached as Exhibit D for approval. The tariff will be continuously offered, will be based on a ten-year term, and will have a 20 MW subscription limit. The tariff meets the requirements set forth in Section 366.91(3), F.S.

WHEREFORE, for the above-stated reasons, PEF respectfully requests that the Commission grant this petition and approve the

Amended Standard Offer Contract, accompanying Rate Schedule COG-2, and Renewable Energy Tariff in Exhibits A and D filed with this petition.

Respectfully Submitted,

/s/ R. Alexander Glenn

R. Alexander Glenn
Deputy General Counsel
Progress Energy Service Company, LLC
Post Office Box 14042
St. Petersburg, FL 33733-4042
Telephone: (727) 820-5184

Attorney for
PROGRESS ENERGY FLORIDA, INC.

Exhibit D

Renewable Energy Tariff

CONTRACT FOR THE PURCHASE OF FIRM CAPACITY
AND ENERGY FROM A RENEWABLE ENERGY PRODUCER

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CONTRACT FOR THE PURCHASE OF FIRM CAPACITY
AND ENERGY FROM A RENEWABLE ENERGY PRODUCER

between

and

PROGRESS ENERGY FLORIDA

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**CONTRACT FOR THE PURCHASE OF FIRM CAPACITY
AND ENERGY FROM A RENEWABLE ENERGY PRODUCER**

THIS CONTRACT FOR THE PURCHASE OF FIRM CAPACITY AND ENERGY (hereinafter referred to as the “Contract”) is made and entered this ___ day of _____, _____ (hereinafter referred to as the “Effective Date”), by and between _____ (hereinafter “the REP”), and Progress Energy Florida (hereinafter “PEF”), a private utility corporation organized and existing under the laws of the State of Florida. The REP and PEF shall be individually be identified herein as the “Party” and collectively as the “Parties”. This Contract contains five Appendices which are incorporated into and made part of this Contract: Appendix A: Pay for Performance Provisions, Monthly Capacity Payment Calculation; Appendix B: Termination Fee; Appendix C: Detailed Project Information; and Appendix D: Florida Public Service Commission (“FPSC”) Rules 25-17.080 through 25-17.091, F.A.C.

WITNESSETH:

WHEREAS, the REP desires to sell, and PEF desires to purchase electricity to be generated by the REP consistent with Florida Statute 366.91 and FPSC Rules 25-17.080 through 25-17.091 F.A.C.; and

WHEREAS, the REP has acquired an interconnection/transmission service agreement with the utility in whose service territory the Facility is to be located, pursuant to which the REP assumes contractual responsibility to make any and all transmission-related arrangements (including ancillary services) between the REP and the transmission provider for delivery of the Facility's firm capacity and energy to PEF. The Parties recognize that the transmission provider may be PEF and that the transmission service will be provided under a separate agreement; and

WHEREAS, the FPSC has approved this Contract for the Purchase of Firm Capacity and Energy from a Renewable Energy Producer; and

WHEREAS, the REP guarantees that the Facility is capable of delivering firm capacity and energy to PEF for the term of this Contract in a manner consistent with the provision of this Contract;

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

1. Facility; Renewable Status

The REP contemplates installing and operating a _____ KVA _____ generator located at _____ (hereinafter called the "Facility"). The generator is designed to produce a maximum of _____ kilowatts (kW) of electric power at a 90% lagging to 90% leading power factor. The facility's location and generation capabilities are as described in the table below.

TECHNOLOGY AND GENERATOR CAPABILITIES	
Location: Specific legal description (e.g., metes and bounds or other legal description with street address required)	City: County:
Generator Type (Induction or Synchronous)	
Technology	
Fuel Type and Source	
Generator Rating (KVA)	
Maximum Capability (kW)	
Net Output (kW)	
Power Factor (%)	
Operating Voltage (kV)	
Peak Internal Load kW	

The REP's failure to complete the foregoing table in its entirety shall render this Contract null and void and of no further effect.

The Facility must produce energy from a method that uses one or more of the following fuels or energy sources: hydrogen produced from sources other than fossil fuels, biomass, solar energy, geothermal energy, wind energy, ocean energy, hydroelectric power or waste heat from sulfuric acid manufacturing operations. The REP shall use the same fuel or energy source throughout the term of this Contract. REP shall at all times keep PEF informed of any material changes in its business which affect its renewable status. PEF shall have the right at all times to inspect the Facility and to examine any books, records, or other documents of the REP that PEF deems

necessary to verify the Facility's renewable status. On or before March 31 of each year during the term of this Contract, the REP shall provide to PEF a certificate signed by an officer of the REP certifying that the REP continuously produced energy from a source listed in this section 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 30, 2019, 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 REP before December 1, 2009 (or such later date as may be permitted by PEF pursuant to Section 5), PEF'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:

- a. The avoided unit ("Avoided Unit") on which this Contract is based is a 528 MW combined cycle unit with an in-service date of December 1, 2009.
- b. The date by which firm capacity and energy deliveries from the REP to PEF shall commence is December 1, 2009 unless the Facility chooses capacity payments under Options B, C, or D of Rate Schedule COG-2, pursuant to the terms of this Contract.
- c. The period of time over which firm capacity and energy shall be delivered from the REP to PEF is the ten - (10) year period beginning on December 1, 2009.
- d. The following are the minimum performance standards for the delivery of firm capacity and energy by the REP to qualify for full capacity payments under this Contract:

	<u>On Peak*</u>	<u>Off Peak</u>
Availability Factor:	89%	89%

* REP Performance shall be as measured and/or described in Appendix A.

4. Sale of Electricity by the REP

- 4.1 Consistent with the terms hereof, the REP shall sell to PEF and PEF shall purchase from the REP electric power generated by the Facility. The purchase and sale of electricity pursuant to this Contract shall be a () net billing arrangement or () simultaneous purchase and sale arrangement; provided, however, that no such arrangement shall cause the REP to sell more than the Facility's net output. The billing methodology may be changed at the option of the REP, subject to the provisions of PEF Rate Schedule COG-2.

4.2 Ownership and Offering For Sale Of Renewable Energy Attributes

- a. The REP shall retain any and all rights to own and to sell any and all environmental attributes associated with the electric generation of the Facility, including but not limited to any and all renewable energy certificates, "green tags" or other tradable environmental interests (collectively "RECs"), of any description, provided that: (i) PEF shall have a right of first refusal with respect to any and all bona fide offers to purchase any RECs; and (ii) the REP shall not sell RECs to any party at a price less than that charged by PEF.
- b. Notwithstanding the provisions of the foregoing Section 4.2 a, in the event that the REP wishes to sell RECs to another party at a price less than that already contracted for by PEF, the REP may proceed with such sale so long as (i) the price paid by PEF for any and all future purchases of RECs from the REP shall be adjusted to be equal to the lowest price at which the REP agrees to sell RECs to another party; and (ii) the REP shall refund to PEF the amount by which any past PEF purchases of RECs from the REP exceeds the lowest price that the REP agrees to charge another buyer.

4.3 The REP shall not rely on interruptible standby service for the start up requirements (initial or otherwise) of the Facility.

4.4 The REP shall be responsible for the scheduling of required transmission and for all costs, expenses, taxes, fees and charges associated with the delivery of energy to PEF. The REP shall enter into a transmission service agreement with the utility in whose service territory the Facility is to be located and the REP shall make any and all transmission-related arrangements (including ancillary services) between the REP and the transmission provider for delivery of the Facility's firm capacity and energy to PEF. The capacity and energy amounts paid to the REP hereunder do not include transmission losses. The REP shall be responsible for transmission losses that occur prior to the point at which the REP's energy is delivered to PEF. The Parties recognize that the transmission provider may be PEF and that the transmission service will be provided under a separate agreement.

5. Committed Capacity/Capacity Delivery Date

5.1 In the event that the REP elects to make no commitment as to the quantity or timing of its deliveries to PEF, then its Committed Capacity as defined in the following Section 5.2 shall be zero (0) MW. If the Committed Capacity is zero (0) MW, Sections 5.2 through Section 5.8 and all of Section 6 shall not apply.

5.2 The REP commits to sell capacity to PEF, the amount of which shall be determined in accordance with this Section 5 and PEF's approved Rate Schedule

COG-2 (the "Committed Capacity"). Subject to Section 5.4, the Committed Capacity is set at _____ kW, with an expected Capacity Delivery Date of December 1, 2009.

- 5.3** Testing of the capacity of the Facility (each such test a "Committed Capacity Test") shall be performed in accordance with the procedures set forth in Section 6. The Demonstration Period for the first Committed Capacity Test shall commence no earlier than January 1, 2007 and testing must be completed by 11:59 p.m., November 30, 2009. The first Committed Capacity Test shall not be successfully completed unless the Facility demonstrates a Capacity of at least one hundred percent (100%) of the Committed Capacity set forth in Section 5.2. Subject to Section 6.1, the REP may schedule and perform up to three (3) Committed Capacity Tests to satisfy the requirements of the Contract with respect to the first Committed Capacity Test.
- 5.4** In addition to the first Committed Capacity Test, PEF shall have the right to require the REP, by notice thereto, to validate the Committed Capacity by means of a Committed Capacity Test at any time, up to six (6) times per year, the results of which shall be provided to PEF within seven (7) calendar days of the conclusion of such test. On and after the date of such requested Committed Capacity Test, and until the completion of a subsequent Committed Capacity Test, the Committed Capacity shall be set at the lower of the Capacity tested or the Committed Capacity as set forth in Section 5.2.
- 5.5** Notwithstanding anything contrary to the terms hereof, the Committed Capacity may not exceed the amount set forth in Section 5.2 without the consent of PEF, which consent shall be granted in PEF's sole discretion.
- 5.6** The "Capacity Delivery Date" shall be defined as the first calendar day immediately following the date of the Facility's successful completion of the first Committed Capacity Test.
- 5.7** In no event shall PEF make capacity payments to the REP prior to the Capacity Delivery Date.
- 5.8** The REP shall be entitled to receive capacity payments beginning on the Capacity Delivery Date, provided the Capacity Delivery Date occurs on or after January 1, 2007 and on or before December 1, 2009 (or such later date permitted by PEF pursuant to the following sentence). If the Capacity Delivery Date does not occur on or before December 1, 2009, PEF shall immediately be entitled to draw down the Completion/Performance security in full.

6. Testing Procedures

- 6.1** The Committed Capacity Test must be completed successfully within a sixty-hour period (the "Demonstration Period"), which period, including the approximate start time of the Committed Capacity Test, shall be selected and scheduled by the REP by means of a written notice to PEF delivered at least thirty (30) calendar

days prior to the start of such period. The provisions of the foregoing sentence shall not apply to any Committed Capacity Test ordered by PEF under any of the provisions of this Contract. PEF shall have the right to be present onsite to monitor firsthand any Committed Capacity Test required or permitted under this Contract.

- 6.2 The Committed Capacity Test results shall be based on a test period of twenty-four (24) consecutive hours (the "Committed Capacity Test Period") at the highest sustained net kW rating at which the Facility can operate without exceeding the design operating conditions, temperature, pressures, and other parameters defined by the applicable manufacturer(s) for steady state operations at the Facility. The Committed Capacity Test Period shall commence at the time designated by the REP pursuant to Section 6.1 or at such time requested by PEF pursuant to Section 5.4; provided, however, that the Committed Capacity Test Period may commence earlier than such time in the event that PEF is notified of, and consents to, such earlier time.
- 6.3 Normal station service use of unit auxiliaries, including, without limitation, cooling towers, heat exchangers, and other equipment required by law, shall be in service during the Committed Capacity Test Period.
- 6.4 The Capacity of the Facility (the "Capacity") shall be the minimum average hourly net capacity (generator output minus auxiliary) measured over the Committed Capacity Test Period.
- 6.5 The Committed Capacity Test shall be performed according to standard industry testing procedures for the appropriate technology of the REP.
- 6.6 The results of any Committed Capacity Test, including all data related to Facility operation and performance during testing, shall be submitted to PEF by the REP within seven (7) calendar days of the conclusion of the Committed Capacity Test. The REP shall certify that all such data is accurate and complete.

7. Payment for Electricity Produced by the Facility

7.1 Energy

PEF agrees to pay the REP for energy produced by the Facility and delivered to PEF in accordance with the rates and procedures contained in PEF's approved Rate Schedule COG-1 if the Committed Capacity pursuant to Section 5.1 is set to zero. If the Committed Capacity is greater than zero MW, then PEF agrees to pay the REP for energy produced by the Facility and delivered to PEF in accordance with the rates and procedures contained in PEF's approved Rate Schedule COG-2, as it may be amended from time to time. The Parties agree that this Contract shall be subject to all of the provisions contained in Rate Schedule COG-1 or COG-2 whichever applies as approved and on file with the FPSC.

PEF may, at its option, limit deliveries under this Renewable Standard Offer Contract to 110% of the Committed Capacity as set forth in Section 5. In the event that PEF chooses to limit deliveries, any energy in excess of 110% of the Committed Capacity will be paid for at the rates defined in COG-1 and shall not be included in the calculations in Appendix A hereto.

7.2 Capacity

PEF agrees to pay the REP for the Capacity described in Section 5 in accordance with the rates and procedures contained in Rate Schedule COG-2, as it may be amended and approved from time to time by the FPSC, and pursuant to the election of Option _____ of Rate Schedule COG-2. The REP understands and agrees that Capacity payments will only be made under Option B, Option C, or Option D of Rate Schedule COG-2 if the REP has achieved the Capacity Delivery Date and is delivering firm capacity and energy to PEF. Once so selected, this option cannot be changed for the term of this Contract.

7.3 Payments for Energy and Capacity

Payments due the REP will be made monthly, and normally by the twentieth business day following the end of the billing period. The kilowatt-hours sold by the REP and the applicable avoided energy rate at which payments are being made shall accompany the payment to the REP.

8. Electricity Production and Plant Maintenance Schedule

- 8.1** No later than sixty (60) calendar days prior to the Capacity Delivery Date, and prior to October 1 of each calendar year thereafter during the term of this Contract, the REP shall submit to PEF in writing a detailed plan of the amount of electricity to be generated by the Facility and delivered to PEF for each month of the following calendar year, including the time, duration and magnitude of any scheduled maintenance period(s) or reductions in Capacity.
- 8.2** By October 31 of each calendar year, PEF shall notify the REP in writing whether the requested scheduled maintenance periods in the detailed plan are acceptable. If PEF does not accept any of the requested scheduled maintenance periods, PEF shall advise the REP of the time period closest to the requested period(s) when the outage(s) can be scheduled. The REP shall only schedule outages during periods approved by PEF, and such approval shall not be unreasonably withheld. Once the schedule for the detailed plan has been established and approved, either Party requesting a subsequent change in such schedule, except when such change is due to Force Majeure, must obtain approval for such change from the other Party. Such approval shall not be unreasonably withheld or delayed. Scheduled maintenance outage days shall be limited to twenty-one (21) days per calendar year. In no event shall maintenance periods be scheduled during the following periods: June 1 through September 15 and December 1 through and including February 28 (or 29th as the case may be).

- 8.3 The REP shall comply with reasonable requests by PEF regarding day-to-day and hour-by-hour communication between the Parties relative to electricity production and maintenance scheduling.
- 8.4 The Parties recognize that the intent of the availability factor in Section 3 of this Contract is an allowance for scheduled outages, forced outages and forced reductions in the output of the Facility. Therefore, the REP shall provide PEF with notification of any forced outage or reduction in output which shall include the time and date at which the forced outage or reduction occurred, a brief description of the cause of the outage or reduction and the time and date when the forced outage or reduction ceased and the Facility was able to return to normal operation. This notice shall be provided to PEF within seventy-two (72) hours of the end of the forced outage or reduction.

The REP is required to provide the total electrical output to PEF except (i) during a period that was scheduled in Section 8.2, (ii) during a period in which notification of a forced outage or reduction was provided, (iii) during an event of Force Majeure or (iv) during a curtailment period as described in Section 8.5.5. In the event that the REP does not deliver its full electrical output to PEF during an hour not excluded in the previous sentence then the REP shall be charged a rate equal to the PEF's Rate Schedule COG-1 times the difference between the Committed Capacity and the actual energy received by PEF in that hour. If, in PEF's sole judgment, it is determined that the normal operation of the REP requires it to cease operation or reduce its output, the charges in this Section 8.4 may be waived.

8.5 Dispatch and Control

- 8.5.1 Power supplied by the REP hereunder shall be in the form of three-phase 60 Hertz alternating current, at a nominal operating voltage of _____ volts (_____ kV) and power factor dispatchable and controllable in the range of 90% lagging to 90% leading as measured at the interconnection point to maintain system operating parameters, including power factor, as specified from time to time by PEF.
- 8.5.2 The REP shall operate the Facility with all system protective equipment in service whenever the Facility is connected to, or is operated in parallel with, PEF's system, except for normal testing and repair in accordance with good engineering and operating practices as agreed by the Parties. The REP shall provide adequate system protection and control devices to ensure safe and protected operation of all energized equipment during normal testing and repair. All REP facilities shall meet IEEE and industry standards. The REP shall have independent, third party qualified personnel test, calibrate and certify in writing all protective equipment at least once every twelve (12) months in accordance with good engineering and operating practices. A unit functional trip test shall be performed after each overhaul of the Facility's turbine, generator or boilers and results provided to PEF in writing prior to returning the equipment to service.

The specifics of the unit functional trip test will be consistent with good engineering and operating practices as agreed by the Parties.

- 8.5.3** If the Facility is separated from the PEF system for any reason, under no circumstances shall the REP reconnect the Facility to PEF's system without first obtaining PEF'S specific approval.
- 8.5.4** During the term of this Contract, the REP shall employ qualified personnel for managing, operating and maintaining the Facility and for coordinating such with PEF. The REP shall ensure that operating personnel are on duty at all times, twenty-four (24) hours a calendar day and seven (7) calendar days a week. Additionally, during the term of this Contract, the REP shall operate and maintain the Facility in such a manner as to ensure compliance with its obligations hereunder and in accordance with applicable law and prudent utility practices.
- 8.5.5** PEF shall not be obligated to purchase, and may require curtailed or reduced deliveries of energy to the extent allowed under FPSC Rule 25-17.086 and under any curtailment plan which PEF may have on file with the FPSC from time to time.
- 8.5.6** During the term of this Contract, the REP shall maintain sufficient fuel on the site of the Facility to deliver the capacity and energy associated with the Committed Capacity for an uninterrupted seventy-two-(72) hour period. At PEF's request, the REP shall demonstrate this capability to PEF's reasonable satisfaction. During the term of this Contract, the REP's output shall remain within a band of plus or minus ten percent (10%) of the daily output level or levels specified by the plant operator, in ninety percent (90%) of all operating hours under normal operating conditions. This calculation will be adjusted to exclude forced outage periods and periods during which the REP's output is affected by a Force Majeure event.

9. Completion/Performance Security

- 9.1** As security for the achievement of the Capacity Delivery Date and satisfactory performance of its obligations hereunder, the REP shall provide PEF either: (a) an unconditional, irrevocable, direct-pay letter(s) of credit in effect through the first (1st) anniversary of the Capacity Delivery Date (or the next business day thereafter), issued by a financial institution(s) having an investment grade credit rating, in form and substance acceptable to PEF (including provisions (i) permitting partial and full draws and (ii) permitting PEF to draw in full if such letter of credit is not renewed or replaced as required by the terms hereof at least ten (10) business days prior to its expiration date); (b) a cash deposit(s) with PEF; or (c) a bond issued by a financially sound company in form and substance acceptable to PEF. Such letter(s) of credit, cash deposit(s) or bond shall be provided in the amount and by the date listed below:

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 PEF.

- 9.2 PEF shall have the right and the REP shall be required to monitor the financial condition of the issuer(s) in the event any letter of credit is provided by the REP. In the event the senior debt rating of any issuer(s) has deteriorated to a level below investment grade, PEF may require the REP 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 REP of the requirement to replace. Failure by the REP to comply with the requirements of this Section 9.2 shall be grounds for PEF to draw in full on the existing letter of credit and to exercise any other remedies it may have hereunder or at law or in equity.
- 9.3 If an Event of Default under Section 12 occurs, PEF 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.
- 9.4 If an Event of Default has not occurred and the REP fails to achieve the Capacity Delivery Date on or before December 1, 2009, PEF 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 PEF will suffer as a result of delayed availability of Committed Capacity and energy is difficult to ascertain and that PEF may accept such sums as liquidated damages or resort to any other remedies which may be available to it under law or in equity. If the Capacity Delivery Date is achieved on or before December 1, 2009, then the REP shall be entitled to reduce the amount of the Completion/Performance Security to an amount equal to \$15.00 per kW (for the number of kW set forth in Section 5.2).
- 9.6 In the event that PEF requires the REP to perform one or more Committed Capacity Test(s) at any time pursuant to Section 5.4 and, in connection with any such Committed Capacity Test(s), the REP fails to demonstrate a Capacity of at least one-hundred percent (100%) of the Committed Capacity set forth in Section 5.2, PEF shall be entitled immediately to receive, draw upon, or retain, as the case may be, one-hundred percent (100%) of the then-remaining amount of the Completion/Performance Security.

10. Termination Fee

10.1 In the event that the REP receives capacity payments pursuant to Option B, Option C, or Option D of Rate Schedule COG-2, then upon the termination of this Contract, the REP shall owe and be liable to PEF for a termination fee calculated in accordance with Appendix B (the "Termination Fee"). The Termination Fee is in the nature of liquidated damages due as a consequence of terminating this Contract. The REP's obligation to pay the Termination Fee shall survive the termination of this Contract. PEF shall provide the REP, on a monthly basis, a calculation of the Termination Fee.

10.1.1 The Termination Fee shall be secured by the REP by: (i) an unconditional, irrevocable, direct pay letter(s) of credit issued by a financial institution(s) with an investment grade credit rating in form and substance acceptable to PEF (including provisions (a) permitting partial and full draws and (b) permitting PEF to draw upon such letter of credit, in full, if such letter of credit is not renewed or replaced at least ten (10) business days prior to its expiration date; (ii) a bond issued by a financially sound company in form and substance acceptable to PEF; or (iii) a cash deposit with PEF (any of (i), (ii), or (iii), the "Termination Security"). The specific security instrument selected by the REP for purposes of this Contract is:

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

10.1.2 PEF shall have the right and the REP shall be required to monitor the financial condition of (i) the issuer(s) in the case of any letter of credit and (ii) the insurer(s), in the case of any bond. In the event the senior debt rating of any issuer(s) or insurer(s) has deteriorated to a level below investment grade, PEF may require the REP to replace the letter(s) of credit or the bond, as applicable. In the event that PEF notifies the REP that it requires such a replacement, the replacement letter(s) of credit or bond, as applicable, must be issued by a financial institution(s) or insurer(s) with an investment grade credit rating, and meet the requirements of Section 10.1.1 within thirty (30) calendar days following such notification. Failure by the REP to comply with the requirements of this Section 10.1.2 shall be grounds for PEF to draw in full on any existing letter of credit or bond and to exercise any other remedies it may have hereunder.

10.1.3 After the close of each calendar quarter (March 31, June 30, September 30, and December 31) occurring subsequent to the Capacity Delivery Date, upon PEF's issuance of the Termination Fee calculation as described in Section 10.1, the REP must provide PEF, within ten calendar (10) days, written assurance and documentation (the "Security Documentation"), in form and substance acceptable to PEF, that the amount of the Termination Security is sufficient to cover the balance of

the Termination Fee. In addition to the foregoing, at any time during the term of this Contract, PEF shall have the right to request and the REP shall be obligated to deliver within five (5) calendar days of such request, such Security Documentation. Failure by the REP to comply with the requirements of this Section 10.1.3 shall be grounds for PEF to draw in full on any existing letter of credit or bond or to retain any cash deposit, and to exercise any other remedies it may have hereunder.

10.1.4 Upon any termination of this Contract following the Capacity Delivery Date, PEF 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

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

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 REP changes or modifies the Facility from that provided in Section 1 with respect to its type, location, technology or fuel source, without the prior written approval of PEF;
- (b) After the Capacity Delivery Date, the Facility fails for twelve (12) consecutive months to maintain an Annual Capacity Billing Factor, as described in Appendix A, of at least seventy percent (70%);
- (c) The REP fails to satisfy its obligations to maintain sufficient fuel on the site of the Facility to deliver the capacity and energy associated with the Committed Capacity for an uninterrupted seventy-two-(72) hour period under Section 8.5.6 hereof;
- (d) The REP fails to provide the Completion and Performance Security and the Termination Fee and to comply with any of the provisions of Sections 9 and 10 hereof;
- (e) The REP, or the entity which owns or controls the REP, 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 REP or the entity which owns or controls the REP; or if a receiver shall be appointed for the REP or any of its assets or properties, or for the entity which owns or controls the REP; or if any part of the REP's assets shall be attached, levied upon, encumbered, pledged, seized or taken under any judicial process, and such proceedings shall not be

vacated or fully stayed within thirty (30) calendar days thereof; or if the REP shall make an assignment for the benefit of creditors, or admit in writing its inability to pay its debts as they become due;

- (g) The REP fails to give proper assurance of adequate performance as specified under this Contract within thirty (30) calendar days after PEF, with reasonable grounds for insecurity, has requested in writing such assurance;
- (h) The REP fails to achieve licensing, certification, and all federal, state and local governmental, environmental, and licensing approvals required to initiate construction of the Facility by no later than December 1, 2008;
- (i) The REP fails to comply with the provisions of Section 18.3 hereof;
- (j) Any of the representations or warranties made by the REP in this Contract is false or misleading in any material respect as of the time made;
- (k) If, at any time after the Capacity Delivery Date, the REP reduces the Committed Capacity due to an event of Force Majeure and fails to repair the Facility and reset the Committed Capacity to the level set forth in Section 5.2 (as such level may be reduced by Section 5.4) within twelve (12) months following the occurrence of such event of Force Majeure;
- (l) The REP breaches any material provision of this Contract not specifically mentioned in this Section 12.

13. PEF's Rights in the Event of Default

13.1 Upon the occurrence of any of the Events of Default in Section 12, PEF may, at its option:

- 13.1.1** Terminate this Contract, without penalty or further obligation, except as set forth in Section 13.2, by written notice to the REP, and offset against any payment(s) due from PEF to the REP, any monies otherwise due from the REP to PEF;
- 13.1.2** Enforce the provisions of the Termination Security requirement pursuant to Section 10 hereof;
- 13.1.3** Exercise any other remedy(ies) which may be available to PEF at law or in equity.

13.2 Termination shall not affect the liability of either Party for obligations arising prior to such termination or for damages, if any, resulting from any breach of this Contract.

14. Indemnification

14.1 PEF and the REP shall each be responsible for its own facilities. PEF and the REP shall each be responsible for ensuring adequate safeguards for other PEF customers, PEF's and the REP's personnel and equipment, and for the protection of its own generating system. Each Party (the "Indemnifying Party") agrees, to the extent permitted by applicable law, to indemnify, pay, defend, and hold harmless the other Party (the "Indemnified Party") and its officers, directors, employees, agents and contractors (hereinafter called respectively, "PEF Entities" and "REP Entities") from and against any and all claims, demands, costs or expenses for loss, damage, or injury to persons or property of the Indemnified Party (or to third parties) directly caused by, arising out of, or resulting from:

- (a) a breach by the Indemnifying Party of its covenants, representations, and warranties or obligations hereunder;
- (b) any act or omission by the Indemnifying Party or its contractors, agents, servants or employees in connection with the installation or operation of its generation system or the operation thereof in connection with the other Party's system;
- (c) any defect in, failure of, or fault related to, the Indemnifying Party's generation system;
- (d) the negligence or willful misconduct of the Indemnifying Party or its contractors, agents, servants or employees; or
- (e) any other event or act that is the result of, or proximately caused by, the Indemnifying Party or its contractors, agents, servants or employees.

14.2 Payment by an Indemnified Party to a third party shall not be a condition precedent to the obligations of the Indemnifying Party under Section 14. No Indemnified Party under Section 14 shall settle any claim for which it claims indemnification hereunder without first allowing the Indemnifying Party the right to defend such a claim. The Indemnifying Party shall have no obligations under Section 14 in the event of a breach of the foregoing sentence by the Indemnified Party. Section 14 shall survive termination of this Agreement.

15 Insurance

15.1 The REP shall procure or cause to be procured and shall maintain throughout the entire term of this Contract, a policy or policies of liability insurance issued by an insurer acceptable to PEF on a standard "Insurance Services Office" commercial general liability form (such policy or policies, collectively, the "REP Insurance"). An original certificate of insurance shall be delivered to PEF at least fifteen (15) calendar days prior to the start of any interconnection work. At a minimum, the REP Insurance shall contain (a) an endorsement providing coverage, including products liability/completed operations coverage for the term of this Contract, and (b) a broad form contractual liability endorsement covering liabilities (i) which

might arise under, or in the performance or nonperformance of, this Contract and the Interconnection Agreement, or (ii) caused by operation of the Facility or any of the REP's equipment or by the REP's failure to maintain the Facility or the REP's equipment in satisfactory and safe operating condition. Effective at least fifteen (15) calendar days prior to the synchronization of the Facility with PEF's system, the REP Insurance shall be amended to include coverage for interruption or curtailment of power supply in accordance with industry standards. Without limiting the foregoing, the REP Insurance must be reasonably acceptable to PEF. Any premium assessment or deductible shall be for the account of the REP and not PEF.

- 15.2** The REP Insurance shall have a minimum limit of One Million Dollars (\$1,000,000.00) per occurrence, combined single limit, for bodily injury (including death) or property damage.
- 15.3** To the extent that the REP Insurance is on a "claims made" basis, the retroactive date of the policy(ies) shall be the effective date of this Contract or such other date as may be agreed upon to protect the interests of the PEF Entities and the REP Entities. Furthermore, to the extent the REP Insurance is on a "claims made" basis, the REP's duty to provide insurance coverage shall survive the termination of this Contract until the expiration of the maximum statutory period of limitations in the State of Florida for actions based in contract or in tort. To the extent the REP Insurance is on an "occurrence" basis, such insurance shall be maintained in effect at all times by the REP during the term of this Contract.
- 15.4** The REP Insurance shall provide that it may not be cancelled or materially altered without at least thirty (30) calendar days' written notice to PEF. The REP shall provide PEF with a copy of any material communication or notice related to the REP Insurance within ten (10) business days of the REP's receipt or issuance thereof.
- 15.5** The REP shall be designated as the named insured and PEF shall be designated as an additional named insured under the REP Insurance. The REP Insurance shall be endorsed to be primary to any coverage maintained by PEF.

16. Force Majeure

Force Majeure is defined as an event or circumstance that is not reasonably foreseeable, is beyond the reasonable control of and is not caused by the negligence or lack of due diligence of the affected Party or its contractors or suppliers. Such events or circumstances may include, but are not limited to, actions or inactions of civil or military authority (including courts and governmental or administrative agencies), acts of God, war, riot or insurrection, blockades, embargoes, sabotage, epidemics, explosions and fires not originating in the Facility or caused by its operation, hurricanes, floods, strikes, lockouts or other labor disputes or difficulties (not caused by the failure of the affected party to comply with the terms of a collective bargaining agreement). REP equipment breakdown or inability to use equipment caused by its design, construction, operation,

maintenance or inability to meet regulatory standards, or otherwise caused by an event originating in the Facility, or a REP failure to obtain on a timely basis and maintain a necessary permit or other regulatory approval, shall not be considered an event of Force Majeure, unless the REP can conclusively demonstrate, to the reasonable satisfaction of PEF, that the event was not reasonably foreseeable, was beyond the REP's reasonable control and was not caused by the negligence or lack of due diligence of the REP or its agents, contractors or suppliers.

- 16.1** Except as otherwise provided in this Contract, each Party shall be excused from performance when its nonperformance was caused, directly or indirectly by an event of Force Majeure.
- 16.2** In the event of any delay or nonperformance resulting from an event of Force Majeure, the Party claiming Force Majeure shall notify the other Party in writing within five (5) business days of the occurrence of the event of Force Majeure, of the nature cause, date of commencement thereof and the anticipated extent of such delay, and shall indicate whether any deadlines or date(s), imposed hereunder may be affected thereby. The suspension of performance shall be of no greater scope and of no greater duration than the cure for the Force Majeure requires. A Party claiming Force Majeure shall not be entitled to any relief therefor unless and until conforming notice is provided. The Party claiming Force Majeure shall notify the other Party of the cessation of the event of Force Majeure or of the conclusion of the affected Party's cure for the event of Force Majeure in either case within two (2) business days thereof.
- 16.3** The Party claiming Force Majeure shall use its best efforts to cure the cause(s) preventing its performance of this Contract; provided, however, the settlement of strikes, lockouts and other labor disputes shall be entirely within the discretion of the affected Party and such Party shall not be required to settle such strikes, lockouts or other labor disputes by acceding to demands which such Party deems to be unfavorable.
- 16.4** If the REP suffers an occurrence of an event of Force Majeure that reduces the generating capability of the Facility below the Committed Capacity, the REP may, upon notice to PEF temporarily adjust the Committed Capacity as provided in Sections 16.5 and 16.6. Such adjustment shall be effective the first calendar day immediately following PEF's receipt of the notice or such later date as may be specified by the REP. Furthermore, such adjustment shall be the minimum amount necessitated by the event of Force Majeure.
- 16.5** If the Facility is rendered completely inoperative as a result of Force Majeure, the REP shall temporarily set the Committed Capacity equal to 0 kW until such time as the Facility can partially or fully operate at the Committed Capacity that existed prior to the Force Majeure. If the Committed Capacity is 0 kW, PEF shall have no obligation to make Capacity Payments hereunder.
- 16.6** If, at any time during the occurrence of an event of Force Majeure or during its cure, the Facility can partially or fully operate, then the REP shall temporarily set

the Committed Capacity at the maximum capability that the Facility can reasonably be expected to operate.

