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ASSOCIATE GENERAL COUNSEL
PROGRESS ENERGY SERVICE COMPANY, LLC

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COMMISSION
CLERK

November 4, 2005

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

Re: *Petition of Progress Energy Florida, Inc. for approval of a negotiated qualifying facility contract with G2 Energy FL, LLC; Docket No. 050847-EI*

Dear Ms. Bayo:

Pursuant to Rule 25-17.0832, F.A.C., enclosed is the original and seven (7) copies of Progress Energy Florida, Inc.'s (PEF) petition for approval of a negotiated qualifying facility contract. Please contact me at (727) 820-5184 if you have any questions.

Sincerely,

John T. Burnett LMS
John T. Burnett

- IMP _____
- COM _____
- CTR _____
- ECR _____
- 3CL _____
- OPC _____
- RCA _____
- SCR _____
- SGA _____
- SEC 1
- OTH kump

JTB/lms
Enclosure

RECEIVED & FILED

MMS
FPSC-BUREAU OF RECORDS

100 Central Avenue (33701) □ Post Office Box 14042 (33733) □ St. Petersburg, Florida
Phone: 727.820.5184 □ Fax: 727.820.5519 □ Email: john.burnett@pgnmail.com

DOCUMENT NUMBER-DATE

10729 NOV-4 05

FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Progress Energy,
Florida, Inc. for approval of a
negotiated qualifying facility
contract with G2 Energy FL, LLC.

Docket No. 050847-EI

Submitted for filing:
November 4, 2005

P E T I T I O N

Progress Energy Florida, Inc. ("PEF", or "the Company"), pursuant to Rule 25-17.0832, F.A.C., hereby petitions the Florida Public Service Commission ("the Commission") for approval of a negotiated qualifying facility contract for the purchase of firm capacity and energy between G2 Energy FL, LLC ("G2") and PEF, dated September 29, 2005 ("the Contract"). A copy of the Contract has been previously filed with the Commission pursuant to Rule 25-17.0832(1)(b), F.A.C., and is attached hereto as Exhibit A. In support of this petition, PEF states as follows:

1. Petitioner, PEF, is an investor-owned utility subject to the jurisdiction of the Commission under Chapter 366, Florida Statutes. PEF's general offices are located at 100 Central Avenue, St. Petersburg, Florida, 33701.

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

John T. Burnett, Esquire
Post Office Box 14042
St. Petersburg, FL 33733-4042
Telephone: (727) 820-5184
Facsimile: (727) 820-5249

For express deliveries by private courier, the address is as stated in paragraph 1.

DOCUMENT NUMBER-DATE

10729 NOV-4 05

FPSC-COMMISSION CLERK

3. Pursuant to the terms of the Contract, G2 will construct and own one or more small power production generating facilities (“the Facilities”) located in Florida, which it will operate as a Qualifying Facility (“QF”) pursuant to regulations of the Federal Energy Regulatory Commission. The Facilities will have a maximum generating capability of approximately 14 megawatts, using landfill gas as its primary fuel. G2 will sell firm capacity and energy from the Facilities to PEF for a term from January 1, 2008 through December 31, 2022, with a committed capacity of up to 14 megawatts. The expected annual energy from the Facilities is 98,112 MWh, with expected on-peak energy being 44,968 MWh, and expected off-peak energy being 53,144 MWh. Under the performance provisions of the Contract, the capacity payment rate has been converted to a \$/MWh rate assuming a capacity factor of 90%. As a result, if the Facilities operate a capacity factor of less than 90%, they receive less than the full capacity rate. If the Facilities fails to meet a 50% minimum annual capacity factor, G2 will receive no capacity payment.

The energy rate has been fixed at \$37.75 per MWh for the term of the contract. This rate is well below the currently forecasted energy prices for Hines 5, which is the comparative avoided unit. The rate has been discounted to compensate PEF’s customers for the risk that fuel prices may drop below currently forecasted rates.

4. Exhibit B to this petition summarizes a comparison of projected capacity and energy costs under the Contract against the costs of the comparative avoided unit, a nominal 528 megawatt combined cycle gas-fired plant with an

estimated in-service date of December, 2009. The comparison in Exhibit B was modeled at a committed capacity of 14 megawatts and a capacity factor of 90%. The comparison shows that the Contract provides savings with a net present value of \$13,370,000 over a 14-year term based on current fuel forecasts.

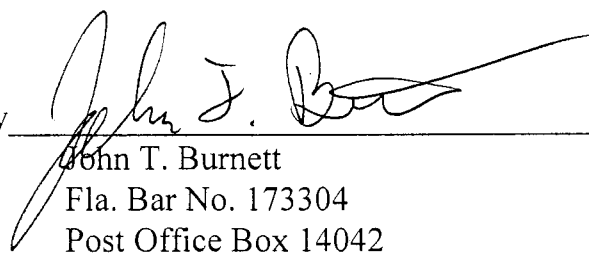
5. The rates, terms, and conditions of the Contract can reasonably be expected to contribute toward the deferral or avoidance of additional capacity construction or other capacity-related costs by PEF at a cost to PEF's ratepayers which does not exceed full avoided costs, giving consideration to the characteristics of the capacity and energy to be delivered by G2 under the Contract.