- 16.7** Upon the cessation of the event of Force Majeure or the conclusion of the cure for the event of Force Majeure, the Committed Capacity shall be restored to the Committed Capacity that existed immediately prior to the Force Majeure. Notwithstanding any other provisions of this Contract, upon such cessation or cure, PEF shall have right to require a Committed Capacity Test to demonstrate the Facility's compliance with the requirements of this section 16.7. Any Committed Capacity Test required by PEF under this Section shall be additional to any Committed Capacity Test under Section 5.4.
- 16.8** During the occurrence of an event of Force Majeure and a reduction in Committed Capacity under Section 16.4 all Monthly Capacity Payments shall reflect, pro rata, the reduction in Committed Capacity, and the Monthly Capacity Payments will continue to be calculated in accordance with the pay-for-performance provisions in Appendix A.
- 16.9** The REP agrees to be responsible for and pay the costs necessary to reactivate the Facility and/or the interconnection with PEF's system if the same is (are) rendered inoperable due to actions of the REP, its agents, or Force Majeure events affecting the REP, the Facility or the interconnection with PEF. PEF agrees to reactivate, at its own cost, the interconnection with the Facility in circumstances where any interruptions to such interconnections are caused by PEF or its agents.

17. Representations, Warranties, and Covenants of REP

The REP represents and warrants that as of the Effective Date:

17.1 Organization, Standing and Qualification

The REP is a _____ (corporation, partnership, or other, as applicable) duly organized and validly existing in good standing under the laws of _____ and has all necessary power and authority to carry on its business as presently conducted to own or hold under lease its properties and to enter into and perform its obligations under this Contract and all other related documents and agreements to which it is or shall be a Party. The REP is duly qualified or licensed to do business in the State of Florida and in all other jurisdictions wherein the nature of its business and operations or the character of the properties owned or leased by it makes such qualification or licensing necessary and where the failure to be so qualified or licensed would impair its ability to perform its obligations under this Contract or would result in a material liability to or would have a material adverse effect on PEF.

17.2 Due Authorization, No Approvals, No Defaults

Each of the execution, delivery and performance by the REP of this Contract has been duly authorized by all necessary action on the part of the REP, does not

require any approval, except as has been heretofore obtained, of the _____ (shareholders, partners, or others, as applicable) of the REP or any consent of or approval from any trustee, lessor or holder of any indebtedness or other obligation of the REP, except for such as have been duly obtained, and does not contravene or constitute a default under any law, the _____ (articles of incorporation, bylaws, or other as applicable) of the REP, or any agreement, judgment, injunction, order, decree or other instrument binding upon the REP, or subject the Facility or any component part thereof to any lien other than as contemplated or permitted by this Contract.

17.3 Compliance with Laws

The REP has knowledge of all laws and business practices that must be followed in performing its obligations under this Contract. The REP is in compliance with all laws, except to the extent that failure to comply therewith would not, in the aggregate, have a material adverse effect on the REP or PEF.

17.4 Governmental Approvals

Except as expressly contemplated herein, neither the execution and delivery by the REP of this Contract, nor the consummation by the REP of any of the transaction contemplated thereby, requires the consent or approval of, the giving of notice to, the registration with, the recording or filing of any document with, or the taking of any other action with respect to governmental authority, except with respect to permits (a) which have already been obtained and are in full force and effect or (b) are not yet required (and with respect to which the REP has no reason to believe that the same will not be readily obtainable in the ordinary course of business upon due application therefore).

17.5 No Suits, Proceedings

There are no actions, suits, proceedings or investigations pending or, to the knowledge of the REP, threatened against it at law or in equity before any court or tribunal of the United States or any other jurisdiction which individually or in the aggregate could result in any materially adverse effect on the REP's business, properties, or assets or its condition, financial or otherwise, or in any impairment of its ability to perform its obligations under this Contract. The REP has no knowledge of a violation or default with respect to any law which could result in any such materially adverse effect or impairment.

17.6 Environmental Matters

To the best of its knowledge after diligent inquiry, the REP knows of no (a) existing violations of any environmental laws at the Facility, including those governing hazardous materials or (b) pending, ongoing, or unresolved administrative or enforcement investigations, compliance orders, claims, demands, actions, or other litigation brought by governmental authorities or other third parties alleging violations of any environmental law or permit which would

materially and adversely affect the operation of the Facility as contemplated by this Contract.

18. General Provisions

18.1 Project Viability

To assist PEF in assessing the REP's financial and technical viability, the REP shall provide the information and documents requested in Appendix C or substantially similar documents, to the extent the documents apply to the type of Facility covered by this Contract and to the extent the documents are available. All documents to be considered by PEF must be submitted at the time this Contract is presented to PEF. Failure to provide the following such documents may result in a determination of non-viability by PEF.

18.2 Permits

The REP hereby agrees to obtain and maintain any and all permits, certifications, licenses, consents or approvals of any governmental authority which the REP is required to obtain as a prerequisite to engaging in the activities specified in this Contract.

18.3 Project Management

If requested by PEF, the REP shall submit to PEF its integrated project schedule for PEF's review within sixty (60) calendar days from the execution of this Contract, and a start-up and test schedule for the Facility at least sixty (60) calendar days prior to start-up and testing of the Facility. These schedules shall identify key licensing, permitting, construction and operating milestone dates and activities. If requested by PEF, the REP shall submit progress reports in a form satisfactory to PEF every calendar month until the Capacity Delivery Date and shall notify PEF of any changes in such schedules within ten (10) calendar days after such changes are determined. PEF shall have the right to monitor the construction, start-up and testing of the Facility, either on-site or off-site. PEF's technical review and inspections of the Facility and resulting requests, if any, shall not be construed as endorsing the design thereof or as any warranty as to the safety, durability or reliability of the Facility.

The REP shall provide PEF with the final designer's/manufacture's generator capability curves, protective relay types, proposed protective relay settings, main one-line diagrams, protective relay functional diagrams, and alternating current and direct elementary diagrams for review and inspection at PEF no later than one hundred eighty (180) calendar days prior to the initial synchronization date.

18.4 Assignment

The REP may not assign this Contract, without PEF's prior written approval, which approval may be withheld at PEF's sole discretion.

18.5 Disclaimer

In executing this Contract, PEF does not, nor should it be construed, to extend its credit or financial support for benefit of any third parties lending money to or having other transactions with the REP or any assigns of this Contract.

18.6 Notification

All formal notices relating to this Contract shall be deemed duly given when delivered in person, or sent by registered or certified mail, or sent by fax if followed immediately with a copy sent by registered or certified mail, to the individuals designated below. The Parties designate the following individuals to be notified or to whom payment shall be sent until such time as either Party furnishes the other Party written instructions to contact another individual:

For the REP:

For PEF:

Florida Power Corporation
Cogeneration Manager BT 9G
100 Central Avenue
St. Petersburg, FL 33701

This signed Contract and all related documents may be presented no earlier than 8:00 a.m. on the Effective Date of the Renewable Standard Offer Contract, as determined by the FPSC. Contracts and related documents may be mailed to the address below or delivered during normal business hours (8:00 a.m. to 4:45 p.m.) to the visitors' entrance at the address below:

Florida Power Corporation
d/b/a Progress Energy Florida, Inc.
100 Central Avenue
St. Petersburg, FL 33701

Attention: Cogeneration Manager BT 9G

18.7 Applicable Law

This Contract shall be construed in accordance with and governed by, and the rights of the parties shall be construed in accordance with the laws of the State of Florida.

18.8 Taxation

In the event that PEF becomes liable for additional taxes, including interest and/or penalties arising from an Internal Revenue Services determination, through audit, ruling or other authority, that PEF's payments to the REP for Capacity under Options B, C, or D of the Rate Schedule COG-2 are not fully deductible when paid (additional tax liability), PEF may bill the REP monthly for the costs, including carrying charges, interest and/or penalties, associated with the fact that all or a portion of these Capacity Payments are not currently deductible for federal and/or state income tax purposes. PEF, at its option, may offset or recoup these costs against amounts due the REP hereunder. These costs would be calculated so as to place PEF in the same economic position in which it would have been if the entire Capacity Payments had been deductible in the period in which the payments were made. If PEF decides to appeal the Internal Revenue Service's determination, the decision as to whether the appeal should be made through the administrative or judicial process or both, and all subsequent decisions pertaining to the appeal (both substantive and procedural), shall rest exclusively with PEF.

18.9 In no event shall PEF, its parent corporation, officers, directors, employees, and agents be liable for any incidental, indirect, special, consequential, exemplary, punitive, or multiple damages resulting from any claim or cause of action, whether brought in contract, tort (including, but not limited to, negligence or strict liability), or any other legal theory.

18.10 Severability

If any part of this Contract, for any reason, is declared invalid or unenforceable by a public authority of appropriate jurisdiction, then such decision shall not affect the validity of the remainder of the Contract, which remainder shall remain in force and effect as if this Contract had been executed without the invalid or unenforceable portion.

18.11 Complete Agreement and Amendments

All previous communications or agreements between the Parties, whether verbal or written, with reference to the subject matter of this Contract are hereby abrogated. No amendment or modification to this Contract shall be binding unless it shall be set forth in writing and duly executed by both Parties. This Contract constitutes the entire agreement between the Parties.

18.12 Survival of Contract

This Contract, as it may be amended from time to time, shall be binding upon, and inure to the benefit of, the Parties' respective successors-in-interest and legal representatives.

18.13 Record Retention

The REP agrees to maintain for a period of five (5) years from the date of termination hereof all records relating to the performance of its obligations hereunder, and to cause all REP Entities to retain for the same period all such records.

18.14 No Waiver

No waiver of any of the terms and conditions of this Contract shall be effective unless in writing and signed by the Party against whom such waiver is sought to be enforced. Any waiver of the terms hereof shall be effective only in the specific instance and for the specific purpose given. The failure of a Party to insist, in any instance, on the strict performance of any of the terms and conditions hereof shall not be construed as a waiver of such Party's right in the future to insist on such strict performance.

18.15 Set-Off

PEF may at any time, but shall be under no obligation to, set off or recoup any and all sums due from the REP against sums due to the REP hereunder without undergoing any legal process.



IN WITNESS WHEREOF, the REP and PEF executed this Contract on the later of the dates set forth below.

REP

PROGRESS ENERGY FLORIDA, INC.

Signature

Signature

Print Name

Print Name

Title

Title

Date

Date

**APPENDIX A
TO
PROGRESS ENERGY FLORIDA STANDARD OFFER CONTRACT
RATE SCHEDULE COG-2**

SCHEDULE

COG-2, Firm Capacity and Energy

AVAILABLE

PEF will, under the following:

- A. In the event that the Annual Capacity Billing Factor ("ACBF"), as defined below, is less than 50%, 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 50% but less than 89%, then the Monthly Capacity Payment shall be calculated by using the following formula:

$$\text{MCP} = \text{BCP} [5x (\text{ACBF} - .69)] x \text{CC}$$

- C. In the event that the ACBF is equal to or greater than 89%, 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 PEF'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 PEF for the 12 consecutive months preceding the date of calculation excluding any energy received during an event of Force Majeure in which the Committed Capacity is temporarily set equal to 0 kW, divided by the product of the Committed Capacity and the number of hours in the 12 consecutive months preceding the date of

calculation excluding the hours during an event of Force Majeure in which the Committed Capacity is temporarily set equal to 0 kW. If an event of Force Majeure occurs during the 12 consecutive months preceding the date of calculation in which the Committed Capacity is temporarily set to a value greater than 0 kW then the 12 month rolling average will be pro-rated accordingly. 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 PEF for the number of full consecutive months preceding the date of calculation excluding any energy received during an event of Force Majeure in which the Committed Capacity is temporarily set equal to 0 kW, 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 excluding the hours during an event of Force Majeure in which the Committed Capacity is temporarily set equal to 0 kW. If an event of Force Majeure occurs during the months preceding the date of calculation in which the Committed Capacity is temporarily set to a value greater than 0 kW then the 12 month rolling average will be pro-rated accordingly. 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.

**APPENDIX B
TO
PROGRESS ENERGY FLORIDA'S STANDARD OFFER CONTRACT
TERMINATION FEE**

The Termination Fee shall be the sum of the values for each month beginning with the month in which the Capacity Delivery Date occurs through the month of termination (or month of calculation, as the case may be) computed according to the following formula:

$$\sum_{i=1}^n (MCP_i - MCPC_i) \cdot (1 + r)^{(n-i)}$$

with: MCPC = 0 for all periods prior to the in-service date of PEF's
 Avoided Unit:

where

- i = number of Monthly Billing Period commencing with the Capacity Delivery Date (i.e., the month in which Capacity Delivery date occurs = 1; the month following this month in which Capacity Delivery Date occurs = 2 etc.)
- n = the number of Monthly Billing Periods which have elapsed from the month in which the Capacity Delivery Date occurs through the month of termination (or month of calculation, as the case may be)
- r = PEF's incremental after-tax avoided cost of capital (defined as r in COG-2).
- MCP_i = Monthly Capacity Payment paid to REP corresponding to the Monthly Billing Period i , calculated in accordance with Appendix A.
- $MCPC_i$ = Monthly Capacity Payment for Option A corresponding to the Monthly Billing Period i , calculated in accordance with COG-2.

In the event that for any Monthly Billing Period, the computation of the value of the Termination Fee for such Monthly Billing Period (as set forth above) yields a value equal to or greater than zero, the amount of the Termination Fee shall be increased by the amount of such value.

In the event that for any Monthly Billing Period, the computation of the value of the Termination Fee for such Monthly Billing Period (as set forth above) yields a value less than zero, the amount of the Termination Fee shall be decreased by the amount of such value expressed as a positive

number (the "Initial Reduction Value"); provided, however, that such Initial Reduction Value shall be subject to the following adjustments (the Initial Reduction Value, as adjusted, the "Reduction Value"):

- a. In the event that in the applicable Monthly Billing Period the Annual Capacity Billing Factor (ACBF), as defined in Appendix A is less than 50%, then the Initial Reduction Value shall be adjusted to equal zero (Reduction Value = 0), and the Termination Fee shall not be reduced for the applicable Monthly Billing Period.
- b. In the event that in the applicable Monthly Billing Period the Annual Capacity Billing Factor (ACBF), as defined in Appendix A, is equal to or greater than 50% but less than 89%, then the Reduction Value shall be determined as follows:

$$\text{Reduction Value} = \text{Initial Reduction Value} \times (5 \times (\text{ACBF} - .69))$$

For the applicable Monthly Billing period, the Termination Fee shall be reduced by the amount of such Reduction Value.

- c. In the event that in the applicable Monthly Billing Period the Annual Capacity Billing Factor (ACBF), as defined in Appendix A, is equal to or greater than 89%, then the Initial Reduction Value shall not be adjusted (Reduction Value = Initial Reduction Value), and the Termination Fee shall be reduced for the applicable Monthly Billing period by the amount of the Initial Reduction Value.

In no event shall PEF be liable to the REP at any time for any amount by which the Termination Fee, adjusted in accordance with the foregoing, is less than zero (0).

**APPENDIX C
TO
PROGRESS ENERGY FLORIDA'S STANDARD OFFER CONTRACT**

DETAILED PROJECT INFORMATION

Each eligible Contract received by PEF will be evaluated to determine if the underlying REP project is financially and technically viable. The REP shall, to the extent available, provide PEF with a detailed project proposal which addresses the information requested below:

I. FACILITY DESCRIPTION

- Project Name
- Project Location

- * Street Address
- * Size Plot Plan
- * Legal Description of Site

- Generating Technology
- Primary Fuel
- Alternate Fuel (if applicable)
- Committed Capacity
- Expected In-Service Date

- Contact Person

- * Individual's Name and Title
- * Company Name
- * Address
- * Telephone Number
- * Fax Number

II. PROJECT PARTICIPANTS

- Indicate the entities responsible for the following project management activities and provide a detailed description of the experience and capabilities of the entities:
 - * Project Development
 - * Siting and Licensing the Facility
 - * Designing the Facility
 - * Constructing the Facility
 - * Securing the Fuel Supply
 - * Operating the Facility

- Provide details on all electrical facilities which are currently under construction or operational which were developed by the REP.

- Describe the financing structure for the projects identified above, including the type of financing used, the permanent financing term, the major lenders and the percentage of equity invested at financial closing.

III. FUEL SUPPLY

- Describe all fuels to be used to generate electricity at the Facility. Indicate the specific physical and chemical characteristics of each fuel type (e.g. Btu content, sulfur content, ash content, etc.). Identify special considerations regarding fuel supply origin, source and handling, storage and processing requirements.
- Provide annual fuel requirements (AFR) necessary to support planned levels of generation and list the assumptions used to determine these quantities.
- Provide a summary of the status of the fuel supply arrangements in place to meet the AFR, in each year of the proposed operating life of the Facility. Use the categories below to describe the current arrangement for securing the AFR.

<u>Category</u>	<u>Description of Fuel Supply Arrangement</u>
owned =	fuel is from a fully developed source owned by one or more of the project participants
contract =	fully executed firm fuel contract exists between the developer(s) and fuel supplier(s)
LOI =	a letter of intent for fuel supply exists between developer(s) and fuel supplier(s)
SPP =	small power production facility will burn biomass, waste, or another renewable resource
spot =	fuel supply will be purchased on the spot market
none =	no firm fuel supply arrangement currently in place
other =	fuel supply arrangement which does not fit any of the above categories (please describe)

- Indicate the percentage of the Facility's AFR which is covered by the above fuel supply arrangement(s) for each proposed operating year. The percent of AFR covered for each operating year must total 100%. For fuel supply arrangements identified as owned, contract, or LOI, provide documentation to support this category and explain the fuel price mechanism of the arrangement. In addition, indicate whether or not the fuel price includes deliver and, if so, to what location.
- Describe fuel transportation networks available for delivering all primary and secondary fuel to the Facility site. Indicate the mode, route and distance of each segment of the journey, from fuel source to the Facility site. Discuss the current status and pertinent factors impacting future availability of the transportation network.
- Provide annual fuel transportation requirements (AFTR) necessary to support planned levels of generation and list the assumptions used to determine these quantities.

- Provide a summary of the status of the fuel transportation arrangements in place to meet the AFTR in each year of the proposed operating life of the Facility. Use the categories below to describe the current arrangement for securing the AFTR.

owned = fuel transport via a fully developed system owned by one or more of the project participants

contract = fully executed firm transportation contract exists between the developer(s) and fuel transporter(s)

LOI = a letter of intent for fuel transport exists between developer(s) and fuel transporter(s)

spot = fuel transportation will be purchased on the spot market

none = no firm fuel transportation arrangement currently in place

other = fuel transportation arrangement which does not fit any of the above categories (please describe)

- Provide the maximum, minimum and average fuel inventory levels to be maintained for primary and secondary fuels at the Facility site. List the assumptions used in determining the inventory levels.
- Provide information regarding REP's plans to maintain sufficient on site fuel to deliver capacity and energy for an uninterrupted seventy-two (72) hour period.

IV. PLANT DISPATCHABILITY/CONTROLLABILITY

- Provide the following operating characteristics and a detailed explanation supporting the performance capabilities indicated:
 - * Ramp Rate (MW/minute)
 - * Peak Capability (% above Committed Capacity)
 - * Minimum power level (% of Committed Capacity)
 - * Facility Turnaround Time, Hot to Hot (hours)
 - * Start-up Time from Cold Shutdown (hours)
 - * Unit Cycling (# cycles/yr.)
 - * MW and MVAR Control (ACC, Manual, Other (please explain))

V. SITING AND LICENSING

- Provide a licensing/permitting milestone schedule, which lists all permits, licenses and variances, required to site the Facility. The milestone schedule shall also identify key milestone dates for baseline monitoring, application preparation, agency review, certification and licensing/siting board approval, and agency permit issuance.
- Provide a licensing/permitting plan that addresses the issues of air emission, water use, wastewater discharge, wetlands, endangered species, protected properties, surrounding land use, zoning for the Facility, associated linear facilities and support of and opposition to the Facility.

- List the emission/effluent discharge limits the Facility will meet and describe in detail the pollution control equipment to be used to meet these limits.

VI. FACILITY DEVELOPMENT AND PERFORMANCE

- Submit a detailed engineering, procurement, construction, startup and commercial operation schedule. The schedule shall include milestones for site acquisition, engineering phases, selection of the major equipment vendors, architect engineer, PEF contractor and Facility operator, steam host integration and delivery of major equipment. A discussion of the current status of each milestone should also be included where applicable.
- Attach a diagram of the power block arrangement. Provide a list of the major equipment vendors and the name and model number of the major equipment to be installed.
- Provide a detailed description of the proposed environmental control technology for the Facility and describe the capabilities of the proposed technology.
- Attach preliminary flow diagrams for the steam system, water system, and fuel system, and a main electrical one line diagram for the Facility.
- State the expected heat rate (HHV) at 75 degrees Fahrenheit for loads of 100%, 75% and 50%. In addition, attach a preliminary heat balance for the Facility.

VII. FINANCIAL

- Provide PEF with assurances that the proposed REP project is financially viable in accordance with FPSC Rule 25-17.0832(4)(c) by attaching a detailed pro-forma cash flow analysis. The pro-forma must include, at a minimum, the following assumptions for each year of the project.
- Annual Project Revenues
 - * Capacity Payments (\$ and \$/kW/Mo.)
 - * Variable O&M (\$ and \$/MWh)
 - * Energy (\$ and \$/MWh)
 - * Tipping Fees (\$ and \$/ton)
 - * Interest Income
 - * Other Revenues
 - * Variable O&M Escalation (%/yr.)
 - * Energy Escalation (%/yr.)
 - * Tipping Fee Escalation (%/yr.)
- Annual Project Expense
 - * Fixed O&M (\$ and \$/kW/Mo.)
 - * Variable O&M (\$ and \$/MWh)
 - * Energy (\$ and \$/MWh)
 - * Property Taxes (\$)

- * Insurance (\$)
- * Emission Compliance (\$ and \$/MWh)
- * Depreciation (\$ and %/yr.)
- * Other Expenses (\$)
- * Fixed O&M Escalation (%/yr.)
- * Variable O&M Escalation (%/yr.)
- * Energy Escalation (%/yr.)

- Other Project Information

- * Installed Cost of the Facility (\$ and \$/kW)
- * Committed Capacity (kW)
- * Average Heat Rate - HHV (MBTU/kWh)
- * Federal Income Tax Rate (%)
- * Facility Capacity Factor (%)
- * Energy Sold to PEF (MWh)

- Permanent Financing

- * Permanent Financing Term (yr.)
- * Project Capital Structure (percentage of long-term debt, subordinated debt, tax exempt debt and equity)
- * Financing Costs (cost of long-term debt, subordinated debt, tax exempt debt and equity)
- * Annual Interest Expense
- * Annual Debt Service (\$)
- * Amortization Schedule (beginning balance, interest expense, principal reduction, ending balance)

- Provide details of the financing plan for the project and indicate whether the project will be non-recourse project financed. If it will not be project financed please explain the alternative financing arrangement.
- Submit financial statements for the last two years on the principals of the project, and provide an illustration of the project ownership structure.

**APPENDIX D
FPSC RULES 25-17.080 THROUGH 25-17.091
ARE PROVIDED IN SECTION VIII
ON THIS TARIFF BOOK**

Exhibit A

(Standard Format)

Standard Offer Contract
Tariff

STANDARD OFFER CONTRACT FOR THE PURCHASE OF FIRM CAPACITY
AND ENERGY FROM A SMALL POWER PRODUCER OR OTHER QUALIFYING
FACILITY USING RENEWABLE OR NON-FOSSIL FUEL, A QUALIFYING FACILITY
WITH A DESIGN CAPACITY OF 100 KW OR LESS,
OR A SOLID WASTE FACILITY

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**STANDARD OFFER CONTRACT FOR THE PURCHASE OF FIRM CAPACITY
AND ENERGY FROM A SMALL POWER PRODUCER OR OTHER QUALIFYING
FACILITY USING RENEWABLE OR NON-FOSSIL FUEL, A QUALIFYING
FACILITY WITH A DESIGN CAPACITY OF 100 KW OR LESS,
OR A SOLID WASTE FACILITY**

THIS CONTRACT FOR THE PURCHASE OF FIRM CAPACITY AND ENERGY (hereinafter referred to as the "Contract") is made and entered this ____ day of _____, _____, (hereinafter referred to as the "Effective Date") by and between _____ (hereinafter "the QF"), and Progress Energy Florida (hereinafter "PEF"), a private utility corporation organized and existing under the laws of the State of Florida. The QF and PEF shall individually be identified herein as the "Party" and collectively as the "Parties". This Contract contains five Appendices which are incorporated into and made part of this Contract: Appendix A: Rate Schedule COG-2; Appendix B: Pay for Performance Provisions, Monthly Capacity Payment Calculation; Appendix C: Termination Fee; Appendix D: Detailed Project Information; Appendix E: Interconnection and Parallel Operating Agreement; and Appendix F: Florida Public Service Commission ("FPSC") Rules 25-17.080 through 25-17.091, F.A.C.

WITNESSETH:

WHEREAS, the QF desires to sell, and PEF desires to purchase electricity to be generated by the QF consistent with FPSC Rules 25-17.080 through 25-17.091 F.A.C.; and

WHEREAS, the QF has agreed to the terms in Appendices E or has signed an interconnection/transmission service ("wheeling") agreement with the utility in whose service territory the Facility is to be located, pursuant to which the QF assumes contractual responsibility to make any and all wheeling-related arrangements (including ancillary services) between the QF and the wheeling utility for delivery of the Facility's firm capacity and energy to PEF; and

WHEREAS, the FPSC has approved this Standard Offer Contract for the Purchase of Firm Capacity and Energy from a Small Power Producer or other Qualifying Facility using renewable or non-fossil fuel, a Qualifying Facility with a design capacity of 100 KW or less, or a Solid Waste Facility; and

WHEREAS, the QF guarantees that the Facility is capable of delivering firm capacity and energy to PEF for the term of this Contract in a manner consistent with the provision of this Contract;

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

provided to FERC regarding QF's qualifying status shall at the same time be provided to PEF. QF shall at all times keep PEF informed of any material changes in its business which affect its qualifying status. PEF shall have the right at all times to inspect the Facility and to examine any books, records, or other documents of the QF that PEF 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 PEF 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., December 31, 2013, 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 January 1, 2009 (or such later date as may be permitted by PEF pursuant to Section 5), PEF'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 on a 20 MW portion of a 528 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 PEF shall commence is January 1, 2009 unless the Facility chooses capacity payments under Options B, C, or D of Rate Schedule COG-2, 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 PEF is the five- (5) year period beginning on January 1, 2009.
6. The following are the minimum performance standards for the delivery of firm capacity and energy by the QF to qualify for full capacity payments under this Contract:

	<u>On Peak*</u>	<u>Off Peak</u>
Availability Factor:	89%	89%

- * QF Performance and On Peak hours shall be as measured and/or described in PEF's Rate Schedule COG-2 attached hereto as Appendix B.

4. Sale of Electricity by the QF

4.1 Consistent with the terms hereof, the QF shall sell to PEF and PEF shall purchase from the QF electric power generated by the Facility. The purchase and sale of electricity pursuant to this Contract shall be a () net billing arrangement or () simultaneous purchase and sale arrangement; provided, however, that no such arrangement shall cause the QF to sell more than the Facility's net output. The billing methodology may be changed at the option of the QF, subject to the provisions of PEF Rate Schedule COG-2.

4.2 Ownership and Offering For Sale Of Renewable Energy Attributes

- a. The QF shall retain any and all rights to own and to sell any and all environmental attributes associated with the electric generation of the Facility, including but not limited to any and all renewable energy certificates, "green tags" or other tradable environmental interests (collectively "RECs"), of any description, provided that: (i) PEF shall have a right of first refusal with respect to any and all bona fide offers to purchase any RECs; and (ii) the QF shall not sell RECs to any party at a price less than that charged by PEF.
- b. Notwithstanding the provisions of the foregoing Section 4.2 a), in the event that the QF wishes to sell RECs to another party at a price less than that already contracted for by PEF, the QF may proceed with such sale so long as (i) the price paid by PEF for any and all future purchases of RECs from the QF shall be adjusted to be equal to the lowest price at which the QF agrees to sell RECs to another party; and (ii) the QF shall refund to PEF the amount by which any past PEF purchases of RECs from the QF exceeds the lowest price that the QF agrees to charge another buyer.

4.3 The QF shall not rely on interruptible standby service for the start up requirements (initial or otherwise) of the Facility.

5. Committed Capacity/Capacity Delivery Date

5.1 The QF commits to sell capacity to PEF, the amount of which shall be determined in accordance with this Section 5 and Appendix A (the "Committed Capacity"). Subject to Section 5.3 the Committed Capacity is set at _____ kW, with an expected Capacity Delivery Date of January 1, 2009.

5.2 Testing of the capacity of the Facility (each such test a "Committed Capacity Test") shall be performed in accordance with the procedures set forth in Section 6.



The Demonstration Period for the first Committed Capacity Test shall commence no earlier than January 1, 2004 and testing must be completed by 11:59 p.m., December 31, 2008. The first Committed Capacity Test shall not be successfully completed unless the Facility demonstrates a Capacity of at least one hundred percent (100%) of the Committed Capacity set forth in Section 5.1. Subject to Section 6.1 the QF may schedule and perform up to three (3) Committed Capacity Tests to satisfy the requirements of the Contract with respect to the first Committed Capacity Test.

- 5.3 In addition to the first Committed Capacity Test, PEF shall have the right to require the QF, by notice thereto, to validate the Committed Capacity by means of a Committed Capacity Test at any time, up to six (6) times per year, the results of which shall be provided to PEF within seven (7) calendar days of the conclusion of such test. On and after the date of such requested Committed Capacity Test, and until the completion of a subsequent Committed Capacity Test, the Committed Capacity shall be set at the lower of the Capacity tested or the Committed Capacity as set forth in Section 5.1.
- 5.4 Notwithstanding anything contrary to the terms herein, the Committed Capacity may not exceed the amount set forth in Section 5.1 without the consent of PEF which consent shall be granted in PEF's sole discretion.
- 5.5 The "Capacity Delivery Date" shall be defined as the first calendar day immediately following the date of the Facility's successful completion of the first Committed Capacity Test.
- 5.6 In no event shall PEF make capacity payments to the QF prior to the Capacity Delivery Date.
- 5.7 The QF shall be entitled to receive capacity payments beginning on the Capacity Delivery Date, provided the Capacity Delivery Date occurs on or after January 1, 2006 and on or before January 1, 2009 (or such later date permitted by PEF pursuant to the following sentence). If the Capacity Delivery Date does not occur on or before January 1, 2009, PEF shall immediately be entitled to draw down the Completion/Performance security in full.

6. Testing Procedures

- 6.1 The Committed Capacity Test must be completed successfully within a sixty-hour period (the "Demonstration Period"), which period, including the approximate start time of the Committed Capacity Test, shall be selected and scheduled by the QF by means of a written notice to PEF delivered at least thirty (30) calendar days prior to the start of such period. The provisions of the foregoing sentence shall not apply to any Committed Capacity Test ordered by PEF under any of the provisions of this Contract. PEF shall have the right to be present onsite to monitor firsthand any Committed Capacity Test required or permitted under this Contract.

- 6.2 The Committed Capacity Test results shall be based on a test period of twenty-four (24) consecutive hours (the "Committed Capacity Test Period") at the highest sustained net kW rating at which the Facility can operate without exceeding the design operating conditions, temperature, pressures, and other parameters defined by the applicable manufacturer(s) for steady state operations at the Facility. The Committed Capacity Test Period shall commence at the time designated by the QF pursuant to Section 6.1 or at such time requested by PEF pursuant to Section 5.3; provided, however, that the Committed Capacity Test Period may commence earlier than such time in the event that PEF is notified of, and consents to, such earlier time.
- 6.3 Normal station service use of unit auxiliaries, including, without limitation, cooling towers, heat exchangers, and other equipment required by law, shall be in service during the Committed Capacity Test Period. Normal deliveries of the contracted quantity and quality of cogenerated steam to the steam host, if any, shall be required during the Committed Capacity Test Period.
- 6.4 The Capacity of the Facility (the "Capacity") shall be the minimum average hourly net capacity (generator output minus auxiliary) measured over the Committed Capacity Test Period.
- 6.5 The Committed Capacity Test shall be performed according to standard industry testing procedures for the appropriate technology of the QF.
- 6.6 The results of any Committed Capacity Test, including all data related to Facility operation and performance during testing, shall be submitted to PEF by the QF within seven (7) calendar days of the conclusion of the Committed Capacity Test. The QF shall certify that all such data is accurate and complete.

7. **Payment for Electricity Produced by the Facility**

7.1 **Energy**

PEF agrees to pay the QF for energy produced by the Facility and delivered to PEF in accordance with the rates and procedures contained in PEF's approved Rate Schedule COG-2, attached hereto as Appendix A, as it may be amended from time to time. The Parties agree that this Contract shall be subject to all of the provisions contained in Rate Schedule COG-2 as approved and on file with the FPSC.

PEF may, at its option, limit deliveries under this Standard Offer Contract to 110% of the Committed Capacity as set forth in Section 5. In the event that PEF chooses to limit deliveries any energy in excess of 110% of the Committed Capacity will be paid for at the rates defined in COG-1 As-Available Tariff and shall not be included in the calculations in Appendix B hereto.

7.2 Capacity

PEF agrees to pay the QF for the Capacity described in Section 5 in accordance with the rates and procedures contained in Rate Schedule COG-2, as it may be amended and approved from time to time by the FPSC, and pursuant to the election of Option _____ of Rate Schedule COG-2. The QF understands and agrees that Capacity payments will only be made under Option B, Option C, or Option D of Rate Schedule COG-2 if the QF has achieved the Capacity Delivery Date and is delivering firm capacity and energy to PEF. Once so selected, this option cannot be changed for the term of this Contract.

7.3 Payments for Energy and Capacity

Payments due the QF will be made monthly, and normally by the twentieth business day following the end of the billing period. The kilowatt-hours sold by the QF and the applicable avoided energy rate at which payments are being made shall accompany the payment to the QF.

8. Electricity Production and Plant Maintenance Schedule

- 8.1 No later than sixty (60) calendar days prior to the Capacity Delivery Date, and prior to October 1 of each calendar year thereafter during the term of this Contract, the QF shall submit to PEF in writing a detailed plan of the amount of electricity to be generated by the Facility and delivered to PEF for each month of the following calendar year, including the time, duration and magnitude of any scheduled maintenance period(s) or reductions in Capacity.
- 8.2 By October 31 of each calendar year, PEF shall notify the QF in writing whether the requested scheduled maintenance periods in the detailed plan are acceptable. If PEF does not accept any of the requested scheduled maintenance periods, PEF shall advise the QF of the time period closest to the requested period(s) when the outage(s) can be scheduled. The QF shall only schedule outages during periods approved by PEF, and such approval shall not be unreasonably withheld. Once the schedule for the detailed plan has been established and approved, either Party requesting a subsequent change in such schedule, except when such change is due to Force Majeure, must obtain approval for such change from the other Party. Such approval shall not be unreasonably withheld or delayed. Scheduled maintenance outage days shall be limited to twenty-one (21) days per calendar year. In no event shall maintenance periods be scheduled during the following periods: June 1 through September 15 and December 1 through and including February 28 (or 29th as the case may be).
- 8.3 The QF shall comply with reasonable requests by PEF regarding day-to-day and hour-by-hour communication between the Parties relative to electricity production and maintenance scheduling.



- 8.4 The Parties recognize that the intent of the availability factor in Section 3 of this Contract is an allowance for scheduled outages, forced outages and forced reductions in output of the Facility. Therefore the QF shall provide PEF with notification of any forced outage or reduction in output which shall include the time and date at which the forced outage or reduction occurred, a brief description of the cause of the outage or reduction and the time and date when the forced outage or reduction ceased and the Facility was able to return to normal operation. This notice shall be provided to PEF within seventy-two (72) hours of the end of the forced outage or reduction.

The QF is required to provide the total electrical output to PEF except (i) during a period that was scheduled in Section 8.2, (ii) during a period in which notification of a forced outage or reduction was provided, (iii) during an event of Force Majeure or (iv) during a curtailment period as described in Section 8.5.5. In the event that the QF does not deliver its full electrical output to PEF during an hour not excluded in the previous sentence then the QF shall be charged a rate equal to the PEF's Rate Schedule COG-1 times the difference between the Committed Capacity and the actual energy received by PEF in that hour. If in PEF's sole judgment it is determined that the normal operation of the QF requires it to cease operation or reduce its output the charges in this Section 8.4 may be waived

8.5 Dispatch and Control

- 8.5.1 Power supplied by the QF hereunder shall be in the form of three-phase 60 Hertz alternating current, at a nominal operating voltage of _____ volts (_____ kV) and power factor dispatchable and controllable in the range of 90% lagging to 90% leading as measured at the interconnection point to maintain system operating parameters, including power factor, as specified from time to time by PEF.
- 8.5.2 The QF shall operate the Facility with all system protective equipment in service whenever the Facility is connected to, or is operated in parallel with, PEF's system, except for normal testing and repair in accordance with good engineering and operating practices as agreed by the Parties. The QF shall provide adequate system protection and control devices to ensure safe and protected operation of all energized equipment during normal testing and repair. All QF facilities shall meet IEEE and industry standards. The QF shall have independent, third party qualified personnel test, calibrate and certify in writing all protective equipment at least once every twelve (12) months in accordance with good engineering and operating practices. A unit functional trip test shall be performed after each overhaul of the Facility's turbine, generator or boilers and results provided to PEF in writing prior to returning the equipment to service. The specifics of the unit functional trip test will be consistent with good engineering and operating practices as agreed by the Parties.



- 8.5.3 If the Facility is separated from the PEF system for any reason, under no circumstances shall the QF reconnect the Facility to PEF's system without first obtaining PEF'S specific approval.
- 8.5.4 During the term of this Contract, the QF shall employ qualified personnel for managing, operating and maintaining the Facility and for coordinating such with PEF. The QF shall ensure that operating personnel are on duty at all times, twenty-four (24) hours a calendar day and seven (7) calendar days a week. Additionally, during the term of this Contract, the QF shall operate and maintain the Facility in such a manner as to ensure compliance with its obligations hereunder and in accordance with applicable law and prudent utility practices.
- 8.5.5 PEF shall not be obligated to purchase, and may require curtailed or reduced deliveries of energy to the extent allowed under FPSC Rule 25-17.086 and under any curtailment plan which PEF may have on file with the FPSC from time to time.
- 8.5.6 During the term of this Contract, the QF shall maintain sufficient fuel on the site of the Facility to deliver the capacity and energy associated with the Committed Capacity for an uninterrupted seventy-two- (72) hour period. At PEF's request, the QF shall demonstrate this capability to PEF's reasonable satisfaction. During the term of this Contract, the QF's output shall remain within a band of plus or minus ten percent (10%) of the daily output level or levels specified by the plant operator, in ninety percent (90%) of all operating hours under normal operating conditions. This calculation will be adjusted to exclude forced outage periods and periods during which the QF's output is affected by a Force Majeure event.

9. Completion/Performance Security

- 9.1 As security for the achievement of the Capacity Delivery Date and satisfactory performance of its obligations hereunder, the QF shall provide PEF either: (a) an unconditional, irrevocable, direct-pay letter(s) of credit in effect through the first (1st) anniversary of the Capacity Delivery Date (or the next business day thereafter), issued by a financial institution(s) having an investment grade credit rating, in form and substance acceptable to PEF (including provisions (i) permitting partial and full draws and (ii) permitting PEF to draw in full if such letter of credit is not renewed or replaced as required by the terms hereof at least ten (10) business days prior to its expiration date); (b) a cash deposit(s) with PEF; or (c) a bond issued by a financially sound company in form and substance acceptable to PEF. Such letter(s) of credit, cash deposit(s) or bond shall be provided in the amount and by the date listed below:

- 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 PEF.

- 9.2 PEF 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, PEF 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 PEF to draw in full on the existing letter of credit and to exercise any other remedies it may have hereunder or in law or in equity.
- 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 PEF 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, PEF 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 January 1, 2009, PEF 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 PEF will suffer as a result of delayed availability of Committed Capacity and energy is difficult to ascertain and that PEF may accept such sums as liquidated damages or resort to any other remedies which may be available to it under law or in equity. If the Capacity Delivery Date is achieved on or before January 1, 2009, then the QF shall be entitled to reduce the amount of the Completion/Performance Security to an amount equal to \$15.00 per kW (for the number of kW set forth in Section 5.1).



9.6 In the event that PEF requires the QF to perform one or more Committed Capacity Test(s) at any time pursuant to Section 5.3 and, in connection with any such Committed Capacity Test(s), the QF fails to demonstrate a Capacity of at least one-hundred percent (100%) of the Committed Capacity set forth in Section 5.1, PEF shall be entitled immediately to receive, draw upon, or retain, as the case may be, one-hundred percent (100%) of the then-remaining amount of the Completion/Performance Security.

10. Termination Fee

10.1 In the event that the QF receives capacity payments pursuant to Option B, Option C, or Option D of Rate Schedule COG-2, then upon the termination of this Contract, the QF shall owe and be liable to PEF for a termination fee calculated in accordance with Appendix C (the "Termination Fee"). The Termination Fee is in the nature of liquidated damages due as a consequence of terminating this Contract. The QF's obligation to pay the Termination Fee shall survive the termination of this Contract. PEF shall provide the QF, on a monthly basis, a calculation of the Termination Fee.

10.1.1 The Termination Fee shall be secured (with the exception of governmental solid waste facilities covered by FPSC Rule 25-17.091) by the QF by: (i) an unconditional, irrevocable, direct pay letter(s) of credit issued by a financial institution(s) with an investment grade credit rating in form and substance acceptable to PEF (including provisions (a) permitting partial and full draws and (b) permitting PEF to draw upon such letter of credit, in full, if such letter of credit is not renewed or replaced at least ten (10) business days prior to its expiration date; (ii) a bond issued by a financially sound company in form and substance acceptable to PEF; or (iii) a cash deposit with PEF (any of (i), (ii), or (iii), the "Termination Security"). In the case of QF operating as a solid waste facility pursuant to section 9.4 of this agreement, the Termination Fee shall be secured by 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 pay on a timely basis the Termination Fee. Within one year of execution of this agreement and annually thereafter, QF shall supply to PEF an audited, comprehensive financial statement of such local government which shall demonstrate that the local government continues its promise to pay the Termination Fee and continues to possess the financial wherewithal to honor such promise. The specific security instrument selected by the QF for purposes of this Contract is:

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

10.1.2 PEF shall have the right and the QF shall be required to monitor the financial condition of (i) the issuer(s) in the case of any letter of credit and



(ii) the insurer(s), in the case of any bond. In the event the senior debt rating of any issuer(s) or insurer(s) has deteriorated to a level below investment grade, PEF may require the QF to replace the letter(s) of credit or the bond, as applicable. In the event that PEF notifies the QF that it requires such a replacement, the replacement letter(s) of credit or bond, as applicable, must be issued by a financial institution(s) or insurer(s) with an investment grade credit rating, and meet the requirements of Section 10.1.1 within thirty (30) calendar days following such notification. Failure by the QF to comply with the requirements of this Section 10.1.2 shall be grounds for PEF to draw in full on any existing letter of credit or bond and to exercise any other remedies it may have hereunder.

10.1.3 After the close of each calendar quarter (March 31, June 30, September 30, and December 31) occurring subsequent to the Capacity Delivery Date, upon PEF's issuance of the Termination Fee calculation as described in Section 10.1, the QF must provide PEF, within ten calendar (10) days, written assurance and documentation (the "Security Documentation"), in form and substance acceptable to PEF, that the amount of the Termination Security is sufficient to cover the balance of the Termination Fee. In addition to the foregoing, at any time during the term of this Contract, PEF shall have the right to request and the QF shall be obligated to deliver within five (5) calendar days of such request, such Security Documentation. Failure by the QF to comply with the requirements of this Section 10.1.3 shall be grounds for PEF to draw in full on any existing letter of credit or bond or to retain any cash deposit, and to exercise any other remedies it may have hereunder.

10.1.4 Upon any termination of this Contract following the Capacity Delivery Date, PEF 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

PEF 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 PEF'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 the prior written approval of PEF;
- (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 seventy percent (70%);
- (d) The QF fails to maintain sufficient fuel on the site of the Facility to deliver the capacity and energy associated with the Committed Capacity for an uninterrupted seventy-two (72) hour period satisfy its obligations under Section 8.5.6 hereof;
- (e) The QF fails to provide the Completion and Performance Security and the Termination Fee and to comply with any of the provisions of Sections 9 and 10 hereof;
- (f) 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 QF's assets shall be attached, levied upon, encumbered, pledged, seized or taken under any judicial process, and such proceedings shall not be vacated or fully stayed within thirty (30) calendar days thereof; or if the QF shall make an assignment for the benefit of creditors, or admit in writing its inability to pay its debts as they become due;
- (h) The QF fails to give proper assurance of adequate performance as specified under this Contract within thirty (30) calendar days after PEF, with reasonable grounds for insecurity, has requested in writing such assurance;
- (i) The QF fails to achieve licensing, certification, and all federal, state and local governmental, environmental, and licensing approvals required to initiate construction of the Facility by no later than January 1, 2008;
- (j) The QF fails to comply with any of the provisions of Section 18.3 hereof;
- (k) Any of the representations or warranties made by the QF in this Contract is false or misleading in any material respect as of the time made;
- (l) If, at any time after the Capacity Delivery Date, the QF reduces the Committed Capacity due to an event of Force Majeure and fails to repair the Facility and reset the Committed Capacity to the level set forth in Section 5.1 (as such level may be reduced by Section 5.3) within twelve (12) months following the occurrence of such event of Force Majeure;

- (m) The QF breaches any material provision of this Contract not specifically mentioned in this Section 12.

13. PEF's Rights in the Event of Default

- 13.1** Upon the occurrence of any of the Events of Default in Section 12, PEF may, at its option:

13.1.1 Terminate this Contract, without penalty or further obligation, except as set forth in Section 13.2, by written notice to the QF, and offset against any payment(s) due from PEF to the QF, any monies otherwise due from the QF to PEF;

13.1.2 Enforce the provisions of the Termination Security requirement pursuant to Section 10 hereof;

13.1.3 Exercise any other remedy(ies) which may be available to PEF at law or in equity.

- 13.2** Termination shall not affect the liability of either Party for obligations arising prior to such termination or for damages, if any, resulting from any breach of this Contract.

14. Indemnification

14.1 PEF and the QF shall each be responsible for its own facilities. PEF and the QF shall each be responsible for ensuring adequate safeguards for other PEF customers, PEF's and the QF's personnel and equipment, and for the protection of its own generating system. Each Party (the "Indemnifying Party") agrees, to the extent permitted by applicable law, to indemnify, pay, defend, and hold harmless the other Party (the "Indemnified Party") and its officers, directors, employees, agents and contractors (hereinafter called respectively, "PEF Entities" and "QF Entities") from and against any and all claims, demands, costs or expenses for loss, damage, or injury to persons or property of the Indemnified Party (or to third parties) directly caused by, arising out of, or resulting from:

- (a) a breach by the Indemnifying Party of its covenants, representations, and warranties or obligations hereunder;
- (b) any act or omission by the Indemnifying Party or its contractors, agents, servants or employees in connection with the installation or operation of its generation system or the operation thereof in connection with the other Party's system;
- (c) any defect in, failure of, or fault related to, the Indemnifying Party's generation system;



- (d) the negligence or willful misconduct of the Indemnifying Party or its contractors, agents, servants or employees; or
- (e) any other event or act that is the result of, or proximately caused by, the Indemnifying Party or its contractors, agents, servants or employees.

14.2 Payment by an Indemnified Party to a third party shall not be a condition precedent to the obligations of the Indemnifying Party under Section 14. No Indemnified Party under Section 14 shall settle any claim for which it claims indemnification hereunder without first allowing the Indemnifying Party the right to defend such a claim. The Indemnifying Party shall have no obligations under Section 14 in the event of a breach of the foregoing sentence by the Indemnified Party. Section 14 shall survive termination of this Agreement.

15 Insurance

15.1 The QF shall procure or cause to be procured and shall maintain throughout the entire term of this Contract, a policy or policies of liability insurance issued by an insurer acceptable to PEF on a standard "Insurance Services Office" commercial general liability form (such policy or policies, collectively, the "QF Insurance"). An original certificate of insurance shall be delivered to PEF at least fifteen (15) calendar days prior to the start of any interconnection work. At a minimum, the QF Insurance shall contain (a) an endorsement providing coverage, including products liability/completed operations coverage for the term of this Contract, and (b) a broad form contractual liability endorsement covering liabilities (i) which might arise under, or in the performance or nonperformance of, this Contract and the Interconnection Agreement, or (ii) caused by operation of the Facility or any of the QF's equipment or by the QF's failure to maintain the Facility or the QF's equipment in satisfactory and safe operating condition. Effective at least fifteen (15) calendar days prior to the synchronization of the Facility with PEF's system, the QF Insurance shall be amended to include coverage for interruption or curtailment of power supply in accordance with industry standards. Without limiting the foregoing, the QF Insurance must be reasonably acceptable to PEF. Any premium assessment or deductible shall be for the account of the QF and not PEF.

15.2 The QF Insurance shall have a minimum limit of One Million Dollars (\$1,000,000.00) per occurrence, combined single limit, for bodily injury (including death) or property damage.

15.3 To the extent that the QF Insurance is on a "claims made" basis, the retroactive date of the policy(ies) shall be the effective date of this Contract or such other date as may be agreed upon to protect the interests of the PEF Entities and the QF Entities. Furthermore, to the extent the QF Insurance is on a "claims made" basis, the QF's duty to provide insurance coverage shall survive the termination of this Contract until the expiration of the maximum statutory period of limitations in the State of Florida for actions based in contract or in tort. To the



extent the QF Insurance is on an "occurrence" basis, such insurance shall be maintained in effect at all times by the QF during the term of this Contract.

15.4 The QF Insurance shall provide that it may not be cancelled or materially altered without at least thirty (30) calendar days' written notice to PEF. The QF shall provide PEF with a copy of any material communication or notice related to the QF Insurance within ten (10) business days of the QF's receipt or issuance thereof.

15.5 The QF shall be designated as the named insured and PEF shall be designated as an additional named insured under the QF Insurance. The QF Insurance shall be endorsed to be primary to any coverage maintained by PEF.

16. Force Majeure

Force Majeure is defined as an event or circumstance that is not reasonably foreseeable, is beyond the reasonable control of and is not caused by the negligence or lack of due diligence of the affected Party or its contractors or suppliers. Such events or circumstances may include, but are not limited to, actions or inactions of civil or military authority (including courts and governmental or administrative agencies), acts of God, war, riot or insurrection, blockades, embargoes, sabotage, epidemics, explosions and fires not originating in the Facility or caused by its operation, hurricanes, floods, strikes, lockouts or other labor disputes or difficulties (not caused by the failure of the affected party to comply with the terms of a collective bargaining agreement). QF equipment breakdown or inability to use equipment caused by its design, construction, operation, maintenance or inability to meet regulatory standards, or otherwise caused by an event originating in the Facility, or a QF failure to obtain on a timely basis and maintain a necessary permit or other regulatory approval, shall not be considered an event of Force Majeure, unless the QF can conclusively demonstrate, to the reasonable satisfaction of PEF, that the event was not reasonably foreseeable, was beyond the QF's reasonable control and was not caused by the negligence or lack of due diligence of the QF or its agents, contractors or suppliers.

16.1 Except as otherwise provided in this Contract, each Party shall be excused from performance when its nonperformance was caused, directly or indirectly by an event of Force Majeure.

16.2 In the event of any delay or nonperformance resulting from an event of Force Majeure, the Party claiming Force Majeure shall notify the other Party in writing within five (5) business days of the occurrence of the event of Force Majeure, of the nature cause, date of commencement thereof and the anticipated extent of such delay, and shall indicate whether any deadlines or date(s), imposed hereunder may be affected thereby. The suspension of performance shall be of no greater scope and of no greater duration than the cure for the Force Majeure requires. A Party claiming Force Majeure shall not be entitled to any relief therefor unless and until conforming notice is provided. The Party claiming Force Majeure shall notify the other Party of the cessation of the event of Force Majeure



or of the conclusion of the affected Party's cure for the event of Force Majeure in either case within two (2) business days thereof.

- 16.3 The Party claiming Force Majeure shall use its best efforts to cure the cause(s) preventing its performance of this Contract; provided, however, the settlement of strikes, lockouts and other labor disputes shall be entirely within the discretion of the affected Party and such Party shall not be required to settle such strikes, lockouts or other labor disputes by acceding to demands which such Party deems to be unfavorable.
- 16.4 If the QF suffers an occurrence of an event of Force Majeure that reduces the generating capability of the Facility below the Committed Capacity, the QF may, upon notice to PEF temporarily adjust the Committed Capacity as provided in Sections 16.5 and 16.6. Such adjustment shall be effective the first calendar day immediately following PEF's receipt of the notice or such later date as may be specified by the QF. Furthermore, such adjustment shall be the minimum amount necessitated by the event of Force Majeure.
- 16.5 If the Facility is rendered completely inoperative as a result of Force Majeure, the QF shall temporarily set the Committed Capacity equal to 0 kW until such time as the Facility can partially or fully operate at the Committed Capacity that existed prior to the Force Majeure. If the Committed Capacity is 0 kW, PEF shall have no obligation to make Capacity Payments hereunder.
- 16.6 If, at any time during the occurrence of an event of Force Majeure or during its cure, the Facility can partially or fully operate, then the QF shall temporarily set the Committed Capacity at the maximum capability that the Facility can reasonably be expected to operate.
- 16.7 Upon the cessation of the event of Force Majeure or the conclusion of the cure for the event of Force Majeure, the Committed Capacity shall be restored to the Committed Capacity that existed immediately prior to the Force Majeure. Notwithstanding any other provisions of this Contract, upon such cessation or cure, PEF shall have right to require a Committed Capacity Test to demonstrate the Facility's compliance with the requirements of this section 16.7. Any Committed Capacity Test required by PEF under this Section shall be additional to any Committed Capacity Test under Section 5.3.
- 16.8 During the occurrence of an event of Force Majeure and a reduction in Committed Capacity under Section 16.4 all Monthly Capacity Payments shall reflect, pro rata, the reduction in Committed Capacity, and the Monthly Capacity Payments will continue to be calculated in accordance with the pay-for-performance provisions in Appendix B.
- 16.9 The QF agrees to be responsible for and pay the costs necessary to reactivate the Facility and/or the interconnection with PEF's system if the same is (are) rendered inoperable due to actions of the QF, its agents, or Force Majeure events affecting



the QF, the Facility or the interconnection with PEF. PEF agrees to reactivate, at its own cost, the interconnection with the Facility in circumstances where any interruptions to such interconnections are caused by PEF or its agents.

17. Representations, Warranties, and Covenants of QF

The QF represents and warrants that as of the Effective Date:

17.1 Organization, Standing and Qualification

The QF is a _____ (corporation, partnership, or other, as applicable) duly organized and validly existing in good standing under the laws of _____ and has all necessary power and authority to carry on its business as presently conducted to own or hold under lease its properties and to enter into and perform its obligations under this Contract and all other related documents and agreements to which it is or shall be a Party. The QF is duly qualified or licensed to do business in the State of Florida and in all other jurisdictions wherein the nature of its business and operations or the character of the properties owned or leased by it makes such qualification or licensing necessary and where the failure to be so qualified or licensed would impair its ability to perform its obligations under this Contract or would result in a material liability to or would have a material adverse effect on PEF.

17.2 Due Authorization, No Approvals, No Defaults

Each of the execution, delivery and performance by the QF of this Contract has been duly authorized by all necessary action on the part of the QF, does not require any approval, except as has been heretofore obtained, of the _____ (shareholders, partners, or others, as applicable) of the QF or any consent of or approval from any trustee, lessor or holder of any indebtedness or other obligation of the QF, except for such as have been duly obtained, and does not contravene or constitute a default under any law, the _____ (articles of incorporation, bylaws, or other as applicable) of the QF, or any agreement, judgment, injunction, order, decree or other instrument binding upon the QF, or subject the Facility or any component part thereof to any lien other than as contemplated or permitted by this Contract.

17.3 Compliance with Laws

The QF has knowledge of all laws and business practices that must be followed in performing its obligations under this Contract. The QF is in compliance with all laws, except to the extent that failure to comply therewith would not, in the aggregate, have a material adverse effect on the QF or PEF.

17.4 Governmental Approvals



Except as expressly contemplated herein, neither the execution and delivery by the QF of this Contract, nor the consummation by the QF of any of the transaction contemplated thereby, requires the consent or approval of, the giving of notice to, the registration with, the recording or filing of any document with, or the taking of any other action with respect to governmental authority, except with respect to permits (a) which have already been obtained and are in full force and effect or (b) are not yet required (and with respect to which the QF has no reason to believe that the same will not be readily obtainable in the ordinary course of business upon due application therefor).

17.5 No Suits, Proceedings

There are no actions, suits, proceedings or investigations pending or, to the knowledge of the QF, threatened against it at law or in equity before any court or tribunal of the United States or any other jurisdiction which individually or in the aggregate could result in any materially adverse effect on the QF's business, properties, or assets or its condition, financial or otherwise, or in any impairment of its ability to perform its obligations under this Contract. The QF has no knowledge of a violation or default with respect to any law which could result in any such materially adverse effect or impairment.

17.6 Environmental Matters

To the best of its knowledge after diligent inquiry, the QF knows of no (a) existing violations of any environmental laws at the Facility, including those governing hazardous materials or (b) pending, ongoing, or unresolved administrative or enforcement investigations, compliance orders, claims, demands, actions, or other litigation brought by governmental authorities or other third parties alleging violations of any environmental law or permit which would materially and adversely affect the operation of the Facility as contemplated by this Contract.

18. General Provisions

18.1 Project Viability

To assist PEF in assessing the QF's financial and technical viability, the QF shall provide the information and documents requested in Appendix D or substantially similar documents, to the extent the documents apply to the type of Facility covered by this Contract and to the extent the documents are available. All documents to be considered by PEF must be submitted at the time this Contract is presented to PEF. Failure to provide the following such documents may result in a determination of non-viability by PEF.

18.2 Permits

The QF hereby agrees to obtain and maintain any and all permits, certifications, licenses, consents or approvals of any governmental authority which the QF is required to obtain as a prerequisite to engaging in the activities specified in this Contract.

18.3 Project Management

If requested by PEF, the QF shall submit to PEF its integrated project schedule for PEF's review within sixty (60) calendar days from the execution of this Contract, and a start-up and test schedule for the Facility at least sixty (60) calendar days prior to start-up and testing of the Facility. These schedules shall identify key licensing, permitting, construction and operating milestone dates and activities. If requested by PEF, the QF shall submit progress reports in a form satisfactory to PEF every calendar month until the Capacity Delivery Date and shall notify PEF of any changes in such schedules within ten (10) calendar days after such changes are determined. PEF shall have the right to monitor the construction, start-up and testing of the Facility, either on-site or off-site. PEF's technical review and inspections of the Facility and resulting requests, if any, shall not be construed as endorsing the design thereof or as any warranty as to the safety, durability or reliability of the Facility.

The QF shall provide PEF with the final designer's/manufacturer's generator capability curves, protective relay types, proposed protective relay settings, main one-line diagrams, protective relay functional diagrams, and alternating current and direct elementary diagrams for review and inspection at PEF no later than one hundred eighty (180) calendar days prior to the initial synchronization date.

18.4 Assignment

The QF may not assign this Contract, without PEF's prior written approval, which approval may be withheld at PEF's sole discretion.

18.5 Disclaimer

In executing this Contract, PEF does not, nor should it be construed, to extend its credit or financial support for benefit of any third parties lending money to or having other transactions with the QF or any assigns of this Contract.

18.6 Notification

All formal notices relating to this Contract shall be deemed duly given when delivered in person, or sent by registered or certified mail, or sent by fax if followed immediately with a copy sent by registered or certified mail, to the individuals designated below. The Parties designate the following individuals to



be notified or to whom payment shall be sent until such time as either Party furnishes the other Party written instructions to contact another individual:

For the QF:

For PEF:

Florida Power Corporation
Cogeneration Manager BT 9G
100 Central Avenue
St. Petersburg, FL 33701

This signed Contract and all related documents may be presented no earlier than 8:00 a.m. on the Effective Date of the Standard Offer Contract, as determined by the FPSC. Contracts and related documents may be mailed to the address below or delivered during normal business hours (8:00 a.m. to 4:45 p.m.) to the visitors' entrance at the address below:

Florida Power Corporation
d/b/a Progress Energy Florida, Inc.
100 Central Avenue
St. Petersburg, FL 33701

Attention: Cogeneration Manager BT 9G

18.7 Applicable Law

This Contract shall be construed in accordance with and governed by, and the rights of the parties shall be construed in accordance with the laws of the State of Florida.

18.8 Taxation

In the event that PEF becomes liable for additional taxes, including interest and/or penalties arising from an Internal Revenue Services determination, through audit, ruling or other authority, that PEF's payments to the QF for Capacity under Options B, C, or D are not fully deductible when paid (additional tax liability), PEF may bill the QF monthly for the costs, including carrying charges, interest and/or penalties, associated with the fact that all or a portion of these Capacity Payments are not currently deductible for federal and/or state income tax purposes. PEF, at its option, may offset or recoup these costs against amounts due the QF hereunder. These costs would be calculated so as to place PEF in the same economic position in which it would have been if the entire Capacity Payments had been deductible in the period in which the payments were made. If PEF decides to appeal the Internal Revenue Service's determination, the decision as to whether the appeal should be made through the administrative or judicial process or both, and all subsequent decisions pertaining to the appeal (both substantive and procedural), shall rest exclusively with PEF.

18.9 In no event shall PEF, its parent corporation, officers, directors, employees, and agents be liable for any incidental, indirect, special, consequential, exemplary, punitive, or multiple damages resulting from any claim or cause of action, whether brought in contract, tort (including, but not limited to, negligence or strict liability), or any other legal theory.

18.10 Severability

If any part of this Contract, for any reason, is declared invalid or unenforceable by a public authority of appropriate jurisdiction, then such decision shall not affect the validity of the remainder of the Contract, which remainder shall remain in force and effect as if this Contract had been executed without the invalid or unenforceable portion.

18.11 Complete Agreement and Amendments

All previous communications or agreements between the Parties, whether verbal or written, with reference to the subject matter of this Contract are hereby abrogated. No amendment or modification to this Contract shall be binding unless it shall be set forth in writing and duly executed by both Parties. This Contract constitutes the entire agreement between the Parties.

18.12 Survival of Contract

This Contract, as it may be amended from time to time, shall be binding upon, and inure to the benefit of, the Parties' respective successors-in-interest and legal representatives.

18.13 Record Retention

The QF agrees to maintain for a period of five (5) years from the date of termination hereof all records relating to the performance of its obligations hereunder, and to cause all QF Entities to retain for the same period all such records.

18.14 No Waiver

No waiver of any of the terms and conditions of this Contract shall be effective unless in writing and signed by the Party against whom such waiver is sought to be enforced. Any waiver of the terms hereof shall be effective only in the specific instance and for the specific purpose given. The failure of a Party to insist, in any instance, on the strict performance of any of the terms and conditions hereof shall not be construed as a waiver of such Party's right in the future to insist on such strict performance.



18.15 Set-Off

PEF may at any time, but shall be under no obligation to, set off or recoup without undergoing any legal process any and all sums due from the QF against sums due to the QF hereunder.



IN WITNESS WHEREOF, the QF and PEF executed this Contract on the later of the dates set forth below.

QF

PROGRESS ENERGY FLORIDA

Signature

Signature

Print Name

Print Name

Title

Title

Date

Date

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 PEF to be exceeded.

RATES FOR PURCHASES BY PEF

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 PEF. For the purpose of this Schedule, an Avoided Unit has been designated by PEF. PEF's next Avoided Unit has been identified as a 20 MW portion of a 528 MW combined cycle unit with an in-service date of November 2009, Schedule 1 to this Appendix describes the methodology used to calculate payment schedules, general terms, and conditions applicable to PEF'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 PEF. Once selected, an option shall remain in effect for the term of the Standard Offer Contract with PEF. Exemplary payment schedules, shown below, contain the monthly rate per kilowatt of Firm Capacity which the QF has contractually committed to deliver to PEF and are based on a contract term which extends through December 31, 2013. 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 PEF's Avoided Unit with an in-service date of November 1, 2009, 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 the description of Option D.

Option B - Fixed Value of Deferral Payments - Early Capacity

Payment schedules under this option are based upon the early capital cost component of the value of a year-by-year deferral of PEF's Avoided Unit. The term "early" with respect to Option B means that these payments can start as early as four years prior to the anticipated in-service date of PEF's Avoided Unit; provided, however, that under no circumstances may payments begin before this QF is delivering firm capacity and energy to PEF pursuant to the terms of the Standard Offer Contract. When this option is selected, the capacity payments shall be made monthly commencing no earlier than the Capacity Delivery Date of the QF and calculated as shown on Schedule 1. Capacity Payments under Option B do not result in a prepayment or create a future benefit.

The QF shall select the month and year in which the deliveries of firm capacity and energy to PEF are to commence and capacity payments are to start. PEF will provide the QF with a schedule of capacity payment rates based on the month and year in which the deliveries of firm capacity and energy are to commence and the term of the Standard Offer Contract. The exemplary payment schedule following Option D is based on a contract term that begins on January 1, 2007.

Option C - Fixed Value of Deferral Payment - Levelized Capacity

Payment schedules under this option are based upon the levelized capital cost component of the value of a year-by-year deferral of PEF's Avoided Unit. The capital portion of capacity payments under this option shall consist of equal monthly payments over the term of the Standard Offer Contract, calculated as shown on Schedule 1. 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 PEF's Avoided Unit. These calculations are shown in Schedule 1. The payment schedule for this option follows Option D. Capacity Payments under Option C do not result in a prepayment or create a future benefit.

Option D - Fixed Value of Deferral Payment - Early Levelized Capacity

Payment schedules under this option are based upon the early levelized capital cost component of the value of a year-by-year deferral of PEF's Avoided Unit. The capital portion of capacity payments under this option shall consist of equal monthly payments over the term of the Standard Offer Contract, calculated as shown on Schedule 1. The fixed operation and maintenance expense shall be calculated as shown in Schedule 1. At the option of the QF, payments for early levelized capacity shall commence at any time after the specified early capacity date and before the anticipated in-service date of PEF's Avoided Unit, provided that the QF is delivering firm capacity and energy to PEF pursuant to the terms of the Standard Offer Contract. The term "early" with respect to Option D means that capacity payments may begin earlier than the anticipated in-service date of PEF's avoided unit. Capacity payments under Option D do not result in a prepayment or create a future benefit.



EXAMPLE MONTHLY CAPACITY PAYMENT IN \$kW/MONTH
 PEF'S 2005 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 01/01/2008	Early Capacity Payment Starting 01/01/2004	Levelized Capacity Payment Starting 01/01/2008	Early Levelized Capacity Payment Starting 01/01/2004
2007	-	3.24	-	3.46
2008	-	3.33	-	3.46
2009	5.06	3.41	5.28	3.47
2010	5.18	3.49	5.29	3.47
2011	5.31	3.58	5.30	3.48
2012	5.45	3.67	5.30	3.48
2013	5.58	3.76	5.31	3.48

B. Energy Rates

Payments Prior to January 1, 2009

The energy rate, in cents per kilowatt-hour (¢/kWh), shall be based on PEF's actual hourly avoided energy costs which are calculated by PEF 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 PEF 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 January 1, 2009

The calculation of payments to the QF for energy delivered to PEF on and after January 1, 2008 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 PEF from the Facility during that hour.

The firm energy rate shall be, on an hour-by-hour basis, PEF's Avoided Unit Energy Cost. For any other period during which energy is delivered by the QF to PEF, 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 PEF in accordance with FPSC Rule 25-17.0825, F.A.C., and PEF's Rate Schedule COG-1, as they may each be amended from time to time and (b) PEF's Avoided Unit Energy Cost. PEF's Avoided Unit Energy Cost, in cents per kilowatt - hour (¢/kWh) shall be defined as the product of (a) the Avoided Unit Gas Cost and (b) an average annual heat rate of 7,309 BTU per kilowatt hour; plus (c) an additional 0.163¢ per



kilowatt hour in mid-2009 dollars for variable operation and maintenance expenses which will be escalated based on CPI-U.