WHEREFORE, PEF respectfully requests that the Commission grant this petition and approve the Contract as set forth in Exhibit A for cost recovery purposes.

Respectfully submitted,

PROGRESS ENERGY FLORIDA, INC.

By



John T. Burnett

Fla. Bar No. 173304

Post Office Box 14042

St. Petersburg, FL 33733-4042

Telephone: (727) 820-5184

Facsimile: (727) 820-5249

EXHIBIT A

THE G2 CONTRACT

NEGOTIATED CONTRACT FOR THE PURCHASE OF FIRM
CAPACITY AND ENERGY BETWEEN
G2 ENERGY, FL LLC.
A QUALIFYING FACILITY
And
FLORIDA POWER CORPORATION,
DOING BUSINESS AS
PROGRESS ENERGY FLORIDA, INC.

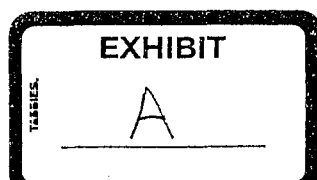


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THIS NEGOTIATED CONTRACT FOR THE PURCHASE OF FIRM CAPACITY AND ENERGY (hereinafter referred to as the "Contract") is made and entered this 31ST day of August, 2005 (hereinafter referred to as the "Effective Date"), by and between G2 Energy FL, LLC (hereinafter referred to as the "QF"), and Florida Power Corporation d/b/a Progress Energy Florida, Inc. (hereinafter referred to as "PEF"), an investor-owned utility organized and existing under the laws of the State of Florida. The QF and PEF shall individually be identified as a "Party" and collectively as the "Parties".

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. in effect as of the Effective Date; and

WHEREAS, the QF will sign 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 control area services) between the QF and the wheeling utility for delivery of the Facility's firm capacity and energy to PEF. Should QF add a Facility pursuant to Section 2.4 within the PEF control area, QF agrees to the terms in Appendix D and E.

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

WHEREAS, the QF's primary fuel source shall be landfill gas;

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual covenants and agreements hereinafter set forth, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

SECTION 1. DEFINITIONS

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

- 1.1 Annual Billing Factor shall mean the ratio calculated pursuant to Appendix B hereof.
- 1.2 Appendices shall mean the schedules, exhibits, and attachments which are appended hereto and are hereby incorporated by reference and made a part of this Contract.
 - 1.2.1 Appendix A sets forth PEF's Base Payments.
 - 1.2.2 Appendix B sets forth the Payment Adjustment Calculation.
 - 1.2.3 Appendix C sets forth the Detailed Project Information.

- 1.2.4 Appendix D sets forth the Application for Interconnection Service
- 1.2.5 Appendix E sets forth the Interconnection and Operating Agreement.
- 1.2.6 Appendix F sets forth the Minimum Load Emergency Curtailment Procedures
- 1.2.7 Appendix G sets forth the Florida Public Service Commission ("FPSC") Rules 25-17.080 through 25-17.091, F.A.C..
- 1.3 BTU shall mean British thermal unit.
- 1.4 Capacity shall mean the Facility's average hourly net capacity (generator output minus normal station service) measured during a Committed Capacity Test.
- 1.5 Capacity Cost Recovery Clause shall mean the clause that is intended to compensate for day-to-day fluctuations in the cost of capacity related purchase power costs related to service to PEF's retail customers that is not currently being recovered through fuel or oil backout charges. It is constructed and applied so as to reimburse PEF for the increase in the cost of capacity-related purchased power costs related to service to its retail customers. It also operates so as to pass on to the retail customers the allocated portion of any savings realized by the utility from decreases in the cost of capacity-related purchased power (FPSC Order No. 25773, dated February 24, 1992).
- 1.6 Capacity Delivery Date shall mean the later of (i) the first calendar day immediately following the date on which the Facility achieves Commercial In-Service Status, (ii) the Contract in-Service Date, or (iii) the Contract Approval Date.
- 1.7 Commercial In-Service Status shall mean that (i) the Facility is in compliance with all applicable Facility permits; and (ii) the Facility has completed the Committed Capacity Test(s) provided for in Section 7.2.
- 1.8 Committed Capacity shall mean the Capacity of the Facility upon which the Payment Adjustment is determined.
- 1.9 Committed Capacity Test shall mean a test of the Facility's Capacity pursuant to Section 8 hereof.
- 1.10 Construction Commencement Date shall mean the date on which work on the concrete foundation for the engine generator begins, and after which substantial construction activity at the Facility site continues.
- 1.11 Contract Approval Date shall mean the date of issuance of a final FPSC order approving this Contract, without change, finding that it is prudent and the costs incurred hereunder are recoverable by PEF through the FPSC's periodic review of fuel and purchased power costs, which order shall be considered final when all opportunities for requesting a hearing, requesting reconsideration, requesting clarification and filing for judicial review have expired or are barred by law.