For the purposes of this agreement, the Avoided Unit Gas Cost shall be determined from gas prices published in Platts Inside FERC, Gas Market Report, first of the month posting for Florida Gas Transmission Zone 3, plus Gulfstream Natural Gas System's applicable Usage-2 rate (Reservation Charge of \$0.55), Usage-1 rate (Commodity Charge of \$0.02) and the applicable Gulfstream Natural Gas System's Use percentage (not to exceed 1.53%) in accordance with the terms and conditions of Gulfstream Natural Gas System's tariff, as all such charges, surcharges and percentages are in effect from time to time for service under Gulfstream Natural Gas System's Rate Schedule FTS.

ESTIMATED AS-AVAILABLE ENERGY COST

For informational purposes only, the estimated incremental avoided energy costs for the next four semi-annual periods are as follows. The following estimates include variable operation and maintenance expenses.

<u>Applicable Period</u>	<u>On-Peak ¢/KWH</u>	<u>Off-Peak ¢/KWH</u>	<u>Average ¢/KWH</u>
October 1, 2005 - March 31, 2006	5.5	4.4	4.9
April 1, 2006 - September 30, 2006	7.7	4.1	5.7
October 1, 2006 – March 31, 2007	4.9	3.8	4.3
April 1, 2007 – September 30, 2007	7.2	3.9	5.4

ESTIMATED UNIT FUEL COST

The estimated unit fuel costs listed below are associated with PEF's Avoided Unit and are based on current estimates of the price of natural gas.

\$/MMBTU

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
7.07	6.38	6.80	7.31	7.14	7.05	6.99	6.90	6.79

DELIVERY VOLTAGE ADJUSTMENT

Energy payments to the QFs within PEF's service territory shall be adjusted according to the delivery voltage by the following multipliers:

<u>Delivery Voltage</u>	<u>Adjustment Factor</u>
Transmission Voltage Delivery	1.02
Primary Voltage Delivery	1.03
Secondary Voltage Delivery	1.06

PERFORMANCE CRITERIA

Payments for Firm Capacity are conditioned on the QF's ability to maintain the following performance criteria:

A. Capacity Delivery Date

The Capacity Delivery Date shall be no later than the projected in-service date of PEF's Avoided Unit (i.e., November 1, 2009.)

B. Availability and Capacity Factor

The Facility's availability and capacity factor are used in the determination of firm capacity payments through a performance based calculation as detailed in Appendix B to PEF's Standard Offer Contract.

METERING REQUIREMENTS

The QFs within the territory served by PEF shall be required to purchase from PEF hourly recording meters to measure their energy deliveries to PEF. Energy purchases from the QFs outside the Territory of PEF shall be measured as the quantities scheduled for interchange to PEF by the entity delivering Firm Capacity and Energy to PEF.

For the purpose of this Schedule, the on-peak hours shall be those hours occurring April 1 through October 31, from 11:00 a.m. to 10:00 p.m., and November 1 through March 31, from 6:00 a.m. to 12:00 noon and 5:00 p.m. to 10:00 p.m. prevailing Eastern time. PEF shall have the right to change such On-Peak Hours by providing the QF a minimum of thirty calendar days' advance written notice.

**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	= PEF's value of avoided capacity and O&M, in dollars per kilowatt per month, during month m;	\$5.06
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;	1.591
I_n	= total direct and indirect cost, in mid-year dollars per kilowatt including AFUDC but excluding CWIP, of PEF's Avoided Unit with an in-service date of year n;	\$506.37
O_n	= total fixed operation and maintenance expense, for the year n, in mid-year dollars per kilowatt per year, of PEF's Avoided Unit;	\$2.96
i_p	= annual escalation rate associated with the plant cost of PEF's Avoided Unit;	2.5%
i_o	= annual escalation rate associated with the operation and maintenance expense of PEF's Avoided Unit;	2.5%
r	= annual discount rate, defined as PEF's incremental after-tax cost of capital;	8.31%
L	= expected life of PEF's Avoided Unit;	25
n	= year for which PEF's Avoided Unit is deferred starting with its original anticipated in-service date and ending with the termination of the Standard Offer Contract.	2009

**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 two years prior to the anticipated in-service date of PEF's Avoided Unit, in dollars per kilowatt per month;	\$3.24
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i_p	=	annual escalation rate associated with the plant cost of PEF's Avoided Unit;	2.5%
n	=	year for which early capacity payments to a QF are to begin;	2007
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 PEF's Avoided Unit and continued for a period of 5 years;	\$188.48
r	=	annual discount rate, defined as PEF's incremental after-tax cost of capital;	8.31%
t	=	the term, in years, of the Standard Offer Contract for the purchase of firm capacity commencing prior to the in-service date of PEF's Avoided Unit;	7
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 PEF's Avoided Unit and continued for a period of 5 years.	\$9.65

**APPENDIX B
TO
PROGRESS ENERGY FLORIDA'S 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 50%, 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 50% but less than 89%, then the Monthly Capacity Payment shall be calculated by using the following formula:

$$\text{MCP} = \text{BCP} [5x (\text{ACBF} - .69)] x \text{CC}$$

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 PEF'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 PEF for the 12 consecutive months preceding the date of calculation excluding any energy received during an event of Force Majeure in which the Committed Capacity is temporarily set equal to 0 kW, divided by the product of the Committed Capacity and the number of hours in the 12 consecutive months preceding the date of calculation excluding the hours during an event of Force Majeure in which the Committed Capacity is temporarily set equal to 0 kW. If an event of Force Majeure occurs during the

12 consecutive months preceding the date of calculation in which the Committed Capacity is temporarily set to a value greater than 0 kW then the 12 month rolling average will be pro-rated accordingly. 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 PEF for the number of full consecutive months preceding the date of calculation excluding any energy received during an event of Force Majeure in which the Committed Capacity is temporarily set equal to 0 kW, 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 excluding the hours during an event of Force Majeure in which the Committed Capacity is temporarily set equal to 0 kW. If an event of Force Majeure occurs during the months preceding the date of calculation in which the Committed Capacity is temporarily set to a value greater than 0 kW then the 12 month rolling average will be pro-rated accordingly. 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.

**APPENDIX C
TO
PROGRESS ENERGY FLORIDA'S STANDARD OFFER CONTRACT
TERMINATION FEE**

The Termination Fee shall be the sum of the values for each month beginning with the month in which the Capacity Delivery Date occurs through the month of termination (or month of calculation, as the case may be) computed according to the following formula:

$$\sum_{i=1}^n (MCP_i - MCPC_i) \cdot (1+r)^{(n-i)}$$

with: MCPC = 0 for all periods prior to the in-service date of PEF's Avoided Unit:

where

- i = number of Monthly Billing Period commencing with the Capacity Delivery Date (i.e., the month in which Capacity Delivery date occurs = 1; the month following this month in which Capacity Delivery Date occurs = 2 etc.)
- n = the number of Monthly Billing Periods which have elapsed from the month in which the Capacity Delivery Date occurs through the month of termination (or month of calculation, as the case may be)
- r = PEF's incremental after-tax avoided cost of capital (defined as r in COG-2).
- MCP_i = Monthly Capacity Payment paid to QF corresponding to the Monthly Billing Period i , calculated in accordance with Appendix B.
- $MCPC_i$ = Monthly Capacity Payment for Option A corresponding to the Monthly Billing Period i , calculated in accordance with COG-2.

In the event that for any Monthly Billing Period, the computation of the value of the Termination Fee for such Monthly Billing Period (as set forth above) yields a value equal to or greater than zero, the amount of the Termination Fee shall be increased by the amount of such value.

In the event that for any Monthly Billing Period, the computation of the value of the Termination Fee for such Monthly Billing Period (as set forth above) yields a value less than zero, the amount of the Termination Fee shall be decreased by the amount of such value expressed as a positive number (the "Initial Reduction Value"); provided, however, that such Initial Reduction Value shall be subject to the following adjustments (the Initial Reduction Value, as adjusted, the "Reduction Value"):

- a. In the event that in the applicable Monthly Billing Period the Annual Capacity Billing Factor (ACBF), as defined in Appendix B is less than 80%, then the Initial Reduction Value shall be adjusted to equal zero (Reduction Value = 0), and the Termination Fee shall not be reduced for the applicable Monthly Billing Period.
- b. In the event that in the applicable Monthly Billing Period the Annual Capacity Billing Factor (ACBF), as defined in Appendix B, is equal to or greater than 50% but less than 89%, then the Reduction Value shall be determined as follows:

$$\text{Reduction Value} = \text{Initial Reduction Value} \times (5 \times (\text{ACBF} - .69))$$

For the applicable Monthly Billing period, the Termination Fee shall be reduced by the amount of such Reduction Value.

- c. In the event that in the applicable Monthly Billing Period the Annual Capacity Billing Factor (ACBF), as defined in Appendix B, is equal to or greater than 89%, then the Initial Reduction Value shall not be adjusted (Reduction Value = Initial Reduction Value), and the Termination Fee shall be reduced for the applicable Monthly Billing period by the amount of the Initial Reduction Value.

In no event shall PEF be liable to the QF at any time for any amount by which the Termination Fee, adjusted in accordance with the foregoing, is less than zero (0).



SECTION NO. IX
FOURTH REVISED SHEET NO. 9.800
CANCELS THIRD REISSUE SHEET NO. 9.800

APPENDIX E
INTERCONNECTION AND OPERATING AGREEMENT

**ARTICLE 1
DEFINITIONS**

1.0 Whenever used in this Agreement, and the appendices, addendums and attachments hereto, the following terms when capitalized shall have the following meanings:

- 1.01 “Company Interconnection Facilities” shall mean all Company owned either facilities presently in place or presently proposed to be installed, as identified in Addendum A, or Company owned facilities which are later installed, in order to interconnect and deliver energy from the Facility to the Company Transmission System including, but not limited to, connection, distribution, engineering, administrative, transformation, switching, metering and safety equipment.
- 1.02 “Company Transmission System” shall mean all the facilities owned or controlled by the Company on the Company’s side of the Points of Interconnection for the purpose of providing transmission service.
- 1.03 “Emergency” shall mean any abnormal system condition that requires automatic or immediate manual action to prevent or limit loss of transmission facilities or generation supply that could adversely affect the reliability of the Company Transmission System or the systems to which the Company Transmission System is directly or indirectly connected.
- 1.04 “FRCC” shall mean the Florida Reliability Coordinating Council, or its successor.
- 1.05 “Hazardous Substances” shall mean any chemicals, materials or substances defined as or included in the definition of “hazardous substances”, “hazardous wastes”, “hazardous materials”, “hazardous constituents”, “restricted hazardous materials”, “extremely hazardous substances”, “toxic substances”, “contaminants”, “pollutants”, “toxic pollutants” or words of similar meaning and regulatory effect under any applicable Environmental Law, or any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any applicable Environmental Law. For purposes of this Agreement, the term “Environmental Law” shall mean Federal, state, and local laws, regulations, rules, ordinances, codes, decrees, judgment, directives, or judicial or administrative orders relating to pollution or protection of the environment, natural resources or human health and safety.
- 1.06 “Interconnection Costs” shall mean the actual costs incurred by Company for Company Interconnection Facilities, including, without limitation, the cost of equipment, engineering, communication and administrative activities.
- 1.07 “Interconnection Costs Offset” shall mean the estimated costs included in the Interconnection Costs that Company would have incurred if it were not purchasing capacity and electric energy but instead itself generated or purchased

from other sources an equivalent amount of capacity and electric energy and provided normal service to the Facility as if it were a non-generating customer.

- 1.08 “Interconnection Facilities” shall mean all facilities presently in place or presently proposed to be installed, as identified in Addendum A, or facilities which are later installed, in order to interconnect and deliver energy from the Facility to the Company Transmission System including, but not limited to, connection, distribution, engineering, administrative, transformation, switching, metering and safety equipment.
- 1.09 “Interconnection Service” shall mean the services provided by the Company to interconnect the Facility with the Company Transmission System pursuant to the terms of this Agreement.
- 1.10 "Joint Use Facilities" shall mean facilities and equipment which are identified as Joint Use Facilities in Addendum D hereto, as it may be amended from time to time, which are owned by either the Company or the QF and are or may be operated jointly by the Company and the QF.
- 1.11 “Law” shall mean any law, including, without limitation, any act, requirement, ordinance, rule, judicial decision, notification, or similar directive, resolution, regulation of any governmental authority or agency (federal, state, local, or other), court or tribunal that is at any time applicable to the Parties, the Facility, the Company Transmission System, the Interconnection Facilities, or any part thereof.
- 1.12 “Metering Equipment” shall mean all metering equipment to be installed at the Facility and/or other metering equipment to be installed at the metering points as described in Addendum B.
- 1.13 “NERC” shall mean the North American Electric Reliability Council, or its successor.
- 1.14 “Operation Date” shall mean the day commencing at 00:01 hours on the day following the day during which Interconnection Facilities and equipment of the Facility have been completed to Company’s and QF’s mutual satisfaction and energized in parallel operation of Company’s and QF’s systems as confirmed in a writing substantially in the form shown in Addendum E.
- 1.15 “Permit” shall mean all approvals, consents, authorizations, notifications, agreements, licenses, permits of any governmental authority or agency (federal, state, local or other) that are at any time applicable to the Parties, the Facility, the Company Transmission System, the Interconnection Facilities, or any part thereof.
- 1.16 “Points of Interconnection” shall mean the point or points, shown in Addendum A, where the facilities of QF interconnect with the facilities of Company.

- 1.17 “QF Interconnection Facilities” shall mean all QF owned facilities presently in place or presently proposed to be installed, as identified in Addendum A, or QF owned facilities which are later installed, in order to interconnect and deliver energy from the Facility to the Company Transmission System including, but not limited to, connection, distribution, engineering, administrative, transformation, switching, metering and safety equipment.
- 1.18 “Secondary Systems” shall mean control or power circuits that operate below 600 volts, AC or DC, including, but not limited to, any hardware, control or protective devices, cables, conductors, electric raceways, secondary equipment panels, transducers, batteries, chargers, and voltage and current transformers.
- 1.19 “Switching and Tagging Rules” shall mean Company’s and QF’s switching and tagging procedures, as they may be amended.
- 1.22 “System Protection Facilities” shall mean the equipment required to protect (1) the Company Transmission System, the systems of others connected to the Company Transmission System, and Company’s QFs from faults occurring at the Facility, and (2) the Facility from faults occurring on the Company Transmission System or on the systems of others to which the Company Transmission System is directly or indirectly connected.
- 1.23 “Transmission Service Utility” shall mean the utility that is providing transmission service for a QF not directly interconnected with the Company and is selling firm capacity and energy to the Company.

ARTICLE 2 INTERCONNECTION SERVICE

- 2.1 **Service.** Under this Agreement, Company shall provide QF with Interconnection Service for the Facility for the term of this Agreement.
- 2.2 **Scope of Service.** Company shall provide Interconnection Service for the Facility at the Points of Interconnection up to 4.5 MVA summer and 4.5 MVA winter, not to exceed the nameplate rating of the machine unless authorized by the Company in advance. In the event of a material change or modification to the configuration and/or operation of the Facility, the Parties shall negotiate appropriate revisions to this Agreement, including as necessary the specifications or requirements set forth in the Appendices to this Agreement, as necessary to permit the Company to provide Interconnection Service to the Facility under this Agreement in a secure and reliable manner after the implementation of such change or modification. Any such revision to this Agreement must be approved by the FPSC.
- 2.2.1 Except as otherwise provided under this Agreement, Company shall have no obligation under this Agreement to: (1) pay QF any wheeling or other charges for

electric power and/or energy transferred through the QF's equipment or for power or ancillary services provided by QF under this Agreement for the benefit of the Company Transmission System; (2) make arrangements or pay under applicable tariff for transmission and ancillary services associated with the delivery of electricity and ancillary electrical products produced by the Facility; (3) procure electricity and ancillary electrical products to satisfy the QF's station service or other requirements; and (4) make arrangements under applicable tariffs for transmission, losses, and ancillary services associated with the use of the Company Transmission System for the delivery of electricity and ancillary electrical products to the Facility.

- 2.2.2** Company makes no representations to QF regarding the availability of transmission service on the Company Transmission System, and QF agrees that the availability of transmission service on the Company Transmission System may not be inferred or implied from Company's execution of this Agreement.
- 2.3** **Reporting.** Each Party shall notify the other Party if the notifying Party becomes aware of the notifying Party's inability to comply with the provisions of this Agreement. The Parties agree to cooperate with each other and provide necessary information regarding such inability to comply, including, but not limited to, the date, duration, reason for the inability to comply, and corrective actions taken or planned to be taken with respect to such inability to comply.
- 2.4** **Security Deposit.** QF shall not be required to provide any form of security against the cost of the Interconnection Facilities and metering costs as described in Addendums A and B if it (1) has a satisfactory long-term payment history with the Company, or; (2) has been in business at least one year and has a credit rating of at least Baaa2 (Moody's) or BBB (Standard & Poors), or; (3) the QF's parent company meets either of the criteria set out in (1) or (2) above, and the parent company provides a written guarantee that the parent company will be unconditionally responsible for the cost stated in this Section 2.5. If QF cannot meet any of the conditions in (1), (2) or (3) above, then within 14 days after execution of this Agreement, as a condition of receiving Interconnection Service, it shall provide a security deposit in the amount of the total estimated cost of the Interconnection Facilities and metering costs as described in Addendums A and B. This security deposit shall be in the form of either: (a) an unconditional, irrevocable, direct-pay letter(s) of credit issued by a financial institution(s) having an investment grade credit rating, in form and substance acceptable to Company (including provisions (i) permitting partial and full draws and (ii) permitting Company to draw in full if such letter of credit is not renewed or replaced as required by the terms hereof at least ten (10) business days prior to its expiration date); (b) a cash deposit(s) with Company; or (c) a bond issued by a financially sound company in form and substance acceptable to Company. If QF provides an unconditional and irrevocable letter of credit or a surety bond as a security deposit, upon completion and testing of the Interconnection Facilities provided for in this Interconnection Agreement, such security deposit shall be released in full and returned to the QF.

- 2.4.1 Company 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, PEF 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 2.5, 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 2.5.1 shall be grounds for Company to draw in full on the existing letter of credit and to exercise any other remedies it may have hereunder.
- 2.5 **Milestones.** The QF is required to satisfy the milestones provided in Addendum F. If the QF does not satisfy a milestone on or before the date set forth in Addendum F, then the QF's failure to perform shall be deemed an Operational Event of Default under Section 14.3.7 of the Contract and the provisions of Section 14.4 of the Contract shall apply; provided, however, the date for satisfying the Milestones shall be extended if the QF is prevented from satisfying any said Milestone as a result of a Force Majeure or any action or inaction of the Company or its employees, agents or contractors (such action or inaction being, a "Company-Caused Delay"). The extension shall be as mutually agreed by the Parties. In the event of a delay in satisfying a Milestone that is not caused by the QF, and is not a Force Majeure or a Company-Caused Delay, the Company may, at its sole discretion, reasonably extend any milestone dates. If the QF is found to be in Default of this Agreement pursuant to Section 14.3.7 of the Contract, and the Company has commenced construction of the Company Interconnection Facilities, then the Company shall have the right to complete the construction of such Company Interconnection Facilities as applicable, or to remove the Company Interconnection facilities that have been constructed, whichever shall result in the least cost. The QF shall reimburse the Company for such costs. The Company shall minimize the costs that it incurs in either completing such construction or removing such Company Interconnection Facilities that have been constructed. If the QF fails to reimburse the Company for any costs or expenses that are due and payable under this Section 2.6 within thirty (30) days of the date due hereunder, then the Company shall have the right to collect said costs and expenses.

ARTICLE 3 OPERATIONS

- 3.1 **General.** The Company and QF agree that their respective performance of their obligations under this Agreement shall comply with the then-existing (or amended) manuals, standards, and guidelines of NERC, FRCC, or any successor agency assuming or charged with similar responsibilities related to the operation and reliability of the North American electric interconnected transmission grid. To the extent that this Agreement does not specifically address or provide the mechanisms necessary to comply with such NERC or FRCC manuals, standards, or guidelines, the Company and QF hereby agree that both Parties shall provide to the other Party all such information as may reasonably be required to comply with such manuals, standards, or guidelines and shall

operate, or cause to be operated, their respective facilities in accordance with such manuals, standards, or guidelines.

- 3.2 Company Obligations.** The Company shall operate and control the Company Transmission System and other Company facilities: (1) in accordance with Prudent Utility Practice; (2) in accordance with applicable operational and/or reliability criteria, protocols, and directives, including those of NERC and FRCC; (3) in accordance with all Laws and Permits; and (4) in accordance with the provisions of this Agreement
- 3.3 QF Obligations.** The QF shall operate and control the Facility (1) in accordance with Prudent Utility Practice; (2) in accordance with applicable operational and/or reliability criteria, protocols, and directives, including those of NERC and FRCC; (3) in accordance with all Laws and Permits; and (4) in accordance with the provisions of this Agreement.
- 3.4 Access Rights.** The Parties shall provide each other such easements and/or access rights as may be necessary for either Party's performance of their respective operational obligations under this Agreement; provided that, notwithstanding anything stated herein, a Party performing operational work within the boundaries of the other Party's facilities must abide by the rules applicable to that site.
- 3.4.1 Switching and Tagging Rules.** The Parties shall abide by their respective Switching and Tagging Rules for obtaining clearances for work or for switching operations on their respective equipment. With regard to Joint Use Facilities, the Parties will follow mutually-agreeable Switching and Tagging Rules in order to obtain clearances for work on equipment requiring switching of both Parties' facilities.
- 3.5 Joint Use Facilities.** In accordance with mutually-agreed upon procedures, the Company and the QF shall jointly operate the Joint Use Facilities in accordance with Prudent Utility Practice, including, but not limited to: (1) closing breakers to accomplish interconnection, but not synchronization, of the Facility to the Company Transmission System; (2) opening breakers to remove the Facility from service; (3) opening disconnect and ground switches as required; (4) in-service relay testing; and (5) battery system testing and maintenance.
- 3.6 Reactive Power.**
- 3.7.1 Obligation to Supply Reactive Power.** QF will supply reactive power to the Company Transmission System in accordance with Prudent Utility Practice and this Agreement. QF shall respond to requests from Company to increase or decrease generator reactive power output in a manner consistent with QF's obligation to operate the Facility: (1) in accordance with Prudent Utility Practice; (2) in accordance with applicable operational and/or reliability criteria, protocols, and directives, including those of NERC and FRCC; (3) in accordance with all Laws and Permits; and (4) in accordance with the voltage schedule prescribed by the Company a minimum of one day in advance as necessary to maintain reactive area support, but not in excess of the amount available from the Facility's



equipment in service. Notwithstanding anything herein to the contrary, except as provided in Section 3.7.3 herein, QF shall not be obligated to commence, increase, reduce, or continue the generation of energy from the Facility solely to provide reactive power to the Company.

3.7.2 Reactive Power Standards. The Facility power factor design limitation minimum requirement shall be a reactive power capability sufficient to maintain a generator power factor as specified in Addendum G. Under normal operating conditions, QF shall operate the Facility to maintain a voltage schedule at the Points of Interconnection as prescribed by the Company Transmission System dispatcher (the "Company Dispatcher") or his supervision within the Facility's power factor design limitations. In the event that the voltage schedule at the Points of Interconnection cannot be or is not maintained within this requirement, the Company Dispatcher may request the Facility to be operated (within the design limitation of the equipment in service at the time) to produce its maximum available reactive power output (measured in MVAR) in order to achieve the prescribed voltage schedule, provided that the Company Dispatcher has requested other generating facilities and other reactive compensation resources in the affected area (including but not limited to the Company's facilities) to produce their maximum available reactive power output (measured in MVAR) in order to achieve the prescribed voltage schedule. QF shall promptly comply with such requests made by the Company Dispatcher. In the event that under normal Company Transmission System operating conditions the Facility is unable to consistently maintain a reactive power capability (within the Facility's reactive power design limits as specified in Addendum G) sufficient to maintain the specified voltage schedule, the QF shall take appropriate other steps to reconfigure the Facility to meet such standards, including, as necessary, the installation of static and/or dynamic reactive power compensating devices. Records of requests made by the Company Dispatcher, and records indicating actual responses to these requests, will be maintained, in compliance with FERC regulations, by Company and subject to a third party independent audit at QF's request and expense. QF will present any such request for an audit to Company no later than twelve (12) months following a request by the Company Dispatcher that the Facility produce its maximum available reactive power output.

3.7.3 Emergency. During an Emergency as declared by the Company Dispatcher on the Company Transmission System or on an adjacent transmission system, the Company Dispatcher has the authority to direct the QF to increase or decrease real power production (measured in MW) and/or reactive power production (measured in MVAR), within the design and operational limitations of the Facility equipment in operation at the time, in order to maintain Company Transmission System security. In the event of such a declaration of an Emergency, determinations: (1) that Company Transmission System security is in jeopardy, and (2) that there is a need to increase or decrease reactive power production, even if real power production is adversely affected, will be made solely by the Company Dispatcher or his supervision. The Facility operator will honor the Company Dispatcher's orders and directives concerning Facility real power



and/or reactive power output within the design limitations of the Facility's equipment in operation at the time, such that the security of the Company Transmission System is maintained. The Company shall restore Company Transmission System conditions to normal as quickly as possible to alleviate any such Emergency. The Company Dispatcher will take all reasonable steps to equitably allocate among all generating units and other reactive compensation resources the responsibility to provide reactive power support to the Company Transmission System.

3.8 Operating Expenses. Each Party shall be responsible for all expenses associated with: (1) operating its own property, equipment, facilities, and appurtenances on its side of the Points of Interconnection, and (2) operating its Interconnection Facilities.

3.9 Protection and System Quality. QF shall, at its expense, install, maintain, and operate System Protection Facilities on its side of the Points of Interconnection, including such protective and regulating devices as are identified by Law, or as otherwise necessary to protect personnel and equipment and to minimize deleterious effects to Company's electric service operation arising from the Facility. Any such protective or regulating devices that may be required on Company's facilities in connection with the operation of the Facility shall be installed by Company at QF's expense.

3.9.1 Requirements for Protection. In compliance with applicable NERC and FRCC requirements, QF shall provide, install, own, and maintain relays, circuit breakers, and all other devices necessary to promptly remove any fault contribution of the Facility to any short circuit occurring on the Company Transmission System not otherwise isolated by Company equipment. Such protective equipment shall include, without limitation, a disconnecting device or switch with load interrupting capability to be located between the Facility and the Company Transmission System at an accessible, protected, and satisfactory site selected upon mutual agreement of the Parties. QF shall be responsible for protection of the Facility and QF's other equipment from such conditions as negative sequence currents, over- or under-frequency, sudden load rejection, over- or under-voltage, and generator loss-of-field. QF shall be solely responsible for provisions to disconnect the Facility and QF's other equipment when any of the above-described disturbances occur on the Company Transmission System.

3.9.2. System Quality. QF's facilities and equipment shall not cause excessive voltage excursions nor cause the voltage to drop below or rise above the range maintained by Company without QF's generation. QF's facilities and equipment shall not cause excessive voltage flicker nor introduce excessive distortion to the sinusoidal voltage or current waves as specified in Addendum G.

3.9.3 Inspection by Company. Company shall have the right, but shall have no obligation or responsibility to: i) observe QF's tests and/or inspection of any of QF's protective equipment; ii) review the settings of QF's protective equipment; and iii) review QF's maintenance records relative to the Facility and/or QF's protective equipment. The foregoing rights may be exercised by Company from

time to time as deemed reasonably necessary by the Company upon reasonable advance notice to QF. However, the exercise or non-exercise by Company of any of the foregoing rights of observation, review or inspection shall be construed neither as an endorsement or confirmation of any aspect, feature, element, or condition of the Facility or QF's protective equipment or the operation thereof, nor as a warranty as to the fitness, safety, desirability, or reliability of same.

3.9.4 Inspection by QF. QF shall have the right, but shall have no obligation or responsibility to: i) observe Company's tests and/or inspection of any of Company's protective equipment; ii) review the settings of Company's protective equipment; and iii) review Company's maintenance records relative to the Company's Interconnection Facilities and/or Company's protective equipment. The foregoing rights may be exercised by QF from time to time as deemed reasonably necessary by the QF upon reasonable advance notice to Company. However, the exercise or non-exercise by QF of any of the foregoing rights of observation, review or inspection shall be construed neither as an endorsement or confirmation of any aspect, feature, element, or condition of the Company's Interconnection Facilities or Company's protective equipment or the operation thereof, nor as a warranty as to the fitness, safety, desirability, or reliability of same.

3.10 Outages, Interruptions, and Disconnection.

3.10.1 Outage Authority and Coordination. In accordance with Prudent Utility Practice, each Party may, as necessary to perform maintenance or testing or to install or replace equipment, and in close cooperation with the other, remove from service its facilities that may impact the other Party's facilities. Absent the existence or imminence of an Emergency, the Party scheduling a removal of such a facility from service shall use best efforts to schedule such removal on a date mutually acceptable to both Parties, in accordance with Prudent Utility Practice.

3.10.2 Outage Restoration.

3.10.2.1 Unplanned Outage. In the event of an unplanned outage of a Party's facilities that adversely affects the other Party's facilities, the Party that owns or controls the facilities out of service will use commercially reasonable efforts to promptly restore those facilities to service in accordance with Prudent Utility Practice; provided, however, the QF shall not be required to restart the Facility after the restoration of such service unless, in the reasonable judgment of the Company, under Prudent Utility Practice, such failure will have a material adverse effect on the Company Transmission System, the Company Interconnection Facilities, or will result in an Emergency. Nothing in this Section 3.10.2.1 shall be construed as forgiving performance in the Contract.

3.10.2.2 Planned Outage. In the event of a planned outage of a Party's facility that adversely affects the other Party's facilities, the Party that owns or

controls the facility out of service will use commercially reasonable efforts to promptly restore that facility to service in accordance with Prudent Utility Practice and in accordance with its schedule for the work that necessitated the planned outage; provided, however, the QF shall not be required to restart the Facility after the restoration of such service unless, in the reasonable judgment of the Company, under Prudent Utility Practice, such failure will have a material adverse effect on the Company Transmission System, the Company Interconnection Facilities or will result in an Emergency. Nothing in this Section 3.10.2.2 shall be construed as forgiving performance in the Contract.

3.10.3 Interruption. If at any time, in Company's reasonable judgment exercised in accordance with Prudent Utility Practice, the continued operation of the Facility would cause an Emergency, the Company may, in accordance with FPSC rules, NERC and FRCC procedures, curtail, interrupt, or reduce energy delivered from the Facility to the Company Transmission System until the condition which would cause the Emergency is corrected. The Company shall give the QF as much notice as is reasonably practicable of Company's intention to curtail, interrupt, or reduce energy delivery from the Facility in response to a condition that would cause an Emergency and, where practicable, allow suitable time for the QF to remove or remedy such condition before any such curtailment, interruption, or reduction commences. In the event of any curtailment, interruption, or reduction, the Company shall promptly confer with the QF regarding the conditions that gave rise to the curtailment, interruption, or reduction, and the Company shall give the QF the Company's recommendation, if any, concerning the timely correction of such conditions. The Company shall promptly reduce or cease the curtailment, interruption, or reduction of energy delivery when, or to the extent, the condition which would cause the Emergency ceases to exist.

3.10.4 Disconnection.

3.10.4.1 Disconnection After Agreement Terminates. Upon termination of this Agreement by its terms, Company may disconnect the Facility from the Company Transmission System in accordance with a plan for disconnection upon which the Parties agree.

3.10.4.2 Disconnection in Event of Emergency. Subject to the provisions of Section 3.10.4.3, Company or QF shall have the right to disconnect the Facility without notice if, in that disconnecting party's sole opinion, an Emergency exists and immediate disconnection is necessary to protect persons or property from damage or interference caused by QF's interconnection or lack of proper or properly operating protective devices. For purposes of this Section 3.10.4.2, protective devices may be deemed by Company to be not properly operating if Company's review under Article 4 discloses irregular or otherwise insufficient maintenance on such devices or that maintenance records do not exist or are otherwise

insufficient to demonstrate that adequate maintenance has been and is being performed.

3.10.4.3 Disconnection After Underfrequency Load Shed Event. NERC Planning Criteria require the interconnected transmission system frequency be maintained between 59.95 Hz and 60.05 Hz. In the event of an underfrequency system disturbance, the Company Transmission System is designed to automatically shed load in accordance with FRCC load shed requirements. To ensure "ride-through" capability of the Company Transmission System, the QF shall implement an underfrequency relay set point for the Facility as specified in Addendum G.

3.10.5 Continuity of Service. Notwithstanding any other provision of this Agreement, Company shall not be obligated to accept, and Company may require QF to curtail, interrupt or reduce, deliveries of energy if such delivery of energy impairs Company's ability to construct, install, repair, replace or remove any of its equipment or any part of its system or if Company determines that curtailment, interruption or reduction is necessary because of Emergencies, forced outages, operating conditions on its system, or any reason otherwise permitted by applicable rules or regulations promulgated by a regulatory agency having jurisdiction over such matters. The Parties shall coordinate, and if necessary negotiate in good faith, the timing of such curtailments, interruptions, reductions or deliveries with respect to maintenance, investigation or inspection of Company's equipment or system. Except in case of Emergency, in order not to interfere unreasonably with the other Party's operations, the curtailing, interrupting or reducing Party shall give the other Party reasonable prior notice of any curtailment, interruption or reduction, the reason for its occurrence, and its probable duration.

ARTICLE 4 MAINTENANCE

- 4.1 Company Obligations.** The Company shall maintain those of its facilities and equipment, that might reasonably be expected to have an impact on the operation of the Facility: and (1) in accordance with Prudent Utility Practice; (3) in accordance with applicable operational and/or reliability criteria, protocols, and directives, including those of NERC and FRCC; (4) in accordance with all Laws and Permits; and (5) in accordance with the provisions of this Agreement.
- 4.2 QF Obligations.** The QF shall maintain those of its facilities and equipment, that might reasonably be expected to have an impact on the operation of the Company Transmission System and Company's other systems: (1) in accordance with Prudent Utility Practice; (3) in accordance with applicable operational and/or reliability criteria, protocols, and directives, including those of NERC and FRCC; (4) in accordance with all Laws and Permits; and (5) in accordance with the provisions of this Agreement.

- 4.3 **Access Rights.** The Parties shall provide each other such easements and/or access rights as may be necessary for either Party's performance of their respective maintenance obligations under this Agreement; provided that, notwithstanding anything stated herein, a Party performing maintenance work within the boundaries of the other Party's facilities must abide by the rules applicable to that site.
- 4.4 **Maintenance Expenses.** QF shall be responsible for all expenses associated with: (1) maintaining, repairing, and replacing its own property, equipment, facilities, and appurtenances on its side of the Points of Interconnection, and; (2) maintaining, repairing, and replacing its Interconnection Facilities. QF shall also be responsible for all expenses associated with: (1) maintaining Company's property, equipment, facilities, and appurtenances as discussed in this Agreement made necessary to accommodate this interconnection. Beginning no later than 30 days after Company's Interconnection Facilities are placed in service, QF will begin making monthly maintenance payments to Company based on a percentage of the total installed cost of Company's Interconnection Facilities net of the Interconnection Costs Offset, as set in the Company's COG-1 tariff as may be amended from time to time, for as long as those Interconnection Facilities and the Facility remain in service.
- 4.5 **Coordination.** The Parties shall confer regularly to coordinate the planning and scheduling of preventive and corrective maintenance. Each Party shall conduct preventive and corrective maintenance activities as planned and scheduled in accordance with this Article 4 of this Agreement and Article 11 of the Contract.
- 4.6 **Inspections and Testing.** Each Party shall perform routine inspection and testing of its facilities and equipment in accordance with Prudent Utility Practice as may be necessary to ensure the continued interconnection of the Facility with the Company Transmission System in a safe and reliable manner.
- 4.7 **Right to Observe Testing.** Each Party shall, at its own expense, have the right to observe the testing of any of the other Party's facilities and equipment whose performance may reasonably be expected to affect the reliability of the observing Party's facilities and equipment. Each Party shall notify the other Party in advance of its performance of tests of its facilities and equipment and the other Party may have a representative attend and be present during such testing.
- 4.8 **Cooperation.** Each Party shall cooperate with the other in the inspection, maintenance, and testing of those Secondary Systems directly affecting the operation of a Party's facilities and equipment which may reasonably be expected to impact the other Party. Each Party will provide advance notice to the other Party before undertaking any work in these areas, especially in electrical circuits involving circuit breaker trip and close contacts, current transformers, or potential transformers.
- 4.9 **Observation of Deficiencies.** If a Party observes any material deficiencies or defects on, or becomes aware of a lack of scheduled maintenance and testing with respect to, the other Party's facilities and equipment, the observing Party shall provide notice to the

other Party that is prompt under the circumstance, and the other Party shall make any corrections required in accordance with Prudent Utility Practice.

ARTICLE 5 EMERGENCIES

- 5.1 Obligations.** Each Party agrees to comply with NERC and FRCC Emergency procedures, as applicable, with respect to Emergencies.
- 5.2 Notice.** The Company shall provide the QF with oral notification that is prompt under the circumstances of an Emergency that may reasonably be expected to affect the QF's operation of the Facility or the Joint Use Facilities, to the extent the Company is aware of the Emergency. The QF shall provide the Company with oral notification that is prompt under the circumstances of an Emergency which may reasonably be expected to affect the Company Transmission System or the Joint Use Facilities, to the extent the QF is aware of the Emergency. To the extent the Party becoming aware of an Emergency is aware of the facts of the Emergency, such notification shall describe the Emergency, the extent of the damage or deficiency, its anticipated duration, and the corrective action taken and/or to be taken, and shall be followed as soon as practicable with written notice.
- 5.3 Immediate Action.** In the event of an Emergency, the Party becoming aware of the Emergency may, in accordance with Prudent Utility Practice and using its reasonable judgment, take such action as is reasonable and necessary to prevent, avoid, or mitigate injury, danger, and loss. With the exception of Joint Use Facilities, in the event the QF has identified an Emergency involving the Company Transmission System, the QF shall obtain the consent of Company personnel prior to manually performing any switching operations unless, in the QF's reasonable judgment, immediate action is required.
- 5.4 Company Authority.** The Company may, consistent with Prudent Utility Practice, take whatever actions or inactions with regard to the Company Transmission System the Company deems necessary during an Emergency in order to: (1) preserve public health and safety; (2) preserve the reliability of the Company Transmission System; (3) limit or prevent damage to the Company Transmission System and the Interconnection Facilities on the Company's side of the Point of Interconnection; and (4) expedite restoration of service. The Company shall use reasonable efforts to minimize the effect of such actions or inactions on the Facility.
- 5.5 QF Authority.** The QF may, consistent with Prudent Utility Practice, take whatever actions or inactions with regard to the Facility the QF deems necessary during an Emergency in order to: (1) preserve public health and safety; (2) preserve the reliability of the Facility; (3) limit or prevent damage to the Facility or any other property on the QF's side of the Points of Interconnection; and (4) expedite restoration of service. The QF shall use reasonable efforts to minimize the effect of such actions or inactions on the Company Transmission System.
- 5.6 Audit Rights.** Each Party shall keep and maintain a record of actions taken during an Emergency that may reasonably be expected to impact the other Party's facilities and

make such records available for third party independent audit upon the request and expense of the Party affected by such action. Any such request for an audit must be made no later than twelve (12) months following the action taken.

ARTICLE 6 SAFETY

- 6.1 **General.** The Company and the QF agree that all work performed by either Party that may reasonably be expected to affect the other Party shall be performed in accordance with Prudent Utility Practice and all applicable Laws, Permits, and other requirements pertaining to the safety of persons or property. A Party performing work within the boundaries of the other Party's facilities must abide by the safety rules applicable to the site.
- 6.2 **Environmental Releases.** Each Party shall notify the other Party, first orally and then in writing, of the release of any Hazardous Substances, or any remediation activities, which may reasonably be expected to affect the other Party, as soon as possible but not later than twenty-four (24) hours after the Party becomes aware of the occurrence, and shall promptly furnish to the other Party copies of any reports filed with any governmental agencies addressing such events.

ARTICLE 7 MODIFICATIONS AND CONSTRUCTION

7.1 **Modifications.**

7.1.1 **General.** Subject to the terms and conditions of this Agreement, either Party may undertake modifications to its facilities. In the event a Party plans to undertake a modification that reasonably may be expected to impact the other Party's facilities, that Party shall provide the other Party in a timely manner with sufficient information regarding such modification, including, without limitation, the notice required in accordance with Article 9 so that the other Party can evaluate the potential impact of such modification to its Interconnection Facilities prior to commencement of the work. The Party desiring to perform such work shall provide the relevant drawings, plans, and specifications to the other Party at least ninety (90) days in advance of the work or such shorter period upon which the Parties may agree, which agreement shall not unreasonably be withheld or delayed. Neither Party shall make a modification to Interconnection Facilities that results in a material adverse impact on the other Party.

7.2 **Construction.**

7.2.1 **Land Rights.** QF shall furnish at no cost to the Company any necessary access, easements, licenses, and/or rights of way upon, over, under, and across lands owned or controlled by QF and/or its affiliated interests for the construction and operation of necessary lines, substations, and other equipment to accomplish

interconnection of the Facility with the Company Transmission System under this Agreement and shall, at all reasonable times, give the Company, or its agents, free access to such lines, substations, and equipment. An accessible, protected and satisfactory site selected upon mutual agreement by the Parties and located on the QF's premises shall be provided by and at the QF's expense for installation of metering devices, unless Company elects to install meters on poles or other locations controlled by it

If any part of the Company's facilities are to be installed on property owned by other than QF, QF shall, if Company is unable to do so without cost to Company, procure from the owners thereof any necessary rights of use, licenses, right of way and easements, in a form reasonably satisfactory to Company, for the construction, operation, maintenance and replacement of Company facilities upon such property. In the event QF is unable to secure them (a) by condemnation proceedings or (b) by other means, QF shall reimburse Company for all reasonable and documented costs incurred by Company in securing such rights. In connection with Company's exercise of rights under this Section 7.2.1, while on QF's premises, Company's personnel and agents shall comply with all applicable safety rules or regulations of QF that are communicated by QF to Company.

- 7.2.2 Facility and Equipment Design and Construction.** QF shall, at its sole expense, design, construct, and install the Facility and all equipment needed to interconnect the Facility with the Company Transmission System. The QF's Interconnection Facilities and equipment shall satisfy all requirements of applicable safety and/or engineering codes, and the Company's engineering standards that are communicated to QF on or before the date of execution of this Agreement, and further, shall satisfy all requirements of any duly-constituted regulatory authority having jurisdiction.

QF shall submit all specifications for QF's Interconnection Facilities and equipment, including System Protection Facilities located on the QF's side of the Point of Interconnection, to the Company for review at least ninety (90) days prior to interconnecting such Interconnection Facilities and equipment with the Company Transmission System in order to insure that such interconnection is consistent with operational control, reliability and/or safety standards or requirements of the Company. The Company shall make said consistency determination within 60 days of the submittal of such specifications.

Company's review of QF's specifications shall be construed neither as confirming nor as endorsing the design, nor as any warranty as to fitness, safety, durability or reliability of QF's Interconnection Facilities or equipment. Company shall not, by reasons of such review or failure to review, be responsible for strength, details of design, adequacy or capacity of QF's Interconnection Facilities or equipment, nor shall Company's acceptance be deemed to be an endorsement of any facility or equipment. QF agrees to make changes to its Interconnection Facilities and

equipment as may be reasonably required to meet the reasonable changing requirements of the Company.

- 7.3 **Drawings.** Upon completion of any construction or modification to the QF's facilities and equipment that may reasonably be expected to affect the Company Transmission System, but not later than ninety (90) days thereafter, QF shall issue "as built" drawings to Company, unless the Parties reasonably agree that such drawings are not necessary.

ARTICLE 8 METERING & COMMUNICATIONS

- 8.1 **General.** Company shall provide, install, own and maintain Metering Equipment necessary to meet its obligations under this Agreement. If necessary, Metering Equipment shall be either located or adjusted, at Company's option, in such manner to account for any transformation or interconnection losses between the location of the meter and the Points of Interconnection. Metering quantities, in analog and/or digital form, shall be provided to QF upon request. All costs associated with the administration of Metering Equipment less the Interconnection Costs Offset and the provision of metering data to QF shall be borne by QF. The costs of administration and of providing metering data shall be separately itemized on Company's invoice to QF. All costs associated with either the initial installation of metering, as more fully described in Addendum B less the Interconnection Costs Offset, or any changes to Metering Equipment requested by QF, shall be borne by QF.
- 8.2 **Testing of Metering Equipment.** Company shall inspect and test all Company-owned Metering Equipment upon installation and at least once every two years thereafter. If requested to do so by QF, Company shall inspect or test Metering Equipment more frequently than every two years, at the expense of QF. Company shall give reasonable notice of the time when any inspection or test shall take place, and QF may have representatives present at the test or inspection. If Metering Equipment is found to be inaccurate or defective, Company shall adjust, repair or replace such equipment in order to provide accurate metering. If Metering Equipment fails to register, or if the measurement made by Metering Equipment during a test varies by more than two percent (2%) from the measurement made by the standard meter used in the test, the Company shall adjust to make correct all measurements made by the inaccurate meter for:
- a) the actual period during which inaccurate measurements were made, if the period can be determined, or if not,
 - b) the period immediately preceding the test of the Metering Equipment equal to one-half the time from the date of the last previous test of the Metering Equipment; provided that the period covered by the correction shall not exceed six months.
- 8.3 **Metering Data.** Unless the Parties have not made other arrangements, if hourly and/or daily energy readings are available and if such data are requested by Company, QF shall report same to Company's representatives as designated pursuant to Section 20.5 of the

Contract, by telephone or electronically or as the Parties otherwise agree, on a schedule to be agreed upon.

At QF's expense, QF's metered data shall be telemetered to a location designated by Company and one or more locations designated by QF.

- 8.4 **Communications.** At QF's expense, QF shall maintain satisfactory operating communications with Company's system dispatcher or representative, as designated by Company. QF will provide standard voice and facsimile communications at its Facility control room through use of the public telephone system. QF will also provide a data circuit (or circuits) as specified in Addendum G. The data circuit(s) shall extend from QF's Facility to the Company's facilities at the Point of Interconnection. Any required maintenance of such communications equipment shall be performed by Company. Operational communications shall be activated and maintained under, but not limited to, the following events: system paralleling or separation, scheduled and unscheduled shutdowns, equipment clearances, and hourly and daily load data.

ARTICLE 9 INFORMATION REPORTING

- 9.1 **Information Reporting Obligations.** Each Party shall, in accordance with Prudent Utility Practice, promptly provide to the other Party all relevant information, documents, or data regarding the Party's facilities and equipment which may reasonably be expected to pertain to the reliability of the other Party's facilities and equipment and which has been reasonably requested by the other Party.

ARTICLE 10 PAYMENTS AND BILLING PROCEDURES

- 10.1 **Construction Initiation.** Company shall have no obligation to initiate construction of Company Interconnection Facilities prior to a written notice from the QF agreeing to Company's interconnection design requirements and notifying Company to initiate its activities to construct Company Interconnection Facilities; **provided**, however, that such notice shall be received not later than the date specified by Company under Section 2.2 hereof. The QF shall be liable for and agrees to pay all Interconnection Costs incurred by Company on or after the specified date for initiation of construction.
- 10.2 **Payment.** The QF agrees to pay all of Company's actual Interconnection Costs as such costs are incurred and billed in accordance with the Contract. Such amounts shall be billed pursuant to Section 10.2.1 if the QF elects the payment option permitted by FPSC Rule 25-17.087(4). Otherwise the QF shall be billed pursuant to Section 10.2.2.
- 10.2.1 **Installment Payments.** 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 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 including any accrued interest.

10.2.2 Non-Installment Payments. When Interconnection Costs are incurred by Company, such costs will be billed to the QF to the extent that they exceed the Interconnection Costs Offset.

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

ARTICLE 11 CONTINUED OPERATION

11.1 General. In the event of a Breach or Default by either Party, the Parties shall continue to operate and maintain, as applicable, such DC power systems, protection and Metering Equipment, telemetering equipment, SCADA equipment, transformers, Secondary Systems, communications equipment, building facilities, software, documentation, structural components, and other facilities and appurtenances that are reasonably necessary for the Company to operate and maintain the Company Transmission System, or for the QF to operate and maintain the Facility, in a safe and reliable manner.

ARTICLE 12 SUBCONTRACTOR

12.1 General. Nothing in this Agreement shall prevent a Party from utilizing the services of such subcontractors as it deems appropriate to perform its obligations under this Agreement; provided, however, that each Party shall require its subcontractors to comply with all applicable terms and conditions of this Agreement in providing such services and each Party shall remain primarily liable to the other Party for the performance of such subcontractor.

12.2 Responsibility of Principal. The creation of any subcontract relationship shall not relieve the hiring Party of any of its obligations under this Agreement. Each Party shall be fully responsible to the other Party for the acts or omissions of any subcontractor it hires as if no subcontract had been made. Any applicable obligation imposed by this Agreement upon a Party shall be equally binding upon, and shall be construed as having application to, any subcontractor of such Party.

- 12.3 **No Third Party Beneficiary.** Except as may be specifically set forth to the contrary herein, no subcontractor or any other party is intended to be, nor will it be deemed to be, a third-party beneficiary of this Agreement.
- 12.4 **No Limitation by Insurance.** The obligations under this Article 12 will not be limited in any way by any limitation of subcontractor's insurance.

**ADDENDUM A
INTERCONNECTION FACILITIES**

This Addendum A is a part of the Interconnection and Operating Agreement between QF and Company.

Point of Interconnection

The point of interconnection will be the QF's double dead end _____ kV transmission structure as shown on Exhibit I.

Company Interconnection Facilities to be Furnished by Company

Company shall construct the modifications to Company's _____ Substation as required to accommodate QF's interconnection. More specifically, the facility modifications include, but are not limited to, the construction of additional ___ kV bus, ___ kV breakers, interchange metering, data acquisition equipment, and ___ kV transmission facilities to the point of ownership change per attached Exhibit I. The Company will also provide and install billing metering within the _____ Facility to measure loads during unit outages.

QF Interconnection Facilities to be Furnished by QF

QF shall construct their _____ kV transmission from, and including the double dead-end structure identified at the point of interconnection on Exhibit I, to and including the _____ Facility.

Cost Responsibility

QF and Company hereby acknowledge and agree that the cost listed below is only an estimate and that QF hereby agrees to and shall reimburse Company for all actual costs less the Interconnection Costs Offset defined in Addendum B, including any applicable taxes associated with the Company's construction of Interconnection Facilities, or Company's acquisition of any Interconnection Facilities provided to Company by QF as set forth in this Addendum A. The cost for the Interconnection Facilities is estimated to be: _____.

QF hereby agrees to and QF shall provide reasonable and adequate security, as determined within Company's sole reasonable discretion, for payment and performance of obligations set forth in this Addendum A.

The estimated completion date for the Interconnection Facilities to be furnished by the Parties pursuant to this Agreement is _____, _____. The Parties shall provide notice of any delay which will affect the anticipated completion of said Interconnection Facilities.



**ADDENDUM B
METERING EQUIPMENT**

This Addendum B is a part of the Interconnection and Operating Agreement between QF and Company.

The interchange metering facilities are to be located in the _____ Substation.

Metering Facilities to be Furnished by Company

Company, at QF's expense, will provide, own, operate, and maintain metering instrumentation as required for metering and telemetering as follows: ___ kV interchange metering to include instantaneous and integrated MW, instantaneous and integrated MVAR, and MWH from QF to Company and from Company to QF.

QF and Company hereby acknowledge and agree that the cost listed below is only an estimate and that QF hereby agrees to and shall reimburse Company for all actual costs, including any applicable taxes associated with the Company's construction of Metering Equipment, or Company's acquisition of any Metering Equipment provided to Company by QF as set forth in this Addendum B. The cost for the Metering Equipment is estimated to be:

QF hereby agrees to and QF shall provide reasonable and adequate security, as determined within Company's sole reasonable discretion, for payment and performance of obligations set forth in this Addendum B.

Company, at Company's expense, will provide, own, operate, and maintain metering instrumentation as required for metering and telemetering as follows: billing metering within the Facility to measure power used during plant outages by the Facility from Company to QF.

**ADDENDUM C
ADDITIONAL INSURED ENDORSEMENT**

Each Party shall furnish to the other Party an Additional Insured Endorsement with respect to such insurance in substantially the following form:

“In consideration of the premium charged, [QF or Company] and its affiliated and associated companies are named as additional insureds with respect to liabilities arising out of [QF’s use and ownership of the Facility and Interconnection Facilities or Company’s use and ownership of Company’s Transmission System and/or the Interconnection Facilities].”

“The inclusion of more than one insured under this policy shall not operate to impair the rights of one insured against another insured and the coverages afforded by this policy will apply as though separate policies had been issued to each insured. The inclusion of more than one insured will not, however, operate to increase the limits of the carrier’s liability. [QF or Company] will not, by reason of its inclusion under this policy, incur liability to the insurance carrier for payment of premium for this policy.”



ADDENDUM D
JOINT USE FACILITIES

This Addendum D is a part of the Interconnection and Operating Agreement between QF and Company.

See Drawing No. N/A dated _____ which drawing is attached hereto and made a part hereof.



**ADDENDUM E
OPERATION DATE**

[Date]

RE: _____ Facility

Dear _____ :

On [Date], Progress Energy Florida, (the "Company") and _____, (the "QF") completed to their mutual satisfaction all work on the _____ Facility and associated Interconnection Facilities and related equipment required to interconnect the Facility with Company's transmission system and have energized the Facility to parallel operation with the Company's transmission system. This letter confirms that the Facility may commence commercial operation of the Facility and associated Interconnection Facilities effective as of [Date plus one day].

Thank you.

ADDENDUM F
MILESTONES

The following shall be considered required milestones in accordance with Section 2.5:

1. Acquire the Facility site
2. Obtain all required permits
3. Begin construction of Facility
4. Combustion Engine No. 1 Delivery
5. Start-up Testing – Combustion Engine No. 1
6. Commercial Operations Date – Combustion Engine No. 1



SECTION NO. IX
ORIGINAL REVISED SHEET NO. 9.826

ADDENDUM G
FACILITY CONNECTION REQUIREMENTS

APPENDIX H**MINIMUM LOAD EMERGENCY CURTAILMENT PROCEDURES**

MINIMUM LOAD EMERGENCY CURTAILMENT PROCEDURES

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

Level 1 Minimum Load Alert

A. A declaration of a minimum load alert will be called by noon of the business day preceding the expected event when the forecasted minimum load is 2,500 MW or below and system generation is expected to exceed the forecasted load levels.

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

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

Level 2 Preliminary Dispatcher Review

- A. Dispatcher review of system operating conditions is ongoing. Approximately four (4) hours prior to the minimum load period (typically 1900 hours), the System Control Supervisor and/or the generation dispatcher will specifically review all the documentation prepared by Power Supply personnel for the upcoming minimum load period. In addition, Company plant personnel will be contacted to verify that the data are still valid.



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GENERATION CURTAILMENT PLAN
FOR MINIMUM LOAD CONDITIONS
ISSUED: October 12, 1994
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- B. Any changes in operating conditions, NUG unit status, etc. must be noted and the plan adjusted as needed.
- C. In addition, the generation dispatcher will attempt to arrange economic off-system sales.

Level 3 Minimum Load Warning

- A. As the minimum load period approaches (typically between 2100 and 2300 hours), or after any subsequent system re-evaluation, and upon determination by the generation dispatcher that the generation will exceed the forecasted minimum load, the generation dispatcher will:
 - 1. Attempt economic off-system sales.
 - 2. Reduce all Company baseload units to normal minimum operating levels. Communicate with plant operators to reassess the ability to reduce Company coal units to emergency operating minimums. In either case, allowance for AGC and system operating requirements must be considered in establishing minimum operating levels. Reduce such units if practicable.
 - 3. Reduce all utility purchased power to contract minimums.
 - 4. Cycle off any remaining steam (oil or gas fired) units to the extent circumstances permit.
- B. A final re-evaluation of the system shall be performed by the generation dispatcher.
 - Actual unit performance and system conditions (falling load, NUG ramps rates, Company unit ramps, etc.) must be updated if necessary to determine a plan to meet the next step.
- C. If, based on available load information and the measures already taken, the generation dispatcher determines that a Minimum Load Emergency is

dispatcher will notify appropriate supervisory personnel and then issue a Minimum Load Warning Message to all NUGS.

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

Level 4 Minimum Load Emergency

- A. When the generation dispatcher determines that the system generation can no longer match the decreasing load for the upcoming hour, the following additional steps will be taken and repeated hourly, or more frequently as required throughout the Minimum Load Emergency, as system operating conditions require:
1. Notify NUGs in Group C to reduce deliveries of as-available energy by up to 100%.
 2. Notify NUGs in Group B to reduce output by X% up to a maximum of 50% of Committed Capacity. This may take place in several steps to allow for control of the system to meet falling load.
 3. Notify NUGs in Group A to reduce output by X% up to a maximum of 50% of Committed Capacity. This may take place in several steps to allow for control of the system to meet falling load.

NOTE: During calendar year 1995 Dade County Resource Recovery shall not be curtailed in this step, but shall be curtailed together with other NUGS under step 4 below.

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4. Notify NUGs in all Groups to reduce by X%. This may take place in several steps as necessary to allow for control of the system to meet falling load.
5. Steps 1 - 4 will be followed in reverse order as increasing system load allows.
6. Issue notification that the Minimum Load Emergency has ended.

Level 5 Reporting

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

Exhibit B

(Legislative Format)

Standard Offer Contract
Tariff

STANDARD OFFER CONTRACT FOR THE PURCHASE OF FIRM CAPACITY
AND ENERGY FROM A SMALL POWER PRODUCER OR OTHER QUALIFYING
FACILITY USING RENEWABLE OR NON-FOSSIL FUEL, A QUALIFYING FACILITY
WITH A DESIGN CAPACITY OF 100 KW OR LESS,
OR A SOLID WASTE FACILITY

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**STANDARD OFFER CONTRACT FOR THE PURCHASE OF FIRM CAPACITY
AND ENERGY FROM A SMALL POWER PRODUCER OR OTHER QUALIFYING
FACILITY USING RENEWABLE OR NON-FOSSIL FUEL, A QUALIFYING
FACILITY WITH A DESIGN CAPACITY OF 100 KW OR LESS,
OR A SOLID WASTE FACILITY**

THIS CONTRACT FOR THE PURCHASE OF FIRM CAPACITY AND ENERGY (hereinafter referred to as the "Contract") is made and entered this ___ day of _____, _____, (hereinafter referred to as the "Effective Date") by and between _____ (hereinafter "the QF"), and Progress Energy Florida (hereinafter "PEF"), a private utility corporation organized and existing under the laws of the State of Florida. The QF and PEF shall individually be identified herein as the "Party" and collectively as the "Parties". This Contract contains five Appendices which are incorporated into and made part of this Contract agreement: Appendix A: Rate Schedule COG-2; Appendix B: Pay for Performance Provisions, Monthly Capacity Payment Calculation; Appendix C: Termination Fee; Appendix D: Detailed Project Information; Appendix E: Interconnection and Parallel Operating Agreement Procedures; and Appendix F: Interconnection Scheduling and Cost Responsibility, and ~~Appendix G~~-Florida Public Service Commission ("FPSC") Rules 25-17.080 through 25-17.091, F.A.C.

WITNESSETH:

WHEREAS, the QF desires to sell, and PEF desires to purchase electricity to be generated by the QF consistent with FPSC Rules 25-17.080 through 25-17.091 F.A.C.; and

WHEREAS, the QF has agreed to the terms in Appendices E ~~and F~~ or has signed an interconnection/transmission service ("wheeling") agreement with the utility in whose service territory the Facility is to be located, pursuant to which the QF assumes contractual responsibility to make any and all wheeling-related arrangements (including ancillary control area services) between the QF and the wheeling utility for delivery of the Facility's firm capacity and energy to PEF; and

WHEREAS, the FPSC has approved this Standard Offer Contract for the Purchase of Firm Capacity and Energy from a Small Power Producer or other Qualifying Facility using renewable or non-fossil fuel, a Qualifying Facility with a design capacity of 100 KW or less, or a Solid Waste Facility; and

WHEREAS, the QF guarantees that the Facility is capable of delivering firm capacity and energy to PEF for the term of this Contract in a manner consistent with the provision of this Contract;

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



QF shall at all times keep PEF informed of any material changes in its business which affect its qualifying status. PEF shall have the right at all times to inspect the Facility and to examine any books, records, or other documents of the QF that PEF 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 PEF 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., December 31, 2013 ~~2012~~, 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 January 1, 2009 ~~2008~~ (or such later date as may be permitted by PEF pursuant to Section 5), PEF'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 on ~~is~~ a 20 MW portion of a 528 ~~540~~-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 PEF shall commence is January 1, 2009 ~~2008~~ unless the Facility chooses capacity payments under Options B, C, or D of Rate Schedule COG-2, 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 PEF is the five- (5) year period beginning on January 1, 2009 ~~2008~~.
6. The following are the minimum performance standards for the delivery of firm capacity and energy by the QF to qualify for full capacity payments under this Contract:

	<u>On Peak*</u>	<u>Off Peak</u>
Availability Factor:	8990%	8990%

* QF Performance and On Peak hours shall be as measured and/or described in PEF's Rate Schedule COG-2 attached hereto as Appendix B.

4. Sale of Electricity by the QF

4.1 Consistent with the terms hereof, the QF shall sell to PEF and PEF shall purchase from the QF electric power generated by the Facility. The purchase and sale of electricity pursuant to this Contract shall be a () net billing arrangement or () simultaneous purchase and sale arrangement; provided, however, that no such arrangement shall cause the QF to sell more than the Facility's net output. The billing methodology may be changed at the option of the QF, subject to the provisions of PEF Rate Schedule COG-2.

4.2 Ownership and Offering For Sale Of Renewable Energy Attributes

a. The REP shall retain any and all rights to own and to sell any and all environmental attributes associated with the electric generation of the Facility, including but not limited to any and all renewable energy certificates, "green tags" or other tradable environmental interests (collectively "RECs"), of any description, provided that: (i) PEF shall have a right of first refusal with respect to any and all bona fide offers to purchase any RECs; and (ii) the REP shall not sell RECs to any party at a price less than that charged by PEF.

b. Notwithstanding the provisions of the foregoing Section 4.2 a), in the event that the REP wishes to sell RECs to another party at a price less than that already contracted for by PEF, the REP may proceed with such sale so long as (i) the price paid by PEF for any and all future purchases of RECs from the REP shall be adjusted to be equal to the lowest price at which the REP agrees to sell RECs to another party; and (ii) the REP shall refund to PEF the amount by which any past PEF purchases of RECs from the REP exceeds the lowest price that the REP agrees to charge another buyer.

~~Any environmental attributes, such as Renewable Energy Credits (RECs), Green tags, or credits toward a Renewable Portfolio Standard (RPS) generated by the QF shall belong to PEF.~~

4.3 The QF shall not rely on interruptible standby service for the start up requirements (initial or otherwise) of the Facility.

5. Committed Capacity/Capacity Delivery Date

5.1 The QF commits to sell capacity to PEF, the amount of which shall be determined in accordance with this Section 5 and Appendix A (the "Committed Capacity"). Subject to Section 5.3 the Committed Capacity is set at _____ kW, with an expected Capacity Delivery Date of January 1, ~~2009~~ 2008.

- 5.2 Testing of the capacity of the Facility (each such test a "Committed Capacity Test") shall be performed in accordance with the procedures set forth in Section 6. The Demonstration Period for the first Committed Capacity Test shall commence no earlier than January 1, 2004 and testing must be completed by 11:59 p.m., December 31, 2008 ~~2007~~. The first Committed Capacity Test shall not be successfully completed unless the Facility demonstrates a Capacity of at least one hundred percent (100%) of the Committed Capacity set forth in Section 5.1. Subject to Section 6.1 the QF may schedule and perform up to three (3) Committed Capacity Tests to satisfy the requirements of the Contract with respect to the first Committed Capacity Test.
- 5.3 In addition to the first Committed Capacity Test, PEF shall have the right to require the QF, by notice thereto, to validate the Committed Capacity by means of a Committed Capacity Test at any time, up to six (6) times per year, the results of which shall be provided to PEF within seven (7) calendar days of the conclusion of such test. On and after the date of such requested Committed Capacity Test, and until the completion of a subsequent Committed Capacity Test, the Committed Capacity shall be set at the lower of the Capacity tested or the Committed Capacity as set forth in Section 5.1.
- 5.4 Notwithstanding anything contrary to the terms ~~contrary~~ herein, the Committed Capacity may not exceed the amount set forth in Section 5.1 without the consent of PEF which consent shall ~~to~~ be granted in PEF's sole discretion.
- 5.5 The "Capacity Delivery Date" shall be defined as the first calendar day immediately following the date of the Facility's successful completion of the first Committed Capacity Test.
- 5.6 In no event shall PEF make capacity payments to the QF prior to the Capacity Delivery Date.
- 5.7 The QF shall be entitled to receive capacity payments beginning on the Capacity Delivery Date, provided the Capacity Delivery Date occurs on or after January 1, 2006 ~~2004~~ and on or before January 1, 2009 ~~2008~~ (or such later date permitted by PEF pursuant to the following sentence). If the Capacity Delivery Date does not occur on or before January 1, 2009 ~~2008~~, PEF shall immediately be entitled to draw down the Completion/Performance security in full.
6. **Testing Procedures**
- 6.1 The Committed Capacity Test must be completed successfully within a sixty-hour period (the "Demonstration Period"), which period, including the approximate start time of the Committed Capacity Test, shall be selected and scheduled by the QF by means of a written notice to PEF delivered at least thirty (30) calendar days prior to the start of such period. The provisions of the foregoing sentence shall not apply to any Committed Capacity Test ordered by PEF under any of the provisions of this Contract. PEF shall have the right to be present onsite to



monitor firsthand any Committed Capacity Test required or permitted under this Contract.

- 6.2 The Committed Capacity Test results shall be based on a test period of twenty-four (24) consecutive hours (the "Committed Capacity Test Period") at the highest sustained net kW rating at which the Facility can operate without exceeding the design operating conditions, temperature, pressures, and other parameters defined by the applicable manufacturer(s) for steady state operations at the Facility. The Committed Capacity Test Period shall commence at the time designated by the QF pursuant to Section 6.1 or at such time requested by PEF pursuant to Section 5.3; provided, however, that the Committed Capacity Test Period may commence earlier than such time in the event that PEF is notified of, and consents to, such earlier time.
- 6.3 Normal station service use of unit auxiliaries, including, without limitation, cooling towers, heat exchangers, and other equipment required by law, shall be in service during the Committed Capacity Test Period. Normal deliveries of the contracted quantity and quality of cogenerated steam to the steam host, if any, shall be required during the Committed Capacity Test Period.
- 6.4 The Capacity of the Facility (the "Capacity") shall be the minimum average hourly net capacity (generator output minus auxiliary) measured over the Committed Capacity Test Period.
- 6.5 The Committed Capacity Test shall be performed according to standard industry testing procedures for the appropriate technology of the QF.
- 6.6 The results of any Committed Capacity Test, including all data related to Facility facility operation and performance during testing, shall be submitted to PEF by the QF within seven (7) calendar days of the conclusion of the Committed Capacity Test. The QF shall certify that all such data is accurate and complete.

7. **Payment for Electricity Produced by the Facility**

7.1 **Energy**

PEF agrees to pay the QF for energy produced by the Facility and delivered to PEF in accordance with the rates and procedures contained in PEF's approved Rate Schedule COG-2, attached hereto as Appendix A, as it may be amended from time to time. The Parties agree that this Contract shall be subject to all of the provisions contained in Rate Schedule COG-2 as approved and on file with the FPSC.