- 1.12 Contract In-Service Date shall mean January 1, 2008, unless such date is extended pursuant to Section 3.2 hereof.
- 1.13 Facility shall mean all equipment as described in this Contract used to produce electric energy and all equipment that is owned or controlled by the QF required for parallel operation with the interconnected utility.
- 1.14 FERC shall mean the Federal Energy Regulatory Commission and any successor agency.
- 1.15 Force Majeure Event shall mean 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 Force Majeure Event unless the QF can 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.
- 1.16 FPSC shall mean the Florida Public Service Commission or any successor agency.
- 1.17 Fuel Adjustment Clause shall mean the clause that is intended to compensate PEF for day-to-day fluctuations in the cost of fuel incurred in serving its retail customers which cannot be anticipated in base rates. It is constructed and applied so as to reimburse PEF for the increase in the cost of fuel as related to the generation of energy for retail customers. It also operates so as to pass on to the retail customers the allocated portion of any savings realized by PEF from any decrease in the cost of fuel. (Order No. 2515-A, dated April 24, 1959.)
- 1.18 Interconnection Facilities shall have the meaning set forth in Appendix E.
- 1.19 KW shall mean one (1) kilowatt of electric capacity.
- 1.20 MW shall mean one (1) megawatt of electric capacity.
- 1.21 MWH shall mean one (1) megawatt hour of electric energy.
- 1.22 On-Peak Hours shall mean 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. Eastern Prevailing Time.

- 1.23 Operational Event of Default shall mean an event or circumstance defined as such in Section 14.3 hereof.
- 1.24 Payment Adjustment shall mean the value calculated pursuant to Appendix B.
- 1.25 Point of Delivery shall mean the point(s) where electric energy delivered to PEF pursuant to this Contract enters PEF's system.
- 1.26 Point of Metering shall mean the point(s) where electric energy made available for delivery to PEF, subject to adjustment for losses, is measured.
- 1.27 Pre-Operational Event of Default shall mean an event or circumstance defined as such in Section 14.1 hereof.
- 1.28 Prudent Utility Practices shall mean any of the practices, methods, standards and acts (including, but not limited to, the practices, methods and acts engaged in or approved by a significant portion of owners and operators of power plants of technology, complexity and size similar to the Facility in the United States) that, at a particular time, in the exercise of reasonable judgment in light of the facts known or that should reasonably have been known at the time a decision was made, could have been expected to accomplish the desired result and goals (including such goals as efficiency, reliability, economy and profitability) in a manner consistent with applicable facility design limits and equipment specifications and applicable laws and regulations. Prudent Utility Practice is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but rather to be a spectrum of acceptable practices, methods or acts in each case taking into account the Facility as an independent power project.
- 1.29 QF Insurance shall mean a policy or policies of liability insurance issued by an insurer acceptable to PEF on a standard "Insurance Services Office" commercial general liability form with a minimum limit of One Million Dollars (\$1,000,000.00) per occurrence, combined single limit, for bodily injury (including death) or property damage.
- 1.30 Qualifying Facility shall mean a facility that meets the requirements defined in Section 3(18)(B) of the Federal Power Act ("FPA"), as amended by Section 201 of the Public Utility Regulatory Policies Act of 1978 ("PURPA"), and that is certified as such by the FERC pursuant to applicable FERC regulations.
- 1.31 Qualified Institution shall mean a United States Office of a commercial bank or trust company organized under the laws of the United States of America or a political subdivision thereof or a foreign bank with a branch office located in the United States and in either case, subject to the supervision or examination by a federal or state authority or the United States of America, having a credit rating of "A" or higher by S&P or "A2" or higher by Moody's and having a minimum asset base of at least \$10 billion
- 1.32 Term shall have the meaning set forth in Section 3.1.

**SECTION 2.
FACILITY**

- 2.1 The Facility shall be located at the Bee Ridge Landfill in Sarasota County, Florida. The Facility shall meet all specifications identified in Appendix C hereto and no change in the designated location of the Facility shall be made by the QF. The Facility shall be designed and constructed by the QF or its agents at the QF's sole costs and expense.
- 2.2 The QF shall install and operate a 3,200 KVA generator at the Facility which is designed to produce a maximum of 3,200 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: Sarasota County: Sarasota
Generator Type (Induction or Synchronous)	Induction
Generator Rating (KVA)	3,200
Maximum Capability (KW)	3,200
Net Output (KW)	3,140
Power Factor (%)	1.0
Operating Voltage (kV)	.480
Peak Internal Load KW	60

- 2.3 From the Capacity Delivery Date through the termination or expiration of this Contract, the Facility shall be a Qualifying Facility. If the QF provides any information to the FERC regarding its Qualifying Facility status, the QF shall simultaneously provide such information to PEF. The QF shall at all times keep PEF informed of any material changes in its business that affect or may affect its qualifying status under the FPA or PURPA. 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 stating the extent to which the QF maintained Qualifying Facility status during the prior calendar year.

- 2.4 QF shall be allowed to add up to eleven (11) additional MW under the same terms and conditions as this Agreement. Additional sites to be determined by QF and submitted in writing to PEF with a filled out Appendix C.