PEF may, at its option, limit deliveries under this Renewable Standard Offer Contract to 110% of the Committed Capacity as set forth in Section 5. In the event that PEF chooses to limit deliveries any energy in excess of 110% of the Committed Capacity will be paid for at the rates defined in COG-1 As-Available Tariff and shall not be included in the calculations in Appendix B hereto.

7.2 Capacity

PEF agrees to pay the QF for the Capacity capacity described in Section 5 in accordance with the rates and procedures contained in Rate Schedule COG-2, as it may be amended and approved from time to time by the FPSC, and pursuant to the election of Option _____ of Rate Schedule COG-2. The QF understands and agrees that Capacity payments will only be made under Option B, Option C, or Option D of Rate Schedule COG-2 if the QF has achieved the Capacity Delivery Date and is delivering firm capacity and energy to PEF. Once so selected, this option cannot be changed for the term life of this Contract.

7.3 Payments for Energy and Capacity

Payments due the QF will be made monthly, and normally by the twentieth business day following the end of the billing period. The kilowatt-hours sold by the QF and the applicable avoided energy rate at which payments are being made shall accompany the payment to the QF.

8. Electricity Production and Plant Maintenance Schedule

- 8.1 No later than sixty (60) calendar days prior to the Capacity Delivery Date, and prior to October 1 of each calendar year thereafter during the term of this Contract, the QF shall submit to PEF in writing a detailed plan of the amount of electricity to be generated by the Facility and delivered to PEF for each month of the following calendar year, including the time, duration and magnitude of any scheduled maintenance period(s) or reductions in Capacity capacity.
- 8.2 By October 31 of each calendar year, PEF shall notify the QF in writing whether the requested scheduled maintenance periods in the detailed plan are acceptable. If PEF does not accept any of the requested scheduled maintenance periods, PEF shall advise the QF of the time period closest to the requested period(s) when the outage(s) can be scheduled. The QF shall only schedule outages during periods approved by PEF, and such approval shall not be unreasonably withheld. Once the schedule for the detailed plan has been established and approved, either Party requesting a subsequent change in such schedule, except when such change is due to Force Majeure, must obtain approval for such change from the other Party. Such approval shall not be unreasonably withheld or delayed. Scheduled maintenance outage days shall be limited to twenty-one (21) days per calendar year. In no event shall maintenance periods be scheduled during the following periods: June 1 through September 15 and December 1 through and including February 28 (or 29th as the case may be).
- 8.3 The QF shall comply with reasonable requests by PEF regarding day-to-day and hour-by-hour communication between the Parties relative to electricity production and maintenance scheduling.

8.4 The Parties recognize that the intent of the availability factor in Section 3 of this Contract is an allowance for scheduled outages, forced outages and forced reductions in output of the Facility. Therefore the REP shall provide PEF with notification of any forced outage or reduction in output which shall include the time and date at which the forced outage or reduction occurred, a brief description of the cause of the outage or reduction and the time and date when the forced outage or reduction ceased and the Facility was able to return to normal operation. This notice shall be provided to PEF within seventy-two (72) hours of the end of the forced outage or reduction.

The REP is required to provide the total electrical output to PEF except (i) during a period that was scheduled in Section 8.2, (ii) during a period in which notification of a forced outage or reduction was provided, (iii) during an event of Force Majeure or (iv) during a curtailment period as described in Section 8.5.5. In the event that the REP does not deliver its full electrical output to PEF during an hour not excluded in the previous sentence then the REP shall be charged a rate equal to the PEF's Rate Schedule COG-1 times the difference between the Committed Capacity and the actual energy received by PEF in that hour. If in PEF's sole judgment it is determined that the normal operation of the REP requires it to cease operation or reduce its output the charges in this Section 8.4 may be waived

8.5 8.4 Dispatch and Control

8.54.1 Power supplied by the QF hereunder shall be in the form of three-phase 60 Hertz alternating current, at a nominal operating voltage of _____ volts (_____ kV) and power factor dispatchable and controllable in the range of 90% lagging to 90% leading as measured at the interconnection point to maintain system operating parameters, including power factor, as specified from time to time by PEF.

8.54.2 The QF shall operate the Facility with all system protective equipment in service whenever the Facility is connected to, or is operated in parallel with, PEF's system, except for normal testing and repair in accordance with good engineering and operating practices as agreed by the Parties. The QF shall provide adequate system protection and control devices to ensure safe and protected operation of all energized equipment during normal testing and repair. All QF facilities shall meet IEEE and industry standards. The QF shall have independent, third party qualified personnel test, calibrate and certify in writing all protective equipment at least once every twelve (12) months in accordance with good engineering and operating practices. A unit functional trip test shall be performed after each overhaul of the Facility's turbine, generator or boilers and results provided to PEF in writing prior to returning the equipment to service. The specifics of the unit functional trip test will be consistent with good engineering and operating practices as agreed by the Parties.

- 8.54.3** If the Facility is separated from the PEF system for any reason, under no circumstances shall the QF reconnect the Facility to PEF's system without first obtaining PEF'S specific approval.
- 8.54.4** During the term of this Contract, the QF shall employ qualified personnel for managing, operating and maintaining the Facility and for coordinating such with PEF. The QF shall ensure that operating personnel are on duty at all times, twenty-four (24) hours a calendar day and seven (7) calendar days a week. Additionally, during the term of this Contract, the QF shall operate and maintain the Facility in such a manner as to ensure compliance with its obligations hereunder and in accordance with applicable law and prudent utility practices.
- 8.54.5** PEF shall not be obligated to purchase, and may require curtailed or reduced deliveries of energy to the extent allowed under FPSC Rule 25-17.086 and under any curtailment plan which PEF may have on file with the FPSC from time to time.
- 8.54.6** During the term of this Contract, the QF shall maintain sufficient fuel on the site of the Facility to deliver the capacity and energy associated with the Committed Capacity for an uninterrupted seventy-two- (72) hour period. At PEF's request, the QF shall demonstrate this capability to PEF's reasonable satisfaction. During the term of this Contract, the QF's output shall remain within a band of plus or minus ten percent (10%) of the daily output level or levels specified by the plant operator, in ninety percent (90%) of all operating hours under normal operating conditions. This calculation will be adjusted to exclude forced outage periods and periods during which the QF's output is affected by a Force Majeure event.

9. Completion/Performance Security

- 9.1** As security for the achievement of the Capacity Delivery Date and satisfactory performance of its obligations hereunder, the QF shall provide PEF either: (a) an unconditional, irrevocable, direct-pay letter(s) of credit in effect through the first (1st) anniversary of the Capacity Delivery Date (or the next business day thereafter), issued by a financial institution(s) having an investment grade credit rating, in form and substance acceptable to PEF (including provisions (i) permitting partial and full draws and (ii) permitting PEF to draw in full if such letter of credit is not renewed or replaced as required by the terms hereof at least ten (10) business days prior to its expiration date); (b) a cash deposit(s) with PEF; or (c) a bond issued by a financially sound company in form and substance acceptable to PEF. Such letter(s) of credit, cash deposit(s) or bond shall be provided in the amount and by the date listed below:

- 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 PEF.

- 9.2** PEF 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, PEF 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 PEF to draw in full on the existing letter of credit and to exercise any other remedies it may have hereunder or in law or in equity.
- 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 PEF 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, PEF 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 January 1, 2009 ~~2008~~, PEF 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 PEF will suffer as a result of delayed availability of Committed Capacity and energy is difficult to ascertain and that PEF may accept such sums as liquidated damages or resort to any other remedies which may be available to it under law or in equity. If the Capacity Delivery Date is achieved on or before January 1, 2009 ~~2008~~, then the QF shall be entitled to reduce the amount of the Completion/Performance Security to an amount equal to \$15.00 per kW (for the number of kW set forth in Section 5.1).
- 9.6** In the event that PEF requires the QF to perform one or more Committed Capacity Test(s) at any time pursuant to Section 5.3 and, in connection with any such Committed Capacity Test(s), the QF fails to demonstrate a Capacity of at

least one-hundred percent (100%) of the Committed Capacity set forth in Section 5.1, PEF shall be entitled immediately to receive, draw upon, or retain, as the case may be, one-hundred percent (100%) of the then-remaining amount of the Completion/Performance Security.

10. Termination Fee

10.1 In the event that the QF receives capacity payments pursuant to Option B, Option C, or Option D of Rate Schedule COG-2, then upon the termination of this Contract, the QF shall owe and be liable to PEF for a termination fee calculated in accordance with Appendix C (the "Termination Fee"). The Termination Fee is in the nature of liquidated damages due as a consequence of terminating this Contract. The QF's obligation to pay the Termination Fee shall survive the termination of this Contract. PEF shall provide the QF, on a monthly basis, a calculation of the Termination Fee.

10.1.1 The Termination Fee shall be secured (with the exception of governmental solid waste facilities covered by FPSC Rule 25-17.091) by the QF by: (i) an unconditional, irrevocable, direct pay letter(s) of credit issued by a financial institution(s) with an investment grade credit rating in form and substance acceptable to PEF (including provisions (a) permitting partial and full draws and (b) permitting PEF to draw upon such letter of credit, in full, if such letter of credit is not renewed or replaced at least ten (10) business days prior to its expiration date; (ii) a bond issued by a financially sound company in form and substance acceptable to PEF; or (iii) a cash deposit with PEF (any of (i), (ii), or (iii), the "Termination Security"). In the case of QF operating as a solid waste facility pursuant to section 9.4 of this agreement, the Termination Fee shall be secured by 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 pay on a timely basis the Termination Fee. Within one year of execution of this agreement and annually thereafter, QF shall supply to PEF an audited, comprehensive financial statement of such local government which shall demonstrate that the local government continues its promise to pay the Termination Fee and continues to possess the financial wherewithal to honor such promise. The specific security instrument selected by the QF for purposes of this Contract is:

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

10.1.2 PEF shall have the right and the QF shall be required to monitor the financial condition of (i) the issuer(s) in the case of any letter of credit and (ii) the insurer(s), in the case of any bond. In the event the senior debt rating of any issuer(s) or insurer(s) has deteriorated to a level below investment grade, PEF may require the QF to replace the letter(s) of credit or the bond, as applicable. In the event that PEF notifies the QF that it

requires such a replacement, the replacement letter(s) of credit or bond, as applicable, must be issued by a financial institution(s) or insurer(s) with an investment grade credit rating, and meet the requirements of Section 10.1.1 within thirty (30) calendar days following such notification. Failure by the QF to comply with the requirements of this Section 10.1.2 shall be grounds for PEF to draw in full on any existing letter of credit or bond and to exercise any other remedies it may have hereunder.

10.1.3 After the close of each calendar quarter (March 31, June 30, September 30, and December 31) occurring subsequent to the Capacity Delivery Date, upon PEF's issuance of the Termination Fee calculation as described in Section 10.1, the QF must provide PEF, within ten calendar (10) days, written assurance and documentation (the "Security Documentation"), in form and substance acceptable to PEF, that the amount of the Termination Security is sufficient to cover the balance of the Termination Fee. In addition to the foregoing, at any time during the term of this Contract, PEF shall have the right to request and the QF shall be obligated to deliver within five (5) calendar days of such request, such Security Documentation. Failure by the QF to comply with the requirements of this Section 10.1.3 shall be grounds for PEF to draw in full on any existing letter of credit or bond or to retain any cash deposit, and to exercise any other remedies it may have hereunder.

10.1.4 Upon any termination of this Contract following the Capacity Delivery Date, PEF 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

PEF 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 PEF'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 the prior written approval ~~of from~~ PEF;



- (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 seventy ~~eighty~~-percent (~~70~~~~80~~%);
- (d) The QF fails to satisfy its obligations to maintain sufficient fuel on the site of the Facility to deliver the capacity and energy associated with the Committed Capacity for an uninterrupted seventy-two (72) hour period under Section 8.54.6 hereof;
- (e) The QF fails to provide the Completion and Performance Security and the Termination Fee and to comply with any of the provisions of Sections 9 and 10 hereof;
- ~~(f) The QF fails to comply with any of the provisions of Section 10 hereof;~~
- ~~(f)(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 QF's assets shall be attached, levied upon, encumbered, pledged, seized or taken under any judicial process, and such proceedings shall not be vacated or fully stayed within thirty (30) calendar days thereof; or if the QF shall make an assignment for the benefit of creditors, or admit in writing its inability to pay its debts as they become due;
- ~~(g)(h)~~—The QF fails to give proper assurance of adequate performance as specified under this Contract within thirty (30) calendar days after PEF, with reasonable grounds for insecurity, has requested in writing such assurance;
- ~~(i)~~—The QF materially fails to perform as specified under this Contract, including but not limited to, the QF's obligations under Sections 8, 9, 10, and 14-18;
- ~~(h)(j)~~—The QF fails to achieve licensing, certification, and all federal, state and local governmental, environmental, and licensing approvals required to initiate construction of the Facility by no later than January 1, ~~2008~~2007;
- ~~(i)(k)~~—The QF fails to comply with any of the provisions of Section 18.3 hereof;
- ~~(j)(l)~~—Any of the representations or warranties made by the QF in this Contract is false or misleading in any material respect as of the time made;
- ~~(k)(m)~~—If, at any time after the Capacity Delivery Date, the QF reduces the Committed Capacity due to an event of Force Majeure and fails to repair the Facility and reset the Committed Capacity to the level set forth in Section 5.1 (as such level may be reduced by Section 5.3) within twelve (12) months following the occurrence of such event of Force Majeure;

~~(l)(n)~~—The QF breaches any material provision of this Contract not specifically mentioned in this Section 12.

13. PEF's Rights in the Event of Default

13.1 Upon the occurrence of any of the Events of Default in Section 12, PEF may, at its option:

13.1.1 Terminate this Contract, without penalty or further obligation, except as set forth in Section 13.2, by written notice to the QF, and offset against any payment(s) due from PEF to the QF, any monies otherwise due from the QF to PEF;

13.1.2 Enforce the provisions of the Termination Security requirement pursuant to Section 10 hereof;

13.1.3 Exercise any other remedy(ies) which may be available to PEF at law or in equity.

13.2 Termination shall not affect the liability of either Party for obligations arising prior to such termination or for damages, if any, resulting from any breach of this Contract.

14. Indemnification

14.1 PEF and the QF shall each be responsible for its own facilities. PEF and the QF shall each be responsible for ensuring adequate safeguards for other PEF customers, PEF's and the QF's personnel and equipment, and for the protection of its own generating system. Each Party (the "Indemnifying Party") agrees, to the extent permitted by applicable law, to indemnify, pay, defend, and hold harmless the other Party (the "Indemnified Party") and its officers, directors, employees, agents and contractors (hereinafter called respectively, "PEF Entities" and "QF Entities") from and against any and all claims, demands, costs or expenses for loss, damage, or injury to persons or property of the Indemnified Party (or to third parties) directly caused by, arising out of, or resulting from:

(a) a breach by the Indemnifying Party of its covenants, representations, and warranties or obligations hereunder;

(b) any act or omission by the Indemnifying Party or its contractors, agents, servants or employees in connection with the installation or operation of its generation system or the operation thereof in connection with the other Party's system;

(c) any defect in, failure of, or fault related to, the Indemnifying Party's generation system;

(d) the negligence or willful misconduct of the Indemnifying Party or its contractors, agents, servants or employees; or



- (e) any other event or act that is the result of, or proximately caused by, the Indemnifying Party or its contractors, agents, servants or employees.

14.2 Payment by an Indemnified Party to a third party shall not be a condition precedent to the obligations of the Indemnifying Party under Section 14. No Indemnified Party under Section 14 shall settle any claim for which it claims indemnification hereunder without first allowing the Indemnifying Party the right to defend such a claim. The Indemnifying Party shall have no obligations under Section 14 in the event of a breach of the foregoing sentence by the Indemnified Party. Section 14 shall survive termination of this Agreement.

15 Insurance

15.1 The QF shall procure or cause to be procured and shall maintain throughout the entire term of this Contract, a policy or policies of liability insurance issued by an insurer acceptable to PEF on a standard "Insurance Services Office" commercial general liability form (such policy or policies, collectively, the "QF Insurance"). An original certificate of insurance shall be delivered to PEF at least fifteen (15) calendar days prior to the start of any interconnection work. At a minimum, the QF Insurance shall contain (a) an endorsement providing coverage, including products liability/completed operations coverage for the term of this Contract, and (b) a broad form contractual liability endorsement covering liabilities (i) which might arise under, or in the performance or nonperformance of, this Contract and the Interconnection Agreement, or (ii) caused by operation of the Facility or any of the QF's equipment or by the QF's failure to maintain the Facility or the QF's equipment in satisfactory and safe operating condition. Effective at least fifteen (15) calendar days prior to the synchronization of the Facility with PEF's system, the QF Insurance shall be amended to include coverage for interruption or curtailment of power supply in accordance with industry standards. Without limiting the foregoing, the QF Insurance must be reasonably acceptable to PEF. Any premium assessment or deductible shall be for the account of the QF and not PEF.

15.2 The QF Insurance shall have a minimum limit of One Million Dollars (\$1,000,000.00) per occurrence, combined single limit, for bodily injury (including death) or property damage.

15.3 To the extent that the QF Insurance is on a "claims made" basis, the retroactive date of the policy(ies) shall be the effective date of this Contract or such other date as may be agreed upon to protect the interests of the PEF Entities and the QF Entities. Furthermore, to the extent the QF Insurance is on a "claims made" basis, the QF's duty to provide insurance coverage shall survive the termination of this Contract until the expiration of the maximum statutory period of limitations in the State of Florida for actions based in contract or in tort. To the extent the QF Insurance is on an "occurrence" basis, such insurance shall be maintained in effect at all times by the QF during the term of this Contract.



- 15.4 The QF Insurance shall provide that it may not be cancelled or materially altered without at least thirty (30) calendar days' written notice to PEF. The QF shall provide PEF with a copy of any material communication or notice related to the QF Insurance within ten (10) business days of the QF's receipt or issuance thereof.
- 15.5 The QF shall be designated as the named insured and PEF shall be designated as an additional named insured under the QF Insurance. The QF Insurance shall be endorsed to be primary to any coverage maintained by PEF.

16. Force Majeure

Force Majeure is defined as an event or circumstance that is not reasonably foreseeable, is beyond the reasonable control of and is not caused by the negligence or lack of due diligence of the affected Party or its contractors or suppliers. Such events or circumstances may include, but are not limited to, actions or inactions of civil or military authority (including courts and governmental or administrative agencies), acts of God, war, riot or insurrection, blockades, embargoes, sabotage, epidemics, explosions and fires not originating in the Facility or caused by its operation, hurricanes, floods, strikes, lockouts or other labor disputes or difficulties (not caused by the failure of the affected party to comply with the terms of a collective bargaining agreement). QF equipment breakdown or inability to use equipment caused by its design, construction, operation, maintenance or inability to meet regulatory standards, or otherwise caused by an event originating in the Facility, or a QF failure to obtain on a timely basis and maintain a necessary permit or other regulatory approval, shall not be considered an event of Force Majeure, unless the QF can conclusively demonstrate, to the reasonable satisfaction of PEF, that the event was not reasonably foreseeable, was beyond the QF's reasonable control and was not caused by the negligence or lack of due diligence of the QF or its agents, contractors or suppliers.

- 16.1 Except as otherwise provided in this Contract, each Party shall be excused from performance when its nonperformance was caused, directly or indirectly by an event of Force Majeure.
- 16.2 In the event of any delay or nonperformance resulting from an event of Force Majeure, the Party claiming Force Majeure shall notify the other Party in writing within five (5) business days of the occurrence of the event of Force Majeure, of the nature cause, date of commencement thereof and the anticipated extent of such delay, and shall indicate whether any deadlines or date(s), imposed hereunder may be affected thereby. The suspension of performance shall be of no greater scope and of no greater duration than the cure for the Force Majeure requires. A Party claiming Force Majeure shall not be entitled to any relief therefor unless and until conforming notice is provided. The Party claiming Force Majeure shall notify the other Party of the cessation of the event of Force Majeure or of the conclusion of the affected Party's cure for the event of Force Majeure in either case within two (2) business days thereof.



- 16.3 The Party claiming Force Majeure shall use its best efforts to cure the cause(s) preventing its performance of this Contract; provided, however, the settlement of strikes, lockouts and other labor disputes shall be entirely within the discretion of the affected Party and such Party shall not be required to settle such strikes, lockouts or other labor disputes by acceding to demands which such Party deems to be unfavorable.
- 16.4 If the QF suffers an occurrence of an event of Force Majeure that reduces the generating capability of the Facility below the Committed Capacity, the QF may, upon notice to PEF temporarily adjust the Committed Capacity as provided in Sections 16.5 and 16.6. Such adjustment shall be effective the first calendar day immediately following PEF's receipt of the notice or such later date as may be specified by the QF. Furthermore, such adjustment shall be the minimum amount necessitated by the event of Force Majeure.
- 16.5 If the Facility is rendered completely inoperative as a result of Force Majeure, the QF shall temporarily set the Committed Capacity equal to 0 kW until such time as the Facility can partially or fully operate at the Committed Capacity that existed prior to the Force Majeure. If the Committed Capacity is 0 kW, PEF shall have no obligation to make Capacity Payments ~~capacity payments~~ hereunder.
- 16.6 If, at any time during the occurrence of an event of Force Majeure or during its cure, the Facility can partially or fully operate, then the QF shall temporarily set the Committed Capacity at the maximum capability that the Facility can reasonably be expected to operate.
- 16.7 Upon the cessation of the event of Force Majeure or the conclusion of the cure for the event of Force Majeure, the Committed Capacity shall be restored to the Committed Capacity that existed immediately prior to the Force Majeure. Notwithstanding any other provisions of this Contract, upon such cessation or cure, PEF shall have right to require a Committed Capacity Test to demonstrate the Facility's compliance with the requirements of this section 16.7. Any Committed Capacity Test required by PEF under this Section shall be additional to any Committed Capacity Test under Section 5.3.
- 16.8 During the occurrence of an event of Force Majeure and a reduction in Committed Capacity under Section 16.4 all Monthly Capacity Payments shall reflect, pro rata, the reduction in Committed Capacity, and the Monthly Capacity Payments will continue to be calculated in accordance with the pay-for-performance provisions in Appendix B.
- 16.9 The QF agrees to be responsible for and pay the costs necessary to reactivate the Facility and/or the interconnection with PEF's system if the same is (are) rendered inoperable due to actions of the QF, its agents, or Force Majeure events affecting the QF, the Facility or the interconnection with PEF. PEF agrees to reactivate, at its own cost, the interconnection with the Facility in circumstances where any interruptions to such interconnections are caused by PEF or its agents.



17. Representations, Warranties, and Covenants of QF

The QF represents and warrants that as of the Effective Date:

17.1 Organization, Standing and Qualification

The QF is a _____ (corporation, partnership, or other, as applicable) duly organized and validly existing in good standing under the laws of _____ and has all necessary power and authority to carry on its business as presently conducted to own or hold under lease its properties and to enter into and perform its obligations under this Contract and all other related documents and agreements to which it is or shall be a Party. The QF is duly qualified or licensed to do business in the State of Florida and in all other jurisdictions wherein the nature of its business and operations or the character of the properties owned or leased by it makes such qualification or licensing necessary and where the failure to be so qualified or licensed would impair its ability to perform its obligations under this Contract or would result in a material liability to or would have a material adverse effect on PEF.

17.2 Due Authorization, No Approvals, No Defaults

Each of the execution, delivery and performance by the QF of this Contract has been duly authorized by all necessary action on the part of the QF, does not require any approval, except as has been heretofore obtained, of the _____ (shareholders, partners, or others, as applicable) of the QF or any consent of or approval from any trustee, lessor or holder of any indebtedness or other obligation of the QF, except for such as have been duly obtained, and does not contravene or constitute a default under any law, the _____ (articles of incorporation, bylaws, or other as applicable) of the QF, or any agreement, ~~judgment~~judgement, injunction, order, decree or other instrument binding upon the QF, or subject the Facility or any component part thereof to any lien other than as contemplated or permitted by this Contract.

17.3 Compliance with Laws

The QF has knowledge of all laws and business practices that must be followed in performing its obligations under this Contract. The QF is in compliance with all laws, except to the extent that failure to comply therewith would not, in the aggregate, have a material adverse effect on the QF or PEF.

17.4 Governmental Approvals

Except as expressly contemplated herein, neither the execution and delivery by the QF of this Contract, nor the consummation by the QF of any of the transaction contemplated thereby, requires the consent or approval of, the giving of notice to, the registration with, the recording or filing of any document with, or the taking of any other action with ~~in~~ respect to of governmental authority, except with ~~in~~ respect to of permits (a) which have already been obtained and are in full force and effect or (b) are not yet required (and with respect to which the QF has no reason to believe that the same will not be readily obtainable in the ordinary course of business upon due application therefor).

17.5 No Suits, Proceedings

There are no actions, suits, proceedings or investigations pending or, to the knowledge of the QF, threatened against it at law or in equity before any court or tribunal of the United States or any other jurisdiction which individually or in the aggregate could result in any materially adverse effect on the QF's business, properties, or assets or its condition, financial or otherwise, or in any impairment of its ability to perform its obligations under this Contract. The QF has no knowledge of a violation or default with respect to any law which could result in any such materially adverse effect or impairment.

17.6 Environmental Matters

To the best of its knowledge after diligent inquiry, the QF knows of no (a) existing violations of any environmental laws at the Facility, including those governing hazardous materials or (b) pending, ongoing, or unresolved administrative or enforcement investigations, compliance orders, claims, demands, actions, or other litigation brought by governmental authorities or other third parties alleging violations of any environmental law or permit which would materially and adversely affect the operation of the Facility as contemplated by this Contract.

18. General Provisions

18.1 Project Viability

To assist PEF in assessing the QF's financial and technical viability, the QF shall provide the information and documents requested in Appendix D or substantially similar documents, to the extent the documents apply to the type of Facility covered by this Contract and to the extent the documents are available. All documents to be considered by PEF must be submitted at the time this Contract is presented to PEF. Failure to provide the following such documents may result in a determination of non-viability by PEF.

18.2 Permits

The QF hereby agrees to obtain and maintain any and all permits, certifications, licenses, consents or approvals of any governmental authority which the QF is required to obtain as a prerequisite to engaging in the activities specified in this Contract.

18.3 Project Management

If requested by PEF, the QF shall submit to PEF its integrated project schedule for PEF's review within sixty (60) calendar days from the execution of this Contract, and a start-up and test schedule for the Facility at least sixty (60) calendar days prior to start-up and testing of the Facility. These schedules shall identify key licensing, permitting, construction and operating milestone dates and activities. If requested by PEF, the QF shall submit progress reports in a form satisfactory to PEF every calendar month until the Capacity Delivery Date and shall notify PEF of any changes in such schedules within ten (10) calendar days after such changes are determined. PEF shall have the right to monitor the construction, start-up and testing of the Facility, either on-site or off-site. PEF's technical review and inspections of the Facility and resulting requests, if any, shall not be construed as endorsing the design thereof or as any warranty as to the safety, durability or reliability of the Facility.

The QF shall provide PEF with the final designer's/manufacturer's generator capability curves, protective relay types, proposed protective relay settings, main one-line diagrams, protective relay functional diagrams, and alternating current and direct elementary diagrams for review and inspection at PEF no later than one hundred eighty (180) calendar days prior to the initial synchronization date.

18.4 Assignment

The QF may not assign this Contract, without PEF's prior written approval, which approval may be withheld at PEF's sole discretion.

18.5 Disclaimer

In executing this Contract, PEF does not, nor should it be construed, to extend its credit or financial support for benefit of any third parties lending money to or having other transactions with the QF or any assigns of this Contract.

18.6 Notification

All formal notices relating to this Contract shall be deemed duly given when delivered in person, or sent by registered or certified mail, or sent by fax if followed immediately with a copy sent by registered or certified mail, to the individuals designated below. The Parties designate the following individuals to



be notified or to whom payment shall be sent until such time as either Party furnishes the other Party written instructions to contact another individual:

For the QF:

For PEF:

Florida Power Corporation
Cogeneration Manager BT 9G
100 Central Avenue
St. Petersburg, FL 33701

This signed Contract and all related documents may be presented no earlier than 8:00 a.m. on the Effective Date~~effective date~~ of the Standard Offer Contract, as determined by the FPSC. Contracts and related documents may be mailed to the address below or delivered during normal business hours (8:00 a.m. to 4:45 p.m.) to the visitors' entrance at the address below:

Florida Power Corporation
d/b/a Progress Energy Florida, Inc.
100 Central Avenue
St. Petersburg, FL 33701

Attention: Cogeneration Manager BT 9G

18.7 Applicable Law

This Contract shall be construed in accordance with and governed by, and the rights of the parties shall be construed in accordance with the laws of the State of Florida.

18.8 Taxation

In the event that PEF becomes liable for additional taxes, including interest and/or penalties arising from an Internal Revenue Services determination, through audit, ruling or other authority, that PEF's payments to the QF for Capacity ~~capacity~~ under Options B, C, or D are not fully deductible when paid (additional tax liability), PEF may bill the QF monthly for the costs, including carrying charges, interest and/or penalties, associated with the fact that all or a portion of these Capacity Payments ~~capacity payments~~ are not currently deductible for federal and/or state income tax purposes. PEF, at its option, may offset or recoup these costs against amounts due the QF hereunder. These costs would be calculated so as to place PEF in the same economic position in which it would have been if the entire Capacity Payments ~~capacity payments~~ had been deductible in the period in which the payments were made. If PEF decides to appeal the Internal Revenue Service's determination, the decision as to whether the appeal should be made through the administrative or judicial process or both, and all subsequent decisions pertaining to the appeal (both substantive and procedural), shall rest exclusively with PEF.

18.9 In no event shall PEF, its parent corporation, officers, directors, employees, and agents be liable for any incidental, indirect, special, consequential, exemplary, punitive, or multiple damages resulting from any claim or cause of action, whether brought in contract, tort (including, but not limited to, negligence or strict liability), or any other legal theory.

18.1018.9 Severability

If any part of this Contract, for any reason, is declared invalid or unenforceable by a public authority of appropriate jurisdiction, then such decision shall not affect the validity of the remainder of the Contract, which remainder shall remain in force and effect as if this Contract had been executed without the invalid or unenforceable portion.

18.1118.10 Complete Agreement and Amendments

All previous communications or agreements between the Parties, whether verbal or written, with reference to the subject matter of this Contract are hereby abrogated. No amendment or modification to this Contract shall be binding unless it shall be set forth in writing and duly executed by both Parties. This Contract constitutes the entire agreement between the Parties.

18.1218.11 Survival of Contract

This Contract, as it may be amended from time to time, shall be binding upon, and inure to the benefit of, the Parties' respective successors-in-interest and legal representatives.

18.1318.12 Record Retention

The QF agrees to ~~maintain~~ ~~remain~~ for a period of five (5) years from the date of termination hereof all records relating to the performance of its obligations hereunder, and to cause all QF Entities to retain for the same period all such records.

18.1418.13 No Waiver

No waiver of any of the terms and conditions of this Contract shall be effective unless in writing and signed by the Party against whom such waiver is sought to be enforced. Any wavier of the terms hereof shall be effective only in the specific instance and for the specific purpose given. The failure of a Party to insist, in any instance, on the strict performance of any of the terms and conditions hereof shall not be construed as a waiver of such Party's right in the future to insist on such strict performance.



18.1518.14 Set-Off

PEF may at any time, but shall be under no obligation to, set off or recoup without undergoing any legal process any and all sums due from the QF against sums due to the QF hereunder.



IN WITNESS WHEREOF, the QF and PEF executed this Contract on the later of the dates set forth below.

QF

PROGRESS ENERGY FLORIDA

Signature

Signature

Print Name

Print Name

Title

Title

Date

Date



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 PEF to be exceeded.

RATES FOR PURCHASES BY PEF

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 PEF. For the purpose of this Schedule, an Avoided Unit has been designated by PEF. PEF's next Avoided Unit has been identified as a 20 MW portion of a 528 ~~540~~ MW combined cycle unit with an in-service date of November 2009 ~~January 2008~~, Schedule 1 to this Appendix describes the methodology used to calculate payment schedules, general terms, and conditions applicable to PEF'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 PEF. Once selected, an option shall remain in effect for the term of the Standard Offer Contract with PEF. Exemplary payment schedules, shown below, contain the monthly rate per kilowatt of Firm Capacity which the QF has contractually committed to deliver to PEF and are based on a contract term which extends through December 31, 2013 ~~2012~~. 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 PEF's Avoided Unit with an in-service date of November 1, 2009 ~~January 1, 2008~~, 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 the description of Option D.

Option B - Fixed Value of Deferral Payments - Early Capacity

Payment schedules under this option are based upon the early capital cost component of the value of a year-by-year deferral of PEF's Avoided Unit. The term "early" with respect to Option B means that these payments can start as early as four years prior to the anticipated in-service date of PEF's Avoided Unit; provided, however, that under no circumstances may payments begin before this QF is delivering firm capacity and energy to PEF pursuant to the terms of the Standard Offer Contract. When this option is selected, the capacity payments shall be made monthly commencing no earlier than the Capacity Delivery Date of the QF and calculated as shown on Schedule 1. Capacity Payments under Option B do not result in a prepayment or create a future benefit.

The QF shall select the month and year in which the deliveries of firm capacity and energy to PEF are to commence and capacity payments are to start. PEF will provide the QF with a schedule of capacity payment rates based on the month and year in which the deliveries of firm capacity and energy are to commence and the term of the Standard Offer Contract. The exemplary payment schedule following Option D is based on a contract term that begins on January 1, 2007 ~~December 1, 2003~~.

Option C - Fixed Value of Deferral Payment - Levelized Capacity

Payment schedules under this option are based upon the levelized capital cost component of the value of a year-by-year deferral of PEF's Avoided Unit. The capital portion of capacity payments under this option shall consist of equal monthly payments over the term of the Standard Offer Contract, calculated as shown on Schedule 1. 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 PEF's Avoided Unit. These calculations are shown in Schedule 1. The payment schedule for this option follows Option D. Capacity Payments under Option C do not result in a prepayment or create a future benefit.

Option D - Fixed Value of Deferral Payment - Early Levelized Capacity

Payment schedules under this option are based upon the early levelized capital cost component of the value of a year-by-year deferral of PEF's Avoided Unit. The capital portion of capacity payments under this option shall consist of equal monthly payments over the term of the Standard Offer Contract, calculated as shown on Schedule 1. The fixed operation and maintenance expense shall be calculated as shown in Schedule 1. At the option of the QF, payments for early levelized capacity shall commence at any time after the specified early capacity date and before the anticipated in-service date of PEF's Avoided Unit, provided that the QF is delivering firm capacity and energy to PEF pursuant to the terms of the Standard Offer Contract. The term "early" with respect to Option D means that capacity payments may begin earlier than the anticipated in-service date of PEF's avoided unit. Capacity payments under Option D do not result in a prepayment or create a future benefit.

EXAMPLE MONTHLY CAPACITY PAYMENT IN \$/kW/MONTH
 PEF'S 2005 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 01/01/2008	Early Capacity Payment Starting 01/01/2004	Levelized Capacity Payment Starting 01/01/2008	Early Levelized Capacity Payment Starting 01/01/2004
2007-2004	-	3.24 <u>2.05</u>	-	3.46 <u>2.23</u>
2008-2005	-	3.33 <u>2.10</u>	-	3.46 <u>2.23</u>
2009-2006	<u>5.06</u>	3.41 <u>2.15</u>	<u>5.28</u>	3.47 <u>2.23</u>
2010-2007	<u>5.18</u>	3.49 <u>2.21</u>	<u>5.29</u>	3.47 <u>2.24</u>
2011-2008	5.31 <u>4.54</u>	3.58 <u>2.26</u>	5.30 <u>4.75</u>	3.48 <u>2.24</u>
2012-2009	5.45 <u>4.66</u>	3.67 <u>2.32</u>	5.30 <u>4.75</u>	3.48 <u>2.24</u>
2013-2010	5.58 <u>4.77</u>	3.76 <u>2.38</u>	5.31 <u>4.76</u>	3.48 <u>2.25</u>
2011	<u>4.89</u>	<u>2.44</u>	<u>4.77</u>	<u>2.25</u>
2012	<u>5.02</u>	<u>2.50</u>	<u>4.77</u>	<u>2.26</u>

B. Energy Rates

Payments Prior to January 1, 2009 ~~2008~~

The energy rate, in cents per kilowatt-hour (¢/kWh), shall be based on PEF's actual hourly avoided energy costs which are calculated by PEF 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 PEF 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 January 1, 2009 ~~2008~~

The calculation of payments to the QF for energy delivered to PEF on and after January 1, 2008 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 PEF from the Facility during that hour.

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



average annual heat rate of ~~7,309~~ ~~7,046~~ BTU per kilowatt hour; plus (c) an additional ~~0.163~~ ~~234¢~~ per kilowatt hour in mid-~~2009~~ ~~2003~~ dollars for variable operation and maintenance expenses which will be escalated based on CPI-U.

For the purposes of this agreement, the Avoided Unit Gas Cost shall be determined from gas prices published in Platts Inside FERC, Gas Market Report, first of the month posting for Florida Gas Transmission Zone 3, plus Gulfstream Natural Gas System's applicable Usage-2 rate (Reservation Charge of \$0.55), Usage-1 rate (Commodity Charge of \$0.02) and the applicable Gulfstream Natural Gas System's Use percentage (not to exceed ~~1.53~~ ~~2.5%~~) in accordance with the terms and conditions of Gulfstream Natural Gas System's tariff, as all such charges, surcharges and percentages are in effect from time to time for service under Gulfstream Natural Gas System's Rate Schedule FTS.

ESTIMATED AS-AVAILABLE ENERGY COST

For informational purposes only, the estimated incremental avoided energy costs for the next four semi-annual periods are as follows. The following estimates include variable operation and maintenance expenses.

<u>Applicable Period</u>	<u>On-Peak ¢/KWH</u>	<u>Off-Peak ¢/KWH</u>	<u>Average ¢/KWH</u>
October 1, 2005 2003 - March 31, 2006 2004	5.5 4.1	4.4 3.3	4.9 3.5
April 1, 2006 2004 - September 30, 2006 2004	7.7 5.0	4.1 3.0	5.7 3.6
October 1, 2006 2004 - March 31, 2007 2005	4.9 3.7	3.8 3.1	4.3 3.3
April 1, 2007 2005 - September 30, 2007 2005	7.2 5.1	3.9 3.3	5.4 3.9

ESTIMATED UNIT FUEL COST

The estimated unit fuel costs listed below are associated with PEF's Avoided Unit and are based on current estimates of the price of natural gas.

\$/MMBTU

2007	2008	2009	2010	2011	2012	2013	2014	2015
2004	2005	2006	2007	2008	2009	2010	2011	2012
7.07	6.38	6.80	7.31	7.14	7.05	6.99	6.90	6.79
5.97	5.56	5.11	4.03	3.60	3.74	3.98	4.05	4.17

DELIVERY VOLTAGE ADJUSTMENT

Energy payments to the QFs within PEF's service territory shall be adjusted according to the delivery voltage by the following multipliers:

<u>Delivery Voltage</u>	<u>Adjustment Factor</u>
Transmission Voltage Delivery	1.02 52
Primary Voltage Delivery	1.03 58
Secondary Voltage Delivery	1.06 86

PERFORMANCE CRITERIA

Payments for Firm Capacity are conditioned on the QF's ability to maintain the following performance criteria:

A. Capacity Delivery Date

The Capacity Delivery Date shall be no later than the projected in-service date of PEF's Avoided Unit (i.e., November 1, 2009 ~~January 1, 2008~~.)

B. Availability and Capacity Factor

The Facility's availability and capacity factor are used in the determination of firm capacity payments through a performance based calculation as detailed in Appendix B to PEF's Standard Offer Contract.

METERING REQUIREMENTS

The QFs within the territory served by PEF shall be required to purchase from PEF hourly recording meters to measure their energy deliveries to PEF. Energy purchases from the QFs outside the Territory of PEF shall be measured as the quantities scheduled for interchange to PEF by the entity delivering Firm Capacity and Energy to PEF.

For the purpose of this Schedule, the on-peak hours shall be those hours occurring April 1 through October 31, from 11:00 a.m. to 10:00 p.m., and November 1 through March 31, from 6:00 a.m. to 12:00 noon and 5:00 p.m. to 10:00 p.m. prevailing Eastern time. PEF shall have the right to change such On-Peak Hours by providing the QF a minimum of thirty calendar days' advance written notice.

**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	= PEF's value of avoided capacity and O&M, in dollars per kilowatt per month, during month m;	<u>\$5.06</u> 4.54
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;	<u>1.591</u> 1.430
I_n	= total direct and indirect cost, in mid-year dollars per kilowatt including AFUDC but excluding CWIP, of PEF's Avoided Unit with an in-service date of year n;	<u>\$506.37</u> 516.23
O_n	= total fixed operation and maintenance expense, for the year n, in mid-year dollars per kilowatt per year, of PEF's Avoided Unit:	<u>\$2.96</u> 3.34
i_p	= annual escalation rate associated with the plant cost of PEF's Avoided Unit;	2.5%
i_o	= annual escalation rate associated with the operation and maintenance expense of PEF's Avoided Unit;	2.5%
r	= annual discount rate, defined as PEF's incremental after-tax cost of capital;	<u>8.31</u> 7.92%
L	= expected life of PEF's Avoided Unit;	25
n	= year for which PEF's Avoided Unit is deferred starting with its original anticipated in-service date and ending with the termination of the Standard Offer Contract.	<u>2009</u> 2008

**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 <u>two</u> four -years prior to the anticipated in-service date of PEF's Avoided Unit, in dollars per kilowatt per month;	<u>\$3.24</u> 2.05
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i_p	=	annual escalation rate associated with the plant cost of PEF's Avoided Unit;	2.5%
n	=	year for which early capacity payments to a QF are to begin;	<u>2007</u> 2004
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 PEF's Avoided Unit and continued for a period of 5 years;	<u>\$188.48</u> 158.15
r	=	annual discount rate, defined as PEF's incremental after-tax cost of capital;	<u>8.17</u> 7.92%
t	=	the term, in years, of the Standard Offer Contract for the purchase of firm capacity commencing prior to the in-service date of PEF's Avoided Unit;	<u>7-9</u>
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 PEF's Avoided Unit and continued for a period of 5 years.	<u>\$9.65</u> 10.31

**APPENDIX B
TO
PROGRESS ENERGY FLORIDA'S 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 50 ~~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 50 ~~80~~% but less than 89 ~~90~~%, then the Monthly Capacity Payment shall be calculated by using the following formula:

$$\text{MCP} = \text{BCP} [5x (\text{ACBF} - .\underline{69} \underline{70})] x \text{CC}$$

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 PEF'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 PEF for the 12 consecutive months preceding the date of calculation excluding any energy received during an event of Force Majeure in which the Committed Capacity is temporarily set equal to 0 kW, divided by the product of the Committed Capacity and the number of hours in the 12 consecutive months preceding the date of calculation excluding the hours during an event of Force Majeure in which the Committed Capacity is temporarily set equal to 0 kW. If an event of Force Majeure occurs during the



12 consecutive months preceding the date of calculation in which the Committed Capacity is temporarily set to a value greater than 0 kW then the 12 month rolling average will be pro-rated accordingly. 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 PEF for the number of full consecutive months preceding the date of calculation excluding any energy received during an event of Force Majeure in which the Committed Capacity is temporarily set equal to 0 kW, 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 excluding the hours during an event of Force Majeure in which the Committed Capacity is temporarily set equal to 0 kW. If an event of Force Majeure occurs during the months preceding the date of calculation in which the Committed Capacity is temporarily set to a value greater than 0 kW then the 12 month rolling average will be pro-rated accordingly. 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.

**APPENDIX C
TO
PROGRESS ENERGY FLORIDA'S STANDARD OFFER CONTRACT
TERMINATION FEE**

The Termination Fee shall be the sum of the values for each month beginning with the month in which the Capacity Delivery Date occurs through the month of termination (or month of calculation, as the case may be) computed according to the following formula:

$$\sum_{i=1}^n (MCP_i - MCPC_i) \cdot (1+r)^{t(n-i)}$$

with: MCPC = 0 for all periods prior to the in-service date of PEF's Avoided Unit:

where

- i = number of Monthly Billing Period commencing with the Capacity Delivery Date (i.e., the month in which Capacity Delivery date occurs = 1; the month following this month in which Capacity Delivery Date occurs = 2 etc.)
- n = the number of Monthly Billing Periods which have elapsed from the month in which the Capacity Delivery Date occurs through the month of termination (or month of calculation, as the case may be)
- t = ~~the future value of an amount factor necessary to compound a sum monthly so the annual percentage rate derived will equal PEF's incremental after-tax avoided cost of capital (defined as r in COG-2). For any Monthly Billing Period in which MCPC is greater than MCP, t shall equal t .~~
- MCP_i = Monthly Capacity Payment paid to QF corresponding to the Monthly Billing Period i , calculated in accordance with Appendix B.
- $MCPC_i$ = Monthly Capacity Payment for Option A corresponding to the Monthly Billing Period i , calculated in accordance with COG-2.

In the event that for any Monthly Billing Period, the computation of the value of the Termination Fee for such Monthly Billing Period (as set forth above) yields a value equal to or greater than zero, the amount of the Termination Fee shall be increased by the amount of such value.

In the event that for any Monthly Billing Period, the computation of the value of the Termination Fee for such Monthly Billing Period (as set forth above) yields a value less than zero, the amount of the Termination Fee shall be decreased by the amount of such value expressed as a positive number (the "Initial Reduction Value"); provided, however, that such Initial Reduction Value shall be subject to the following adjustments (the Initial Reduction Value, as adjusted, the "Reduction Value"):

- a. In the event that in the applicable Monthly Billing Period the Annual Capacity Billing Factor (ACBF), as defined in Appendix B is less than 80%, then the Initial Reduction Value shall be adjusted to equal zero (Reduction Value = 0), and the Termination Fee shall not be reduced for the applicable Monthly Billing Period.
- b. In the event that in the applicable Monthly Billing Period the Annual Capacity Billing Factor (ACBF), as defined in Appendix B, is equal to or greater than ~~50~~ 80% but less than ~~89~~ 90%, then the Reduction Value shall be determined as follows:

$$\text{Reduction Value} = \text{Initial Reduction Value} \times (5 \times (\text{ACBF} - \underline{.69} \del{70})]$$

For the applicable Monthly Billing period, the Termination Fee shall be reduced by the amount of such Reduction Value.

- c. In the event that in the applicable Monthly Billing Period the Annual Capacity Billing Factor (ACBF), as defined in Appendix B, is equal to or greater than ~~89~~ 90%, then the Initial Reduction Value shall not be adjusted (Reduction Value = Initial Reduction Value), and the Termination Fee shall be reduced for the applicable Monthly Billing period by the amount of the Initial Reduction Value.

In no event shall PEF be liable to the QF at any time for any amount by which the Termination Fee, adjusted in accordance with the foregoing, is less than zero (0).

APPENDIX E

~~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 Standard Offer Contract.~~

~~2.0 Schematic Diagram~~

~~Exhibit E-1, attached hereto and made a part hereof, is a schematic diagram showing the major circuit components connecting the Facility and PEF'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 E-1 will be inserted by PEF on or before the date on which the Facility first operates in parallel with PEF's system.~~

~~3.0 Operating Standards~~

~~3.1 The QF and PEF 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 PEF 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 PEF's system without prior written consent of PEF. Such consent shall not be given until the QF has satisfied all criteria under the Agreement and has:~~

~~(h) submitted to and received consent from PEF of its as-built electrical specifications;~~

- ~~(ii) demonstrated to PEF's satisfaction that the Facility is in compliance with the insurance requirements of the Standard Offer Contract; and~~
 - ~~(iii) demonstrated to PEF'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 PEF's system until the QF has demonstrated that it is in compliance with all the requirements of section 3.3 hereof.~~
- ~~3.5 The QF shall be responsible for coordination and synchronization of the Facility's equipment with PEF'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 PEF shall have the right to open and lock, with a PEF padlock, manual disconnect switch number(s) _____ and isolate the Facility's generation system without prior notice to the QF. To the extent practicable, however, prior notice shall be given. Any of the following conditions shall be cause for disconnection:~~
- ~~1. PEF system emergencies and/or maintenance repair and construction requirements;~~
 - ~~2. hazardous conditions existing on the Facility's generating or protective equipment as determined by PEF;~~
 - ~~3. adverse effects of the Facility's generation to PEF's other electric consumers and/or system as determined by PEF;~~
 - ~~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 PEF'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 PEF may open 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 PEF authorizing the restoration of parallel operation.
 - ~~(v)~~ The Company shall install one or more red tags similar to the red tag shown in Exhibit E-2 attached hereto and made a part hereof, on all open switches. **Only PEF personnel on PEF's switching and tagging list shall remove and/or close any switch bearing a PEF 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 PEF'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, PEF personnel shall install a PEF 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 PEF personnel and, as promptly as practicable, PEF personnel will install a PEF 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 twelve (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 PEF 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 PEF upon request.~~

~~4.3 PEF 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 PEF: System Dispatcher on Duty
Title: System Dispatcher
Telephone: 727-866-5888
Telecopier: 727-384-7865~~

~~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.~~



SECTION NO. IX
~~THIRD SECOND-REVISED SHEET NO. 9.805~~
CANCELS ~~SECOND FIRST-REISSUE SHEET NO. 9.805~~

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SECTION NO. IX
FOURTH ~~THIRD~~-REVISED SHEET NO. 9.800
CANCELS ~~THIRD SECOND~~-REISSUE SHEET NO. 9.800

APPENDIX E

INTERCONNECTION AND OPERATING AGREEMENT



ARTICLE 1
DEFINITIONS

- 1.0 Whenever used in this Agreement, and the appendices, addendums and attachments hereto, the following terms when capitalized shall have the following meanings:
- 1.01 “Company Interconnection Facilities” shall mean all Company owned either facilities presently in place or presently proposed to be installed, as identified in Addendum A, or Company owned facilities which are later installed, in order to interconnect and deliver energy from the Facility to the Company Transmission System including, but not limited to, connection, distribution, engineering, administrative, transformation, switching, metering and safety equipment.
- 1.02 “Company Transmission System” shall mean all the facilities owned or controlled by the Company on the Company’s side of the Points of Interconnection for the purpose of providing transmission service.
- 1.03 “Emergency” shall mean any abnormal system condition that requires automatic or immediate manual action to prevent or limit loss of transmission facilities or generation supply that could adversely affect the reliability of the Company Transmission System or the systems to which the Company Transmission System is directly or indirectly connected.
- 1.04 “FRCC” shall mean the Florida Reliability Coordinating Council, or its successor.
- 1.05 “Hazardous Substances” shall mean any chemicals, materials or substances defined as or included in the definition of “hazardous substances”, “hazardous wastes”, “hazardous materials”, “hazardous constituents”, “restricted hazardous materials”, “extremely hazardous substances”, “toxic substances”, “contaminants”, “pollutants”, “toxic pollutants” or words of similar meaning and regulatory effect under any applicable Environmental Law, or any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any applicable Environmental Law. For purposes of this Agreement, the term “Environmental Law” shall mean Federal, state, and local laws, regulations, rules, ordinances, codes, decrees, judgment, directives, or judicial or administrative orders relating to pollution or protection of the environment, natural resources or human health and safety.
- 1.06 “Interconnection Costs” shall mean the actual costs incurred by Company for Company Interconnection Facilities, including, without limitation, the cost of equipment, engineering, communication and administrative activities.
- 1.07 “Interconnection Costs Offset” shall mean the estimated costs included in the Interconnection Costs that Company would have incurred if it were not purchasing capacity and electric energy but instead itself generated or purchased

from other sources an equivalent amount of capacity and electric energy and provided normal service to the Facility as if it were a non-generating customer.

- 1.08 "Interconnection Facilities" shall mean all facilities presently in place or presently proposed to be installed, as identified in Addendum A, or facilities which are later installed, in order to interconnect and deliver energy from the Facility to the Company Transmission System including, but not limited to, connection, distribution, engineering, administrative, transformation, switching, metering and safety equipment.
- 1.09 "Interconnection Service" shall mean the services provided by the Company to interconnect the Facility with the Company Transmission System pursuant to the terms of this Agreement.
- 1.10 "Joint Use Facilities" shall mean facilities and equipment which are identified as Joint Use Facilities in Addendum D hereto, as it may be amended from time to time, which are owned by either the Company or the QF and are or may be operated jointly by the Company and the QF.
- 1.11 "Law" shall mean any law, including, without limitation, any act, requirement, ordinance, rule, judicial decision, notification, or similar directive, resolution, regulation of any governmental authority or agency (federal, state, local, or other), court or tribunal that is at any time applicable to the Parties, the Facility, the Company Transmission System, the Interconnection Facilities, or any part thereof.
- 1.12 "Metering Equipment" shall mean all metering equipment to be installed at the Facility and/or other metering equipment to be installed at the metering points as described in Addendum B.
- 1.13 "NERC" shall mean the North American Electric Reliability Council, or its successor.
- 1.14 "Operation Date" shall mean the day commencing at 00:01 hours on the day following the day during which Interconnection Facilities and equipment of the Facility have been completed to Company's and QF's mutual satisfaction and energized in parallel operation of Company's and QF's systems as confirmed in a writing substantially in the form shown in Addendum E.
- 1.15 "Permit" shall mean all approvals, consents, authorizations, notifications, agreements, licenses, permits of any governmental authority or agency (federal, state, local or other) that are at any time applicable to the Parties, the Facility, the Company Transmission System, the Interconnection Facilities, or any part thereof.
- 1.16 "Points of Interconnection" shall mean the point or points, shown in Addendum A, where the facilities of QF interconnect with the facilities of Company.

- 1.17 “QF Interconnection Facilities” shall mean all QF owned facilities presently in place or presently proposed to be installed, as identified in Addendum A, or QF owned facilities which are later installed, in order to interconnect and deliver energy from the Facility to the Company Transmission System including, but not limited to, connection, distribution, engineering, administrative, transformation, switching, metering and safety equipment.
- 1.18 “Secondary Systems” shall mean control or power circuits that operate below 600 volts, AC or DC, including, but not limited to, any hardware, control or protective devices, cables, conductors, electric raceways, secondary equipment panels, transducers, batteries, chargers, and voltage and current transformers.
- 1.19 “Switching and Tagging Rules” shall mean Company’s and QF’s switching and tagging procedures, as they may be amended.
- 1.22 “System Protection Facilities” shall mean the equipment required to protect (1) the Company Transmission System, the systems of others connected to the Company Transmission System, and Company’s QFs from faults occurring at the Facility, and (2) the Facility from faults occurring on the Company Transmission System or on the systems of others to which the Company Transmission System is directly or indirectly connected.
- 1.23 “Transmission Service Utility” shall mean the utility that is providing transmission service for a QF not directly interconnected with the Company and is selling firm capacity and energy to the Company.

ARTICLE 2 INTERCONNECTION SERVICE

- 2.1 **Service.** Under this Agreement, Company shall provide QF with Interconnection Service for the Facility for the term of this Agreement.
- 2.2 **Scope of Service.** Company shall provide Interconnection Service for the Facility at the Points of Interconnection up to 4.5 MVA summer and 4.5 MVA winter, not to exceed the nameplate rating of the machine unless authorized by the Company in advance. In the event of a material change or modification to the configuration and/or operation of the Facility, the Parties shall negotiate appropriate revisions to this Agreement, including as necessary the specifications or requirements set forth in the Appendices to this Agreement, as necessary to permit the Company to provide Interconnection Service to the Facility under this Agreement in a secure and reliable manner after the implementation of such change or modification. Any such revision to this Agreement must be approved by the FPSC.
- 2.2.1 Except as otherwise provided under this Agreement, Company shall have no obligation under this Agreement to: (1) pay QF any wheeling or other charges for

electric power and/or energy transferred through the QF's equipment or for power or ancillary services provided by QF under this Agreement for the benefit of the Company Transmission System; (2) make arrangements or pay under applicable tariff for transmission and ancillary services associated with the delivery of electricity and ancillary electrical products produced by the Facility; (3) procure electricity and ancillary electrical products to satisfy the QF's station service or other requirements; and (4) make arrangements under applicable tariffs for transmission, losses, and ancillary services associated with the use of the Company Transmission System for the delivery of electricity and ancillary electrical products to the Facility.

2.2.2 Company makes no representations to QF regarding the availability of transmission service on the Company Transmission System, and QF agrees that the availability of transmission service on the Company Transmission System may not be inferred or implied from Company's execution of this Agreement.

2.3 **Reporting.** Each Party shall notify the other Party if the notifying Party becomes aware of the notifying Party's inability to comply with the provisions of this Agreement. The Parties agree to cooperate with each other and provide necessary information regarding such inability to comply, including, but not limited to, the date, duration, reason for the inability to comply, and corrective actions taken or planned to be taken with respect to such inability to comply.

2.4 **Security Deposit.** QF shall not be required to provide any form of security against the cost of the Interconnection Facilities and metering costs as described in Addendums A and B if it (1) has a satisfactory long-term payment history with the Company, or; (2) has been in business at least one year and has a credit rating of at least Baaa2 (Moody's) or BBB (Standard & Poors), or; (3) the QF's parent company meets either of the criteria set out in (1) or (2) above, and the parent company provides a written guarantee that the parent company will be unconditionally responsible for the cost stated in this Section 2.5. If QF cannot meet any of the conditions in (1), (2) or (3) above, then within 14 days after execution of this Agreement, as a condition of receiving Interconnection Service, it shall provide a security deposit in the amount of the total estimated cost of the Interconnection Facilities and metering costs as described in Addendums A and B. This security deposit shall be in the form of either: (a) an unconditional, irrevocable, direct-pay letter(s) of credit issued by a financial institution(s) having an investment grade credit rating, in form and substance acceptable to Company (including provisions (i) permitting partial and full draws and (ii) permitting Company to draw in full if such letter of credit is not renewed or replaced as required by the terms hereof at least ten (10) business days prior to its expiration date); (b) a cash deposit(s) with Company; or (c) a bond issued by a financially sound company in form and substance acceptable to Company. If QF provides an unconditional and irrevocable letter of credit or a surety bond as a security deposit, upon completion and testing of the Interconnection Facilities provided for in this Interconnection Agreement, such security deposit shall be released in full and returned to the QF.

2.4.1 Company 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, PEF 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 2.5, 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 2.5.1 shall be grounds for Company to draw in full on the existing letter of credit and to exercise any other remedies it may have hereunder.

2.5 Milestones. The QF is required to satisfy the milestones provided in Addendum F. If the QF does not satisfy a milestone on or before the date set forth in Addendum F, then the QF's failure to perform shall be deemed an Operational Event of Default under Section 14.3.7 of the Contract and the provisions of Section 14.4 of the Contract shall apply; provided, however, the date for satisfying the Milestones shall be extended if the QF is prevented from satisfying any said Milestone as a result of a Force Majeure or any action or inaction of the Company or its employees, agents or contractors (such action or inaction being, a "Company-Caused Delay"). The extension shall be as mutually agreed by the Parties. In the event of a delay in satisfying a Milestone that is not caused by the QF, and is not a Force Majeure or a Company-Caused Delay, the Company may, at its sole discretion, reasonably extend any milestone dates. If the QF is found to be in Default of this Agreement pursuant to Section 14.3.7 of the Contract, and the Company has commenced construction of the Company Interconnection Facilities, then the Company shall have the right to complete the construction of such Company Interconnection Facilities as applicable, or to remove the Company Interconnection facilities that have been constructed, whichever shall result in the least cost. The QF shall reimburse the Company for such costs. The Company shall minimize the costs that it incurs in either completing such construction or removing such Company Interconnection Facilities that have been constructed. If the QF fails to reimburse the Company for any costs or expenses that are due and payable under this Section 2.6 within thirty (30) days of the date due hereunder, then the Company shall have the right to collect said costs and expenses.

ARTICLE 3 OPERATIONS

3.1 General. The Company and QF agree that their respective performance of their obligations under this Agreement shall comply with the then-existing (or amended) manuals, standards, and guidelines of NERC, FRCC, or any successor agency assuming or charged with similar responsibilities related to the operation and reliability of the North American electric interconnected transmission grid. To the extent that this Agreement does not specifically address or provide the mechanisms necessary to comply with such NERC or FRCC manuals, standards, or guidelines, the Company and QF hereby agree that both Parties shall provide to the other Party all such information as may reasonably be required to comply with such manuals, standards, or guidelines and shall



operate, or cause to be operated, their respective facilities in accordance with such manuals, standards, or guidelines.

3.2 Company Obligations. The Company shall operate and control the Company Transmission System and other Company facilities: (1) in accordance with Prudent Utility Practice; (2) in accordance with applicable operational and/or reliability criteria, protocols, and directives, including those of NERC and FRCC; (3) in accordance with all Laws and Permits; and (4) in accordance with the provisions of this Agreement

3.3 QF Obligations. The QF shall operate and control the Facility (1) in accordance with Prudent Utility Practice; (2) in accordance with applicable operational and/or reliability criteria, protocols, and directives, including those of NERC and FRCC; (3) in accordance with all Laws and Permits; and (4) in accordance with the provisions of this Agreement.

3.4 Access Rights. The Parties shall provide each other such easements and/or access rights as may be necessary for either Party's performance of their respective operational obligations under this Agreement; provided that, notwithstanding anything stated herein, a Party performing operational work within the boundaries of the other Party's facilities must abide by the rules applicable to that site.

3.4.1 Switching and Tagging Rules. The Parties shall abide by their respective Switching and Tagging Rules for obtaining clearances for work or for switching operations on their respective equipment. With regard to Joint Use Facilities, the Parties will follow mutually-agreeable Switching and Tagging Rules in order to obtain clearances for work on equipment requiring switching of both Parties' facilities.

3.5 Joint Use Facilities. In accordance with mutually-agreed upon procedures, the Company and the QF shall jointly operate the Joint Use Facilities in accordance with Prudent Utility Practice, including, but not limited to: (1) closing breakers to accomplish interconnection, but not synchronization, of the Facility to the Company Transmission System; (2) opening breakers to remove the Facility from service; (3) opening disconnect and ground switches as required; (4) in-service relay testing; and (5) battery system testing and maintenance.

3.6 Reactive Power.

3.7.1 Obligation to Supply Reactive Power. QF will supply reactive power to the Company Transmission System in accordance with Prudent Utility Practice and this Agreement. QF shall respond to requests from Company to increase or decrease generator reactive power output in a manner consistent with QF's obligation to operate the Facility: (1) in accordance with Prudent Utility Practice; (2) in accordance with applicable operational and/or reliability criteria, protocols, and directives, including those of NERC and FRCC; (3) in accordance with all Laws and Permits; and (4) in accordance with the voltage schedule prescribed by the Company a minimum of one day in advance as necessary to maintain reactive area support, but not in excess of the amount available from the Facility's



equipment in service. Notwithstanding anything herein to the contrary, except as provided in Section 3.7.3 herein, QF shall not be obligated to commence, increase, reduce, or continue the generation of energy from the Facility solely to provide reactive power to the Company.

3.7.2 Reactive Power Standards. The Facility power factor design limitation minimum requirement shall be a reactive power capability sufficient to maintain a generator power factor as specified in Addendum G. Under normal operating conditions, QF shall operate the Facility to maintain a voltage schedule at the Points of Interconnection as prescribed by the Company Transmission System dispatcher (the "Company Dispatcher") or his supervision within the Facility's power factor design limitations. In the event that the voltage schedule at the Points of Interconnection cannot be or is not maintained within this requirement, the Company Dispatcher may request the Facility to be operated (within the design limitation of the equipment in service at the time) to produce its maximum available reactive power output (measured in MVAR) in order to achieve the prescribed voltage schedule, provided that the Company Dispatcher has requested other generating facilities and other reactive compensation resources in the affected area (including but not limited to the Company's facilities) to produce their maximum available reactive power output (measured in MVAR) in order to achieve the prescribed voltage schedule. QF shall promptly comply with such requests made by the Company Dispatcher. In the event that under normal Company Transmission System operating conditions the Facility is unable to consistently maintain a reactive power capability (within the Facility's reactive power design limits as specified in Addendum G) sufficient to maintain the specified voltage schedule, the QF shall take appropriate other steps to reconfigure the Facility to meet such standards, including, as necessary, the installation of static and/or dynamic reactive power compensating devices. Records of requests made by the Company Dispatcher, and records indicating actual responses to these requests, will be maintained, in compliance with FERC regulations, by Company and subject to a third party independent audit at QF's request and expense. QF will present any such request for an audit to Company no later than twelve (12) months following a request by the Company Dispatcher that the Facility produce its maximum available reactive power output.

3.7.3 Emergency. During an Emergency as declared by the Company Dispatcher on the Company Transmission System or on an adjacent transmission system, the Company Dispatcher has the authority to direct the QF to increase or decrease real power production (measured in MW) and/or reactive power production (measured in MVAR), within the design and operational limitations of the Facility equipment in operation at the time, in order to maintain Company Transmission System security. In the event of such a declaration of an Emergency, determinations: (1) that Company Transmission System security is in jeopardy, and (2) that there is a need to increase or decrease reactive power production, even if real power production is adversely affected, will be made solely by the Company Dispatcher or his supervision. The Facility operator will honor the Company Dispatcher's orders and directives concerning Facility real power



and/or reactive power output within the design limitations of the Facility's equipment in operation at the time, such that the security of the Company Transmission System is maintained. The Company shall restore Company Transmission System conditions to normal as quickly as possible to alleviate any such Emergency. The Company Dispatcher will take all reasonable steps to equitably allocate among all generating units and other reactive compensation resources the responsibility to provide reactive power support to the Company Transmission System.

3.8 Operating Expenses. Each Party shall be responsible for all expenses associated with: (1) operating its own property, equipment, facilities, and appurtenances on its side of the Points of Interconnection, and (2) operating its Interconnection Facilities.

3.9 Protection and System Quality. QF shall, at its expense, install, maintain, and operate System Protection Facilities on its side of the Points of Interconnection, including such protective and regulating devices as are identified by Law, or as otherwise necessary to protect personnel and equipment and to minimize deleterious effects to Company's electric service operation arising from the Facility. Any such protective or regulating devices that may be required on Company's facilities in connection with the operation of the Facility shall be installed by Company at QF's expense.

3.9.1 Requirements for Protection. In compliance with applicable NERC and FRCC requirements, QF shall provide, install, own, and maintain relays, circuit breakers, and all other devices necessary to promptly remove any fault contribution of the Facility to any short circuit occurring on the Company Transmission System not otherwise isolated by Company equipment. Such protective equipment shall include, without limitation, a disconnecting device or switch with load interrupting capability to be located between the Facility and the Company Transmission System at an accessible, protected, and satisfactory site selected upon mutual agreement of the Parties. QF shall be responsible for protection of the Facility and QF's other equipment from such conditions as negative sequence currents, over- or under-frequency, sudden load rejection, over- or under-voltage, and generator loss-of-field. QF shall be solely responsible for provisions to disconnect the Facility and QF's other equipment when any of the above-described disturbances occur on the Company Transmission System.

3.9.2. System Quality. QF's facilities and equipment shall not cause excessive voltage excursions nor cause the voltage to drop below or rise above the range maintained by Company without QF's generation. QF's facilities and equipment shall not cause excessive voltage flicker nor introduce excessive distortion to the sinusoidal voltage or current waves as specified in Addendum G.

3.9.3 Inspection by Company. Company shall have the right, but shall have no obligation or responsibility to: i) observe QF's tests and/or inspection of any of QF's protective equipment; ii) review the settings of QF's protective equipment; and iii) review QF's maintenance records relative to the Facility and/or QF's protective equipment. The foregoing rights may be exercised by Company from



time to time as deemed reasonably necessary by the Company upon reasonable advance notice to QF. However, the exercise or non-exercise by Company of any of the foregoing rights of observation, review or inspection shall be construed neither as an endorsement or confirmation of any aspect, feature, element, or condition of the Facility or QF's protective equipment or the operation thereof, nor as a warranty as to the fitness, safety, desirability, or reliability of same.