**SECTION 3.
TERM AND CONTRACT IN-SERVICE DATE**

- 3.1 This Contract shall begin on the Effective Date and shall end at 12:01 a.m., January 1, 2023, unless extended pursuant to Section 3.2.4 hereof or terminated earlier pursuant to Section 14 hereof (the "Term"). Upon termination or expiration of the Contract, the Parties shall be relieved of their obligations under the Contract except for the obligation to pay each other all monies under the Contract, which obligation shall survive termination or expiration.
- 3.2 The Parties agree that time is of the essence and that (i) the Construction Commencement Date shall occur on or before the first day of April, 2007; and (ii) the Facility shall achieve Commercial In-Service Status on or before the Contract In-Service Date. These two dates shall not be modified except as provided in Sections 3.2.1, 3.2.2, and 3.2.3 hereof.
- 3.2.1 Upon written request by the QF, the Construction Commencement Date and the Contract In-Service Date shall be extended on a day-for day basis for each day that the Contract Approval Date exceeds one hundred twenty (120) days after the date PEF submits this Contract and related documentation to the FPSC for approval; provided however, that the QF's notice shall specifically identify the date and duration for which an extension is being requested. Such delay shall not be considered a Force Majeure Event for purposes of this Contract.
- 3.2.2 Upon the written request by the QF not more than thirty (30) days after the declaration of a Force Majeure Event by the QF, which event contributes proximately and materially to a delay in the QF's schedule for the completion of construction of the Facility, the Construction Commencement Date and the Contract In-Service Date shall be extended on a day-to-day basis for each day of delay caused by the Force Majeure Event; provided however, that the QF's notice shall specifically identify (i) each date for which an extension is being requested and (ii) the expected duration of the Force Majeure Event; and provided further, that the maximum extension of such date shall in no event exceed a total of one hundred and eighty (180) days irrespective of the nature or number of Force Majeure Events declared by the QF.
- 3.2.3 The Contract In-Service Date shall be extended on a day-for-day basis for any delays directly attributable to PEF's failure to complete its obligations hereunder.
- 3.2.4 If the Contract In-Service Date is extended pursuant to Sections 3.2.1, 3.2.2 or 3.2.3 hereof, then the Term of the Contract may be extended for the same number of days upon separate written request by the QF not more than thirty (30) days after the Contract In-Service Date.

**SECTION 4.
QF RESPONSIBILITIES**

- 4.1 The QF shall, at its sole expense, operate and maintain the Facility in accordance with Prudent Utility Practices and all other requirements set forth in this Contract.
- 4.2 The QF shall comply with reasonable requirements of PEF regarding day-to-day and hour-by-hour communications with PEF.
- 4.3 The QF shall either (i) arrange for and maintain standby electrical service under a firm tariff; (ii) maintain the ability to restart and/or continue operations during interruptions of electric service; or (iii) maintain multiple independent sources of generation.

**SECTION 5.
PURCHASE AND SALE OF CAPACITY AND ENERGY**

- 5.1 PEF's obligation to purchase firm capacity pursuant to this Contract if the QF is located north of the latitude of PEF's Central Florida Substation is conditioned upon the availability of transmission service from the Facility to PEF's load. The cost and availability of transmission service shall be addressed pursuant to the open access transmission tariff of PEF or any successor company.
- 5.2 Commencing on the Contract In-Service Date, for all hours that it operates the QF shall sell and arrange for delivery of the Committed Capacity and associated energy to PEF at the Point of Delivery and PEF shall purchase, accept, and pay for such Committed Capacity and associated energy.
- 5.3 The electric energy that the QF sells to PEF shall be net of any electric energy used on the QF's side of the Point of Delivery.
- 5.4 If PEF is unable to receive all or part of the energy that the QF has made available to PEF at the Point of Delivery due to a curtailment or a Force Majeure Event, PEF shall pay for the energy that it actually receives. In such circumstances, PEF shall not be obligated to pay for any energy that the QF would have delivered but for such occurrence and the QF shall be entitled to sell or to otherwise dispose of such energy in any lawful manner; provided, however that such entitlement shall not be construed to require PEF to transmit such energy to another entity. PEF shall take all reasonable actions to cure its inability to accept power from the QF as soon as commercially reasonable.
- 5.5 In any hour in which PEF is not purchasing the entire output of the Facility, the QF may, with the approval of PEF, sell the energy output of the Facility to third party purchasers on a non-firm basis, subject to recall by PEF on notice of not less than one hour before the start of the clock hour in which PEF desires to purchase the energy.

SECTION 6.
CHARGES TO THE QF

The QF shall be responsible for all applicable charges as currently approved or as they may be approved by the FPSC, including but not limited to the following:

- 6.1 The QF shall be responsible for all FPSC-approved charges for any retail service that is provided to the QF by PEF, including the cost of station service energy, the customer charge, the costs of meter reading, billing, and other administrative costs as approved by the FPSC in the COG-1 As-Available tariff as it may be amended from time to time.
- 6.2 The QF shall bear the cost required for interconnection of the Facility, including, but not limited to, the metering cost in excess of that which would be required to provide normal service to the QF if the QF were a non-generating customer. The QF shall have the option of (i) payment in full for the interconnection costs including the time value of money during the construction of the Interconnection Facilities and providing a surety bond, letter of credit or comparable assurance of payment acceptable to PEF adequate to cover the interconnection cost estimates; (ii) payment of monthly invoices from PEF for actual costs incurred by PEF in installing the Interconnection Facilities; or (iii) upon a showing of creditworthiness as determined by PEF in PEF's sole discretion, paying the full cost of the interconnection in equal monthly installment payments over a period no longer than thirty-six (36) months. In the latter case, the QF shall pay to PEF each month interest on the unpaid balance 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.
- 6.3 PEF shall bill the QF monthly for the variable utility expenses associated with the operation, maintenance, and repair of the Interconnection Facilities. These shall include (a) PEF's inspections of the Interconnection Facilities and (b) maintenance of any equipment in addition to that which would be required to provide normal electric service to the QF if no sales to PEF were involved. The QF shall pay a monthly charge equal to a percentage of the installed cost of the Interconnection Facilities. This monthly rate is stated in the COG-1 As-Available Tariff as filed with the FPSC and may be periodically amended.
- 6.4 Any electric service delivered by PEF to the QF, if the QF is located in PEF's service area, shall be subject to the following terms and conditions:
 - 6.4.1 PEF shall meter the QF's energy usage separately and shall bill the QF under the applicable retail rate schedule(s).
 - 6.4.2 The QF shall pay a security deposit in accordance with FPSC Rules 25-17.082(5) and 25-6.097, F.A.C., and the following:
 - 6.4.2.1 In the first year of operation, the security deposit shall be based upon the month in which the QF's projected purchases from PEF exceed, by the greatest amount, PEF's estimated purchases from the QF. The security

deposit shall be equal to twice the amount of the difference estimated for that month. The deposit is required upon interconnection.

6.4.2.2 For each year thereafter, PEF shall conduct a review of the actual sales and purchases between the QF and PEF to determine the actual month of maximum difference. The security deposit shall be adjusted to equal twice the greatest amount by which the actual monthly purchases by the QF exceed the actual sales in PEF in that month.

- 6.5 To the extent not otherwise included in the charges set forth in this Section 6, PEF shall bill and the QF shall pay a monthly charge equal to any taxes, assessments or other impositions for which PEF may be liable as a result of its installation of facilities in connection with this Contract, its purchases of Committed Capacity and electric energy from the QF or any other activity undertaken pursuant to this Contract. Such amounts billed shall not include any amounts (i) for which PEF would have been liable had it generated or purchased from other sources an equivalent amount of Committed Capacity and electric energy or (ii) which are recovered by PEF from an entity other than the QF.
- 6.6 PEF's provision of service to the QF under this Contract shall be subject to the rules and regulations of the FPSC.

SECTION 7. COMMITTED CAPACITY

- 7.1 The Committed Capacity shall be the Capacity of the Facility as determined in accordance with this Section 7; however, the Committed Capacity shall not exceed 3,140 KW without the written consent of PEF, which consent shall be granted in PEF's sole discretion.
- 7.2 The QF shall schedule the first Committed Capacity Test that is intended to demonstrate that the facility has achieved Commercial In-Service Status to begin no earlier than November 1, 2005. Subject to Section 8.1, the QF may schedule and perform up to three (3) Committed Capacity Tests to demonstrate its Commercial In-Service Status. If the QF cannot demonstrate a Capacity of at least 3,000 KW by the later of the third such Committed Capacity Test or the Contract In-Service Date, the Committed Capacity as of the Contract In-Service Date shall be equal to the Capacity that is demonstrated in the last such test.
- 7.3 At any time after the Committed Capacity Tests pursuant to Section 7.2 are completed, PEF shall have the right to require the QF, by notice thereto, to validate the Committed Capacity by means of a Committed Capacity Test, but not more than once every 180 days (such test hereinafter referred to as the "Requested Committed Capacity Test"); and the QF shall have the right to schedule a Requested Committed Capacity Test not more than once every 180 days.
- 7.4 In addition to the Requested Committed Capacity Tests provided for in Section 7.3, during a Force Majeure Event declared by the QF, the QF may schedule a Committed

Capacity Test and modify the Committed Capacity to reflect the results of that test for up to six (6) consecutive months; provided however that no more than one such temporary redesignation may be made within any twenty-four (24) month period unless otherwise agreed by PEF in writing. Any redesignation of the Committed Capacity pursuant to this Section 7.4 must, in PEF's judgment, be directly attributable to the Force Majeure Event and of a magnitude commensurate with the scope of the Force Majeure Event.

- 7.5 Redesignated Committed Capacity pursuant to this Section 7 shall be stated to the nearest whole KW and shall become effective on the commencement of the day after the conclusion of the test.

SECTION 8. COMMITTED CAPACITY TESTING PROCEDURES

- 8.1 The QF shall schedule the first Committed Capacity Test conducted pursuant to Section 7.2 by means of a written notice to PEF delivered at least thirty (30) calendar days prior to the test. The QF shall schedule any subsequent Committed Capacity Test not more than seven days after receiving a request from PEF or seven days after giving notice to PEF. The QF shall provide PEF not less than three (3) days' notice of the schedule for any Committed Capacity Test unless PEF consents to a shorter notice period. The QF shall complete each Committed Capacity Test within a sixty-hour (60) period from the scheduled start of the test.
- 8.2 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. 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. The Committed Capacity Test shall be performed according to standard industry testing procedures for the appropriate technology of the QF.
- 8.3 The QF shall provide the results of any Committed Capacity Test to PEF within seven (7) days after completion of the test. The QF shall certify that the results of any Committed Capacity Test are accurate and complete.
- 8.4 PEF shall have the right to be present onsite to monitor firsthand any Committed Capacity Test.