3.9.4 Inspection by QF. QF shall have the right, but shall have no obligation or responsibility to: i) observe Company's tests and/or inspection of any of Company's protective equipment; ii) review the settings of Company's protective equipment; and iii) review Company's maintenance records relative to the Company's Interconnection Facilities and/or Company's protective equipment. The foregoing rights may be exercised by QF from time to time as deemed reasonably necessary by the QF upon reasonable advance notice to Company. However, the exercise or non-exercise by QF of any of the foregoing rights of observation, review or inspection shall be construed neither as an endorsement or confirmation of any aspect, feature, element, or condition of the Company's Interconnection Facilities or Company's protective equipment or the operation thereof, nor as a warranty as to the fitness, safety, desirability, or reliability of same.

3.10 Outages, Interruptions, and Disconnection.

3.10.1 Outage Authority and Coordination. In accordance with Prudent Utility Practice, each Party may, as necessary to perform maintenance or testing or to install or replace equipment, and in close cooperation with the other, remove from service its facilities that may impact the other Party's facilities. Absent the existence or imminence of an Emergency, the Party scheduling a removal of such a facility from service shall use best efforts to schedule such removal on a date mutually acceptable to both Parties, in accordance with Prudent Utility Practice.

3.10.2 Outage Restoration.

3.10.2.1 Unplanned Outage. In the event of an unplanned outage of a Party's facilities that adversely affects the other Party's facilities, the Party that owns or controls the facilities out of service will use commercially reasonable efforts to promptly restore those facilities to service in accordance with Prudent Utility Practice; provided, however, the QF shall not be required to restart the Facility after the restoration of such service unless, in the reasonable judgment of the Company, under Prudent Utility Practice, such failure will have a material adverse effect on the Company Transmission System, the Company Interconnection Facilities, or will result in an Emergency. Nothing in this Section 3.10.2.1 shall be construed as forgiving performance in the Contract.

3.10.2.2 Planned Outage. In the event of a planned outage of a Party's facility that adversely affects the other Party's facilities, the Party that owns or



controls the facility out of service will use commercially reasonable efforts to promptly restore that facility to service in accordance with Prudent Utility Practice and in accordance with its schedule for the work that necessitated the planned outage; provided, however, the QF shall not be required to restart the Facility after the restoration of such service unless, in the reasonable judgment of the Company, under Prudent Utility Practice, such failure will have a material adverse effect on the Company Transmission System, the Company Interconnection Facilities or will result in an Emergency. Nothing in this Section 3.10.2.2 shall be construed as forgiving performance in the Contract.

3.10.3 Interruption. If at any time, in Company's reasonable judgment exercised in accordance with Prudent Utility Practice, the continued operation of the Facility would cause an Emergency, the Company may, in accordance with FPSC rules, NERC and FRCC procedures, curtail, interrupt, or reduce energy delivered from the Facility to the Company Transmission System until the condition which would cause the Emergency is corrected. The Company shall give the QF as much notice as is reasonably practicable of Company's intention to curtail, interrupt, or reduce energy delivery from the Facility in response to a condition that would cause an Emergency and, where practicable, allow suitable time for the QF to remove or remedy such condition before any such curtailment, interruption, or reduction commences. In the event of any curtailment, interruption, or reduction, the Company shall promptly confer with the QF regarding the conditions that gave rise to the curtailment, interruption, or reduction, and the Company shall give the QF the Company's recommendation, if any, concerning the timely correction of such conditions. The Company shall promptly reduce or cease the curtailment, interruption, or reduction of energy delivery when, or to the extent, the condition which would cause the Emergency ceases to exist.

3.10.4 Disconnection.

3.10.4.1 Disconnection After Agreement Terminates. Upon termination of this Agreement by its terms, Company may disconnect the Facility from the Company Transmission System in accordance with a plan for disconnection upon which the Parties agree.

3.10.4.2 Disconnection in Event of Emergency. Subject to the provisions of Section 3.10.4.3, Company or QF shall have the right to disconnect the Facility without notice if, in that disconnecting party's sole opinion, an Emergency exists and immediate disconnection is necessary to protect persons or property from damage or interference caused by QF's interconnection or lack of proper or properly operating protective devices. For purposes of this Section 3.10.4.2, protective devices may be deemed by Company to be not properly operating if Company's review under Article 4 discloses irregular or otherwise insufficient maintenance on such devices or that maintenance records do not exist or are otherwise



insufficient to demonstrate that adequate maintenance has been and is being performed.

3.10.4.3 Disconnection After Underfrequency Load Shed Event. NERC

Planning Criteria require the interconnected transmission system frequency be maintained between 59.95 Hz and 60.05 Hz. In the event of an underfrequency system disturbance, the Company Transmission System is designed to automatically shed load in accordance with FRCC load shed requirements. To ensure "ride-through" capability of the Company Transmission System, the QF shall implement an underfrequency relay set point for the Facility as specified in Addendum G.

3.10.5 Continuity of Service. Notwithstanding any other provision of this Agreement,

Company shall not be obligated to accept, and Company may require QF to curtail, interrupt or reduce, deliveries of energy if such delivery of energy impairs Company's ability to construct, install, repair, replace or remove any of its equipment or any part of its system or if Company determines that curtailment, interruption or reduction is necessary because of Emergencies, forced outages, operating conditions on its system, or any reason otherwise permitted by applicable rules or regulations promulgated by a regulatory agency having jurisdiction over such matters. The Parties shall coordinate, and if necessary negotiate in good faith, the timing of such curtailments, interruptions, reductions or deliveries with respect to maintenance, investigation or inspection of Company's equipment or system. Except in case of Emergency, in order not to interfere unreasonably with the other Party's operations, the curtailing, interrupting or reducing Party shall give the other Party reasonable prior notice of any curtailment, interruption or reduction, the reason for its occurrence, and its probable duration.

ARTICLE 4
MAINTENANCE

4.1 Company Obligations. The Company shall maintain those of its facilities and equipment, that might reasonably be expected to have an impact on the operation of the Facility; and (1) in accordance with Prudent Utility Practice; (3) in accordance with applicable operational and/or reliability criteria, protocols, and directives, including those of NERC and FRCC; (4) in accordance with all Laws and Permits; and (5) in accordance with the provisions of this Agreement.

4.2 QF Obligations. The QF shall maintain those of its facilities and equipment, that might reasonably be expected to have an impact on the operation of the Company Transmission System and Company's other systems: (1) in accordance with Prudent Utility Practice; (3) in accordance with applicable operational and/or reliability criteria, protocols, and directives, including those of NERC and FRCC; (4) in accordance with all Laws and Permits; and (5) in accordance with the provisions of this Agreement.



- 4.3 Access Rights.** The Parties shall provide each other such easements and/or access rights as may be necessary for either Party's performance of their respective maintenance obligations under this Agreement; provided that, notwithstanding anything stated herein, a Party performing maintenance work within the boundaries of the other Party's facilities must abide by the rules applicable to that site.
- 4.4 Maintenance Expenses.** QF shall be responsible for all expenses associated with: (1) maintaining, repairing, and replacing its own property, equipment, facilities, and appurtenances on its side of the Points of Interconnection, and; (2) maintaining, repairing, and replacing its Interconnection Facilities. QF shall also be responsible for all expenses associated with: (1) maintaining Company's property, equipment, facilities, and appurtenances as discussed in this Agreement made necessary to accommodate this interconnection. Beginning no later than 30 days after Company's Interconnection Facilities are placed in service, QF will begin making monthly maintenance payments to Company based on a percentage of the total installed cost of Company's Interconnection Facilities net of the Interconnection Costs Offset, as set in the Company's COG-1 tariff as may be amended from time to time, for as long as those Interconnection Facilities and the Facility remain in service.
- 4.5 Coordination.** The Parties shall confer regularly to coordinate the planning and scheduling of preventive and corrective maintenance. Each Party shall conduct preventive and corrective maintenance activities as planned and scheduled in accordance with this Article 4 of this Agreement and Article 11 of the Contract.
- 4.6 Inspections and Testing.** Each Party shall perform routine inspection and testing of its facilities and equipment in accordance with Prudent Utility Practice as may be necessary to ensure the continued interconnection of the Facility with the Company Transmission System in a safe and reliable manner.
- 4.7 Right to Observe Testing.** Each Party shall, at its own expense, have the right to observe the testing of any of the other Party's facilities and equipment whose performance may reasonably be expected to affect the reliability of the observing Party's facilities and equipment. Each Party shall notify the other Party in advance of its performance of tests of its facilities and equipment and the other Party may have a representative attend and be present during such testing.
- 4.8 Cooperation.** Each Party shall cooperate with the other in the inspection, maintenance, and testing of those Secondary Systems directly affecting the operation of a Party's facilities and equipment which may reasonably be expected to impact the other Party. Each Party will provide advance notice to the other Party before undertaking any work in these areas, especially in electrical circuits involving circuit breaker trip and close contacts, current transformers, or potential transformers.
- 4.9 Observation of Deficiencies.** If a Party observes any material deficiencies or defects on, or becomes aware of a lack of scheduled maintenance and testing with respect to, the other Party's facilities and equipment, the observing Party shall provide notice to the



other Party that is prompt under the circumstance, and the other Party shall make any corrections required in accordance with Prudent Utility Practice.

ARTICLE 5
EMERGENCIES

- 5.1 Obligations.** Each Party agrees to comply with NERC and FRCC Emergency procedures, as applicable, with respect to Emergencies.
- 5.2 Notice.** The Company shall provide the QF with oral notification that is prompt under the circumstances of an Emergency that may reasonably be expected to affect the QF's operation of the Facility or the Joint Use Facilities, to the extent the Company is aware of the Emergency. The QF shall provide the Company with oral notification that is prompt under the circumstances of an Emergency which may reasonably be expected to affect the Company Transmission System or the Joint Use Facilities, to the extent the QF is aware of the Emergency. To the extent the Party becoming aware of an Emergency is aware of the facts of the Emergency, such notification shall describe the Emergency, the extent of the damage or deficiency, its anticipated duration, and the corrective action taken and/or to be taken, and shall be followed as soon as practicable with written notice.
- 5.3 Immediate Action.** In the event of an Emergency, the Party becoming aware of the Emergency may, in accordance with Prudent Utility Practice and using its reasonable judgment, take such action as is reasonable and necessary to prevent, avoid, or mitigate injury, danger, and loss. With the exception of Joint Use Facilities, in the event the QF has identified an Emergency involving the Company Transmission System, the QF shall obtain the consent of Company personnel prior to manually performing any switching operations unless, in the QF's reasonable judgment, immediate action is required.
- 5.4 Company Authority.** The Company may, consistent with Prudent Utility Practice, take whatever actions or inactions with regard to the Company Transmission System the Company deems necessary during an Emergency in order to: (1) preserve public health and safety; (2) preserve the reliability of the Company Transmission System; (3) limit or prevent damage to the Company Transmission System and the Interconnection Facilities on the Company's side of the Point of Interconnection; and (4) expedite restoration of service. The Company shall use reasonable efforts to minimize the effect of such actions or inactions on the Facility.
- 5.5 QF Authority.** The QF may, consistent with Prudent Utility Practice, take whatever actions or inactions with regard to the Facility the QF deems necessary during an Emergency in order to: (1) preserve public health and safety; (2) preserve the reliability of the Facility; (3) limit or prevent damage to the Facility or any other property on the QF's side of the Points of Interconnection; and (4) expedite restoration of service. The QF shall use reasonable efforts to minimize the effect of such actions or inactions on the Company Transmission System.
- 5.6 Audit Rights.** Each Party shall keep and maintain a record of actions taken during an Emergency that may reasonably be expected to impact the other Party's facilities and



make such records available for third party independent audit upon the request and expense of the Party affected by such action. Any such request for an audit must be made no later than twelve (12) months following the action taken.

ARTICLE 6 SAFETY

6.1 General. The Company and the QF agree that all work performed by either Party that may reasonably be expected to affect the other Party shall be performed in accordance with Prudent Utility Practice and all applicable Laws, Permits, and other requirements pertaining to the safety of persons or property. A Party performing work within the boundaries of the other Party's facilities must abide by the safety rules applicable to the site.

6.2 Environmental Releases. Each Party shall notify the other Party, first orally and then in writing, of the release of any Hazardous Substances, or any remediation activities, which may reasonably be expected to affect the other Party, as soon as possible but not later than twenty-four (24) hours after the Party becomes aware of the occurrence, and shall promptly furnish to the other Party copies of any reports filed with any governmental agencies addressing such events.

ARTICLE 7 MODIFICATIONS AND CONSTRUCTION

7.1 Modifications.

7.1.1 General. Subject to the terms and conditions of this Agreement, either Party may undertake modifications to its facilities. In the event a Party plans to undertake a modification that reasonably may be expected to impact the other Party's facilities, that Party shall provide the other Party in a timely manner with sufficient information regarding such modification, including, without limitation, the notice required in accordance with Article 9 so that the other Party can evaluate the potential impact of such modification to its Interconnection Facilities prior to commencement of the work. The Party desiring to perform such work shall provide the relevant drawings, plans, and specifications to the other Party at least ninety (90) days in advance of the work or such shorter period upon which the Parties may agree, which agreement shall not unreasonably be withheld or delayed. Neither Party shall make a modification to Interconnection Facilities that results in a material adverse impact on the other Party.

7.2 Construction.

7.2.1 Land Rights. QF shall furnish at no cost to the Company any necessary access, easements, licenses, and/or rights of way upon, over, under, and across lands owned or controlled by QF and/or its affiliated interests for the construction and operation of necessary lines, substations, and other equipment to accomplish



interconnection of the Facility with the Company Transmission System under this Agreement and shall, at all reasonable times, give the Company, or its agents, free access to such lines, substations, and equipment. An accessible, protected and satisfactory site selected upon mutual agreement by the Parties and located on the QF's premises shall be provided by and at the QF's expense for installation of metering devices, unless Company elects to install meters on poles or other locations controlled by it

If any part of the Company's facilities are to be installed on property owned by other than QF, QF shall, if Company is unable to do so without cost to Company, procure from the owners thereof any necessary rights of use, licenses, right of way and easements, in a form reasonably satisfactory to Company, for the construction, operation, maintenance and replacement of Company facilities upon such property. In the event QF is unable to secure them (a) by condemnation proceedings or (b) by other means, QF shall reimburse Company for all reasonable and documented costs incurred by Company in securing such rights. In connection with Company's exercise of rights under this Section 7.2.1, while on QF's premises, Company's personnel and agents shall comply with all applicable safety rules or regulations of QF that are communicated by QF to Company.

7.2.2 Facility and Equipment Design and Construction. QF shall, at its sole expense, design, construct, and install the Facility and all equipment needed to interconnect the Facility with the Company Transmission System. The QF's Interconnection Facilities and equipment shall satisfy all requirements of applicable safety and/or engineering codes, and the Company's engineering standards that are communicated to QF on or before the date of execution of this Agreement, and further, shall satisfy all requirements of any duly-constituted regulatory authority having jurisdiction.

QF shall submit all specifications for QF's Interconnection Facilities and equipment, including System Protection Facilities located on the QF's side of the Point of Interconnection, to the Company for review at least ninety (90) days prior to interconnecting such Interconnection Facilities and equipment with the Company Transmission System in order to insure that such interconnection is consistent with operational control, reliability and/or safety standards or requirements of the Company. The Company shall make said consistency determination within 60 days of the submittal of such specifications.

Company's review of QF's specifications shall be construed neither as confirming nor as endorsing the design, nor as any warranty as to fitness, safety, durability or reliability of QF's Interconnection Facilities or equipment. Company shall not, by reasons of such review or failure to review, be responsible for strength, details of design, adequacy or capacity of QF's Interconnection Facilities or equipment, nor shall Company's acceptance be deemed to be an endorsement of any facility or equipment. QF agrees to make changes to its Interconnection Facilities and



equipment as may be reasonably required to meet the reasonable changing requirements of the Company.

7.3 Drawings. Upon completion of any construction or modification to the QF's facilities and equipment that may reasonably be expected to affect the Company Transmission System, but not later than ninety (90) days thereafter, QF shall issue "as built" drawings to Company, unless the Parties reasonably agree that such drawings are not necessary.

ARTICLE 8 **METERING & COMMUNICATIONS**

8.1 General. Company shall provide, install, own and maintain Metering Equipment necessary to meet its obligations under this Agreement. If necessary, Metering Equipment shall be either located or adjusted, at Company's option, in such manner to account for any transformation or interconnection losses between the location of the meter and the Points of Interconnection. Metering quantities, in analog and/or digital form, shall be provided to QF upon request. All costs associated with the administration of Metering Equipment less the Interconnection Costs Offset and the provision of metering data to QF shall be borne by QF. The costs of administration and of providing metering data shall be separately itemized on Company's invoice to QF. All costs associated with either the initial installation of metering, as more fully described in Addendum B less the Interconnection Costs Offset, or any changes to Metering Equipment requested by QF, shall be borne by QF.

8.2 Testing of Metering Equipment. Company shall inspect and test all Company-owned Metering Equipment upon installation and at least once every two years thereafter. If requested to do so by QF, Company shall inspect or test Metering Equipment more frequently than every two years, at the expense of QF. Company shall give reasonable notice of the time when any inspection or test shall take place, and QF may have representatives present at the test or inspection. If Metering Equipment is found to be inaccurate or defective, Company shall adjust, repair or replace such equipment in order to provide accurate metering. If Metering Equipment fails to register, or if the measurement made by Metering Equipment during a test varies by more than two percent (2%) from the measurement made by the standard meter used in the test, the Company shall adjust to make correct all measurements made by the inaccurate meter for:

a) the actual period during which inaccurate measurements were made, if the period can be determined, or if not,

b) the period immediately preceding the test of the Metering Equipment equal to one-half the time from the date of the last previous test of the Metering Equipment; provided that the period covered by the correction shall not exceed six months.

8.3 Metering Data. Unless the Parties have not made other arrangements, if hourly and/or daily energy readings are available and if such data are requested by Company, QF shall report same to Company's representatives as designated pursuant to Section 20.5 of the



Contract, by telephone or electronically or as the Parties otherwise agree, on a schedule to be agreed upon.

At QF's expense, QF's metered data shall be telemetered to a location designated by Company and one or more locations designated by QF.

8.4 Communications. At QF's expense, QF shall maintain satisfactory operating communications with Company's system dispatcher or representative, as designated by Company. QF will provide standard voice and facsimile communications at its Facility control room through use of the public telephone system. QF will also provide a data circuit (or circuits) as specified in Addendum G. The data circuit(s) shall extend from QF's Facility to the Company's facilities at the Point of Interconnection. Any required maintenance of such communications equipment shall be performed by Company. Operational communications shall be activated and maintained under, but not limited to, the following events: system paralleling or separation, scheduled and unscheduled shutdowns, equipment clearances, and hourly and daily load data.

ARTICLE 9 INFORMATION REPORTING

9.1 Information Reporting Obligations. Each Party shall, in accordance with Prudent Utility Practice, promptly provide to the other Party all relevant information, documents, or data regarding the Party's facilities and equipment which may reasonably be expected to pertain to the reliability of the other Party's facilities and equipment and which has been reasonably requested by the other Party.

ARTICLE 10 PAYMENTS AND BILLING PROCEDURES

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

10.2 Payment. The QF agrees to pay all of Company's actual Interconnection Costs as such costs are incurred and billed in accordance with the Contract. Such amounts shall be billed pursuant to Section 10.2.1 if the QF elects the payment option permitted by FPSC Rule 25-17.087(4). Otherwise the QF shall be billed pursuant to Section 10.2.2.

10.2.1 Installment Payments. 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 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 including any accrued interest.

10.2.2 Non-Installment Payments. When Interconnection Costs are incurred by Company, such costs will be billed to the QF to the extent that they exceed the Interconnection Costs Offset.

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

ARTICLE 11 CONTINUED OPERATION

11.1 General. In the event of a Breach or Default by either Party, the Parties shall continue to operate and maintain, as applicable, such DC power systems, protection and Metering Equipment, telemetering equipment, SCADA equipment, transformers, Secondary Systems, communications equipment, building facilities, software, documentation, structural components, and other facilities and appurtenances that are reasonably necessary for the Company to operate and maintain the Company Transmission System, or for the QF to operate and maintain the Facility, in a safe and reliable manner.

ARTICLE 12 SUBCONTRACTOR

12.1 General. Nothing in this Agreement shall prevent a Party from utilizing the services of such subcontractors as it deems appropriate to perform its obligations under this Agreement; provided, however, that each Party shall require its subcontractors to comply with all applicable terms and conditions of this Agreement in providing such services and each Party shall remain primarily liable to the other Party for the performance of such subcontractor.

12.2 Responsibility of Principal. The creation of any subcontract relationship shall not relieve the hiring Party of any of its obligations under this Agreement. Each Party shall be fully responsible to the other Party for the acts or omissions of any subcontractor it hires as if no subcontract had been made. Any applicable obligation imposed by this Agreement upon a Party shall be equally binding upon, and shall be construed as having application to, any subcontractor of such Party.



- 12.3 No Third Party Beneficiary.** Except as may be specifically set forth to the contrary herein, no subcontractor or any other party is intended to be, nor will it be deemed to be, a third-party beneficiary of this Agreement.
- 12.4 No Limitation by Insurance.** The obligations under this Article 12 will not be limited in any way by any limitation of subcontractor's insurance.



ADDENDUM A
INTERCONNECTION FACILITIES

This Addendum A is a part of the Interconnection and Operating Agreement between QF and Company.

Point of Interconnection

The point of interconnection will be the QF's double dead end _____ kV transmission structure as shown on Exhibit I.

Company Interconnection Facilities to be Furnished by Company

Company shall construct the modifications to Company's _____ Substation as required to accommodate QF's interconnection. More specifically, the facility modifications include, but are not limited to, the construction of additional _____ kV bus, _____ kV breakers, interchange metering, data acquisition equipment, and _____ kV transmission facilities to the point of ownership change per attached Exhibit I. The Company will also provide and install billing metering within the _____ Facility to measure loads during unit outages.

QF Interconnection Facilities to be Furnished by QF

QF shall construct their _____ kV transmission from, and including the double dead-end structure identified at the point of interconnection on Exhibit I, to and including the _____ Facility.

Cost Responsibility

QF and Company hereby acknowledge and agree that the cost listed below is only an estimate and that QF hereby agrees to and shall reimburse Company for all actual costs less the Interconnection Costs Offset defined in Addendum B, including any applicable taxes associated with the Company's construction of Interconnection Facilities, or Company's acquisition of any Interconnection Facilities provided to Company by QF as set forth in this Addendum A. The cost for the Interconnection Facilities is estimated to be: _____.

QF hereby agrees to and QF shall provide reasonable and adequate security, as determined within Company's sole reasonable discretion, for payment and performance of obligations set forth in this Addendum A.

The estimated completion date for the Interconnection Facilities to be furnished by the Parties pursuant to this Agreement is _____, _____. The Parties shall provide notice of any delay which will affect the anticipated completion of said Interconnection Facilities.

ADDENDUM B
METERING EQUIPMENT

This Addendum B is a part of the Interconnection and Operating Agreement between QF and Company.

The interchange metering facilities are to be located in the _____ Substation.

Metering Facilities to be Furnished by Company

Company, at QF's expense, will provide, own, operate, and maintain metering instrumentation as required for metering and telemetering as follows: _____ kV interchange metering to include instantaneous and integrated MW, instantaneous and integrated MVAR, and MWH from QF to Company and from Company to QF.

QF and Company hereby acknowledge and agree that the cost listed below is only an estimate and that QF hereby agrees to and shall reimburse Company for all actual costs, including any applicable taxes associated with the Company's construction of Metering Equipment, or Company's acquisition of any Metering Equipment provided to Company by QF as set forth in this Addendum B. The cost for the Metering Equipment is estimated to be:

_____.
QF hereby agrees to and QF shall provide reasonable and adequate security, as determined within Company's sole reasonable discretion, for payment and performance of obligations set forth in this Addendum B.

Company, at Company's expense, will provide, own, operate, and maintain metering instrumentation as required for metering and telemetering as follows: billing metering within the Facility to measure power used during plant outages by the Facility from Company to QF.



ADDENDUM C
ADDITIONAL INSURED ENDORSEMENT

Each Party shall furnish to the other Party an Additional Insured Endorsement with respect to such insurance in substantially the following form:

“In consideration of the premium charged, [QF or Company] and its affiliated and associated companies are named as additional insureds with respect to liabilities arising out of [QF’s use and ownership of the Facility and Interconnection Facilities or Company’s use and ownership of Company’s Transmission System and/or the Interconnection Facilities].”

“The inclusion of more than one insured under this policy shall not operate to impair the rights of one insured against another insured and the coverages afforded by this policy will apply as though separate policies had been issued to each insured. The inclusion of more than one insured will not, however, operate to increase the limits of the carrier’s liability. [QF or Company] will not, by reason of its inclusion under this policy, incur liability to the insurance carrier for payment of premium for this policy.”



ADDENDUM D
JOINT USE FACILITIES

This Addendum D is a part of the Interconnection and Operating Agreement between QF and Company.

See Drawing No. N/A dated _____ which drawing is attached hereto and made a part hereof.



ADDENDUM E
OPERATION DATE

[Date]

RE: _____ Facility

Dear _____:

On [Date], Progress Energy Florida, (the "Company") and _____, (the "QF) completed to their mutual satisfaction all work on the _____ Facility and associated Interconnection Facilities and related equipment required to interconnect the Facility with Company's transmission system and have energized the Facility to parallel operation with the Company's transmission system. This letter confirms that the Facility may commence commercial operation of the Facility and associated Interconnection Facilities effective as of [Date plus one day].

Thank you.



ADDENDUM F
MILESTONES

The following shall be considered required milestones in accordance with Section 2.5:

1. Acquire the Facility site
2. Obtain all required permits
3. Begin construction of Facility
4. Combustion Engine No. 1 Delivery
5. Start-up Testing – Combustion Engine No. 1
6. Commercial Operations Date – Combustion Engine No. 1

ADDENDUM G
FACILITY CONNECTION REQUIREMENTS

APPENDIX H
MINIMUM LOAD EMERGENCY CURTAILMENT PROCEDURES

MINIMUM LOAD EMERGENCY CURTAILMENT PROCEDURES

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

Level 1 Minimum Load Alert

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

MINIMUM LOAD EMERGENCY CURTAILMENT PROCEDURES

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

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

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

Level 2 Preliminary Dispatcher Review

- A. Dispatcher review of system operating conditions is ongoing. Approximately four (4) hours prior to the minimum load period (typically 1900 hours), the System Control Supervisor and/or the generation dispatcher will specifically review all the documentation prepared by Power Supply personnel for the upcoming minimum load period. In addition, Company plant personnel will be contacted to verify that the data are still valid.

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GENERATION CURTAILMENT PLAN
FOR MINIMUM LOAD CONDITIONS
ISSUED: October 12, 1994
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- B. Any changes in operating conditions, NUG unit status, etc. must be noted and the plan adjusted as needed.
- C. In addition, the generation dispatcher will attempt to arrange economic off-system sales.

Level 3 Minimum Load Warning

- A. As the minimum load period approaches (typically between 2100 and 2300 hours), or after any subsequent system re-evaluation, and upon determination by the generation dispatcher that the generation will exceed the forecasted minimum load, the generation dispatcher will:
 - 1. " Attempt economic off-system sales.
 - 2. Reduce all Company baseload units to normal minimum operating levels. Communicate with plant operators to reassess the ability to reduce Company coal units to emergency operating minimums. In either case, allowance for AGC and system operating requirements must be considered in establishing minimum operating levels. Reduce such units if practicable.
 - 3. Reduce all utility purchased power to contract minimums.
 - 4. Cycle off any remaining steam (oil or gas fired) units to the extent circumstances permit.
- B. A final re-evaluation of the system shall be performed by the generation dispatcher.
 - Actual unit performance and system conditions (falling load, NUG ramps rates, Company unit ramps, etc.) must be updated if necessary to determine a plan to meet the next step.
- C. If, based on available load information and the measures already taken, the generation dispatcher determines that a Minimum Load Emergency is

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dispatcher will notify appropriate supervisory personnel and then issue a Minimum Load Warning Message to all NUGS.

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

Level 4 Minimum Load Emergency

- A. When the generation dispatcher determines that the system generation can no longer match the decreasing load for the upcoming hour, the following additional steps will be taken and repeated hourly, or more frequently as required throughout the Minimum Load Emergency, as system operating conditions require:
1. Notify NUGs in Group C to reduce deliveries of as-available energy by up to 100%.
 2. Notify NUGs in Group B to reduce output by X% up to a maximum of 50% of Committed Capacity. This may take place in several steps to allow for control of the system to meet falling load.
 3. Notify NUGs in Group A to reduce output by X% up to a maximum of 50% of Committed Capacity. This may take place in several steps to allow for control of the system to meet falling load.

NOTE: During calendar year 1995 Dade County Resource Recovery shall not be curtailed in this step, but shall be curtailed together with other NUGS under step 4 below.

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4. Notify NUGs in all Groups to reduce by X%. This may take place in several steps as necessary to allow for control of the system to meet falling load.
5. Steps 1 - 4 will be followed in reverse order as increasing system load allows.
6. Issue notification that the Minimum Load Emergency has ended.

Level 5 Reporting

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

APPENDIX F**INTERCONNECTION SCHEDULING AND COST RESPONSIBILITY****1.0 Purpose**

~~This appendix provides the procedures for the scheduling of construction for PEF'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 PEF's system. All requirements contained herein shall apply in addition to and not in lieu of the provisions of the Standard Offer Contract.~~

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

~~2.1 No later than sixty (60) days after the Execution Date, the QF shall specify the date it desires PEF's Interconnection Facilities to be available for receipt of the electric energy and shall provide a preliminary written description of the Facility and, if applicable, the QF's anticipated arrangements with the Transmission Service Utility, including without limitation, a one-line diagram, anticipated Facility site data and any additional facilities anticipated to be needed by the Transmission Service Utility. Based upon the information provided, PEF 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 PEF no later than the date specified under section 2.1 hereof, unless such date is modified in PEF's reasonable discretion. Based upon the information provided and within sixty (60) days after the information is provided, PEF shall update its written Interconnection Costs and schedule estimates, provide the estimated time period required for construction of PEF's Interconnection Facilities, and specify the date by which PEF 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 PEF's system. The final electrical plans shall include the following information, unless all or a portion of such information is waived by PEF 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;~~
 - e. ~~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;~~
 - g. ~~Facility operating/instruction manuals; and~~
 - h. ~~If applicable, a detailed description of the facilities to be utilized by the Transmission Service Utility to deliver energy to the Point of Delivery.~~
- 2.3 ~~Any subsequent change in the final electrical plans shall be submitted to PEF and it is understood and agreed that any such changes may affect PEF's schedules and Interconnection Costs as previously estimated.~~
- 2.4 ~~The QF shall pay the actual costs incurred by PEF 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 the Standard Offer Contract. At PEF's option, advance payment for these cost estimates may be required, in which event PEF 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 PEF hereunder shall be prepared in good faith but shall not be binding. PEF may modify such schedules as necessary to accommodate contingencies that affect PEF's ability to initiate or complete PEF'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 PEF shall have no obligation to initiate construction of PEF's Interconnection Facilities prior to a written notice from the QF agreeing to PEF's interconnection design requirements and notifying PEF to initiate its activities to construct PEF's Interconnection Facilities; provided, however, that such notice shall be received not later than the date specified by PEF under section 2.2 hereof. The QF shall be liable for and agrees to pay all Interconnection Costs incurred by PEF on or after the specified date for initiation of construction.~~

~~3.2 The QF agrees to pay all of PEF's actual Interconnection Costs as such costs are incurred and billed in accordance with the Standard Offer Contract. 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. Interconnection Costs shall be defined as the actual costs incurred by PEF for PEF's Interconnection Facilities, including, without limitation, the cost of equipment, engineering, communication and administrative activities and Interconnection Costs Offset shall be defined as the estimated costs included in the Interconnection Costs that PEF would have incurred if it were not purchasing capacity and electric energy but instead itself generated or purchased from other sources an equivalent amount of capacity and electric energy and provided normal service to the Facility as if it were a non generating customer. Payments will be invoiced in the first month following first incurrence of Interconnection Costs by PEF. 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 including any accrued interest.~~

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

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

~~4.0 — **Payment Obligations for Operation, Maintenance and Repair of PEF'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 PEF's COG-1 As Available Tariff as may be amended from time to time.~~

Exhibit C

Standard Offer Contract
Economic Assumptions

**Progress Energy Florida
Standard Offer Contract
Economic Assumptions**

AFUDC RATE

8.31%

CAPITALIZATION RATIOS

Debt	48.0%
Preferred	0.0%
Equity	52.0%

DISCOUNT RATE

8.31%

RATE OF RETURN

Debt	6.17%
Preferred	0.0%
Equity	12.0%

BOOK DEPRECIATION LIFE

25 Years

INCOME TAX RATE

State	3.58%
Federal	35.0%
Effective	38.58%

TAX DEPRECIATION LIFE

20 Years

OTHER TAXES & INS.

2.00%

**Progress Energy Florida
Standard Offer Contract
Economic Escalation Assumptions**

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

**Progress Energy Florida
Standard Offer Contract
Unit Information**

PLANT TYPE: Combined Cycle Unit
NET CAPACITY: 20 MW Portion of a 548 MW Combined Cycle Unit
BOOK LIFE: 25 Years

INSTALLED COST (IN-SERVICE YEAR 2008)

TOTAL INSTALLED COST (\$/KW):	506.37
DIRECT CONSTRUCTION COST (\$/KW):	391.82
AFUDC AMOUNT (\$/KW):	73.88
FIXED O & M (\$/KW-YR):	2.96
VARIABLE O & M (¢/KWH)	1.63
ASSUMED CAPACITY FACTOR	57%
K FACTOR	1.591