SECTION 9. PAYMENTS TO THE QF

- 9.1 Energy
- 9.1.1 For the electric energy that the QF generates and provides to PEF prior to the Capacity Delivery Date, PEF shall pay the QF in accordance with the rates and procedures contained in PEF's approved Rate Schedule COG-1 As-Available

Tariff, as in effect on the date on which the energy is generated. Beginning on the Capacity Delivery Date and for the duration of the Term, PEF shall pay the QF at the rate defined in Appendix A per MWh for all energy delivered to PEF.

9.1.2 PEF may, at its option, limit deliveries of electric energy under this Contract in any hour to no more than One Hundred Ten Percent (110%) of the Committed Capacity. In the event that PEF chooses to not limit deliveries, any energy in excess of One Hundred Ten Percent (110%) of the Committed Capacity shall be paid for at the rates defined in the COG-1 As-Available Tariff and shall not be included in the calculations in Appendix B hereto.

9.1.3 All electric energy delivered to PEF shall be adjusted for losses from the Point of Metering to the Point of Delivery.

9.2 Payments

9.2.1 PEF shall make all payments due to the QF by the twentieth (20th) business day following the end of each monthly billing period. PEF shall include with each payment a statement showing the kilowatt-hours sold by the QF and the applicable rate at which payments are being made.

9.2.2 All amounts owed to PEF from the QF shall be due and payable twenty (20) business days after the date of PEF's billing statement. Amounts owed to PEF for retail electric service shall be payable in accordance with the provisions of the applicable rate schedules.

9.2.3 At the option of PEF, PEF may provide a net payment or net bill, whichever is applicable, that consolidates amounts owing to the QF with amounts owing to PEF.

9.3 PEF's payment obligations under this Contract are expressly conditioned upon the mutual commitments set forth in this Contract and upon PEF's being fully reimbursed for the retail service portion of all payments to the QF through the Fuel Adjustment Clause and the Capacity Cost Recovery Clause or other authorized rates or charges. Notwithstanding any other provisions of this Contract, should PEF at any time during the Term of this Contract be denied the FPSC's authorization, or the authorization of any other regulatory bodies which in the future may have jurisdiction over PEF's retail rates and charges, to recover from its retail customers all payments required to be made to the QF under the terms of this Contract, payments to the QF from PEF shall be reduced accordingly. Neither Party shall initiate any actions to deny recovery of payments under this Contract and each Party shall participate in defending all terms and conditions of this Contract, including, without limitation, the payment levels specified in this Contract. Any amounts initially recovered by PEF from its retail ratepayers but for which recovery is subsequently disallowed by the FPSC and charged back to PEF may be off-set or credited against subsequent payments made by PEF for purchases from the QF, or alternatively, shall be repaid by the QF. If any disallowance is subsequently reversed, PEF shall repay the QF such disallowed payments with interest at a rate equal to the thirty (30) day highest grade commercial paper rate as published in the Wall Street Journal on the first

(1st) business day of each month to the extent such payments and interest are recovered by PEF. Such interest shall be compounded monthly.

- 9.4 If the payments to the QF are reduced pursuant to Section 9.3 hereof, the QF may terminate this Contract upon one hundred eight (180) days notice; provided that the QF gives PEF written notice of said termination within six (6) months after the effective date of such reduction in the payments to the QF.

SECTION 10. ELECTRICITY PRODUCTION AND PLANT MAINTENANCE SCHEDULE

- 10.1 No later than sixty (60) calendar days prior to the Contract In-Service Date, the QF shall submit to PEF in writing a detailed Plan of the amount of energy to be generated by the QF and delivered to PEF for each month of the remainder of that calendar year. Prior to October 1 of each calendar year 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. Such plans shall include the time, duration and magnitude of any scheduled maintenance period(s) or reductions in the ability of the Facility to generate energy at an hourly rate equal to the Committed Capacity.
- 10.2 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, which approval shall not be unreasonably withheld or delayed. Once the schedule for the detailed plan has been established and approved, either Party may change such schedule only with the approval of the other Party, which approval shall not be unreasonably withheld or delayed. Notwithstanding the foregoing, either Party may change an approved schedule without the approval of the other Party if the schedule change is required as a result of a Force Majeure Event. Scheduled maintenance outages shall be limited to a total of twenty-eight (28) 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 February 28 (or 29th as the case may be).
- 10.3 The QF shall provide to PEF, by telephone, facsimile or e-mail, prior to 9:00 a.m. of each day, an estimate of the hourly amounts of electric energy to be delivered at the Point of Delivery for the next five (5) days.
- 10.4 The QF's estimates of energy production pursuant to Sections 10.1 and 10.3 shall be performed in good faith based on conditions known or anticipated at the time such estimates are made. Said estimates shall not be binding upon either Party, provided however, that the QF shall in no event be relieved of its obligations to deliver Committed Capacity and associated energy under the terms and conditions of this Contract.

10.5 Dispatch and Control

- 10.5.1 Power supplied by the QF hereunder shall be in the form of three-phase 60 Hertz alternating current, at a nominal operating voltage of 480 volts (.480 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.
- 10.5.2 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 Prudent Utility Practices. 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 engine, 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 shall be consistent with Prudent Utility Practices.
- 10.5.3 If the QF is separated from the PEF system for any reason, the QF shall not reconnect the Facility to PEF's system without first obtaining PEF's specific approval.
- 10.5.4 The QF shall employ qualified personnel to manage, operate and maintain the Facility and to coordinate such operation and maintenance with PEF. Additionally, 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.
- 10.5.5 PEF shall not be obligated to purchase energy, 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. Section 5.4 hereof sets out the provisions for payments in such event. PEF's Minimum Load Emergency Curtailment Procedures, as in effect on the Effective Date, are contained in Appendix F hereto.

SECTION 11. METERING AND LOSSES

- 11.1 All electric energy delivered to PEF shall be capable of being measured hourly at the Point of Metering. Metering equipment required to measure electric energy delivered to PEF and the telemetering equipment required to transmit such measurements to a location specified by PEF shall be installed, calibrated, and maintained by PEF and all related applicable costs shall be charged to the QF, pursuant to Appendix E, as part of PEF's Interconnection Facilities.

- 11.2 All meter testing and related billing corrections, for electricity sold and purchased by PEF shall conform to the metering and billing guidelines contained in FPSC Rules 25-6.052 through 25-6.060 and FPSC Rule 25-6.103, as they may be amended from time to time, notwithstanding that such guidelines apply to the utility as the seller of electricity.
- 11.3 The QF shall have the right to install, at its own expense, metering equipment capable of measuring energy on an hourly basis at the Point of Metering. At the request of the QF, PEF shall provide the QF hourly energy costs data from PEF's system; provided that the QF agrees to reimburse PEF for its costs to provide such data.

SECTION 12. SECURITY GUARANTIES

- 12.1 From the Capacity Delivery Date through the remaining Term, the QF shall post an Operational Security Guaranty with PEF equal to Thirty Dollars (\$30.00) per the maximum KW of Committed Capacity specified in Section 7.1, plus interest accruing at a rate equal to the thirty (30) day highest grade commercial paper rate as published in the Wall Street Journal on the first (1st) business day of each month, compounded monthly, to ensure timely performance by the QF of its obligations under this Contract. The QF shall either (a) pay PEF cash in the form of a certified check in an amount equal to the Operational Security Guaranty or fund equally over eighteen (18) out of the Projects cash flow or have PEF deduct a set amount over eighteen (18) months from payments due QF; or (b) provide a bond issued by a financially sound company in form and substance acceptable to PEF in its sole discretion; or (c) provide PEF an unconditional, irrevocable, direct-pay letter of credit to pay such amount upon the failure of the QF to perform its obligations under this Contract, provided that the entity issuing such letter of credit shall comply within the requirements of a Qualified Institution as defined in 1.31 and be acceptable to PEF in its sole discretion. Said letter of credit shall be in form and substance acceptable to PEF and shall include 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.
- 12.2 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) deteriorates to a level below "A" by S&P or "A2" by Moody's, 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) that is a United States Office of a commercial bank or trust company organized under the laws of the United States of America or a political subdivision thereof or a foreign bank with a branch office located in the United States and in either case, subject to the supervision or examination by a federal or state authority or the United States of America, having a credit rating of "A" or higher by S&P or "A2" or higher by Moody's and having a minimum asset base of at least \$10 billion, and meet the requirements of Section 12.1, within thirty (30) calendar days following PEF's written notification to the QF of the requirement to replace. Failure by the QF to comply with the requirements of this Section 12.2 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.

- 12.3 Upon the expiration of the Contract, PEF shall refund to the QF any cash Operational Security Guaranty and accrued interest within thirty (30) days thereafter and shall cancel any other form of Operational Security Guaranty which PEF has accepted in lieu of a cash deposit. Upon any earlier termination of this Contract for any reason, including Force Majeure Events, but excluding an early termination by the QF permitted pursuant to this Contract, then in addition to any other rights or obligation of the Parties, the QF shall immediately forfeit and PEF shall retain any cash Operational Security Guaranty and accrued interest, and any other form of Operational Security Guaranty which PEF has accepted in lieu of a cash deposit shall become immediately due and payable to PEF as liquidated damages. Because the actual damages sustained by PEF as a result of the early termination of this Contract shall be difficult or impractical to determine, the aforementioned liquidated damages are in lieu thereof and not a penalty. The parties agree that this sum represents the actual damages that could reasonably be anticipated due to the early termination of the Contract.
- 12.4 Should the flow or quality of landfill gas available to the QF at the Facility decline such that it is not commercially reasonable to continue full scale operations, the QF may, upon 90 days notice to PEF, remove one or more engines from the Facility and this contract shall be adjusted accordingly in regard to Committed Capacity. Should the flow of landfill gas at the Facility reduce to below 500 cubic feet per minute, the QF may terminate this Contract upon ninety (90) days' notice to PEF without penalty.

SECTION 13.

REPRESENTATIONS, WARRANTIES AND COVENANTS

- 13.1 The QF makes the following representations, warranties, and covenants as the basis for the benefits and obligations contained in this Contract:
- 13.1.1 Organization, Standing and Qualification - The QF is a Limited Liability Company duly organized and validly existing in good standing under the laws of Florida 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.
- 13.1.2 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, 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 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.

13.1.3 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.

13.1.4 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 in respect of 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 therefore).

13.1.5 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.

13.1.6 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.

13.2 All representations, warranties, and covenants made by the QF in or under this Contract shall survive the expiration or early termination of this Contract.

SECTION 14.
EVENTS OF DEFAULT; REMEDIES

14.1 Pre-Operational Event of Default

Any one or more of the following events occurring before the Contract In-Service Date, except events caused by PEF, shall constitute a Pre-Operational Event of Default and shall give PEF the right to exercise, without limitation, the remedies specified under Section 14.2 hereof.

- 14.1.1 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.
- 14.1.2 Any representation or warranty furnished by the QF to PEF is false and misleading in any material respect when made and the QF fails to conform to said representation or warranty within sixty (60) days after a demand by PEF to do so.
- 14.1.3. 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, 2007.
- 14.1.4 The Construction Commencement Date has not occurred on or before the date specified in Section 3.2 hereof, as extended only pursuant to Sections 3.2.1, 3.2.2, or 3.2.3.
- 14.1.5 The QF fails to diligently pursue construction of the Facility after the Construction Commencement Date.
- 14.1.6 The Facility fails to achieve Commercial In-Service Status on or before the Contract In-Service Date, unless (i) the QF notifies PEF on or before the Contract In-Service Date that it agrees to pay the Company in weekly installments in cash or by certified check an amount equal to Twenty Cents (\$.20) per KW times the Committed Capacity specified in Section 7.1 hereof for every day between the Contract In-Service Date and the date that the Facility achieves Commercial In-Service Status and (ii) the Facility achieves Commercial In-Service Status no later than ninety (90) days after the Contract In-Service Date.
- 14.1.7 The QF assigns this Contract without PEF's consent as set forth in Section 20.4.

14.1.8 The QF fails to provide the documents listed in Appendix C.

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

14.2 Remedies for Pre-Operational Events of Default

For any Pre-Operational Event of Default specified under Section 14.1 hereof, PEF may, in its sole discretion and without an election of one remedy to the exclusion of the other remedy, take any of the actions pursuant to Sections 14.2.1 and 14.2.2 hereof, provided however, that PEF shall first exercise the remedy pursuant to Section 14.2.1 hereof if (i) the Construction Commencement Date has occurred on or before the date specified in Section 3 hereof, as extended only pursuant to said Section 3 and (ii) the QF is not in arrears for any monies owed to PEF pursuant to the Contract.

14.2.1 Renegotiate any applicable provisions of this Contract with the QF when necessary to preserve its validity. If the Parties cannot agree within sixty (60) days from the date of the Pre-Operational Event of Default, PEF shall have the right to exercise the remedy pursuant to Section 14.2.2 hereof.

14.2.2 Terminate the Contract without penalty or further obligation to QF, except as set forth in Section 14.5, by written notice to the QF.

14.3 Operational Events of Default

Any one or more of the following events, except events caused by Force Majeure Events that occur on or after the Contract In-Service Date, shall constitute an Operational Event of Default by the QF and shall give PEF the right, without limitation, to exercise the remedies under Section 14.4 hereof:

14.3.1 The Operational Security Guaranty required under Section 12.1 is not tendered to PEF in accordance with the terms set forth therein.

14.3.2 The QF fails to maintain the "Qualifying Facility" status of the Facility specified in Section 2.3 of the Contract.

14.3.3 The QF changes or modifies the Facility from that provided in Section 2.2 with respect to its type, location, technology or fuel source, without prior written approval from PEF.

14.3.4 After the Capacity Delivery Date, the Facility fails for twelve (12) consecutive months to maintain an Annual Billing Factor, as described in Appendix B, of at least fifty percent (50%); provided, however that curtailments by PEF and the inability of PEF to take power due to an event of Force Majeure shall reduce the QF's Committed Capacity for purposes of this calculation.

14.3.5 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.

14.3.6 Any representation or warranty made by the QF to PEF pursuant to this Contract is false or misleading in any material respect as of the time made.

14.3.7 The QF fails to perform or comply with any other material term or condition of this Contract.

14.3.8 The QF assigns this Contract without PEF's consent as set forth in Section 20.4.

14.4 Remedies for Operational Events of Default

For any Operational Event of Default specified hereunder, PEF may:

14.4.1 Allow the QF a reasonable opportunity to cure the Operational Event of Default and reduce its payment obligations upon written notice whereupon the QF shall be entitled to payments at a rate of \$37.75 per MWH. Thereafter, if the Operational Event of Default is cured (i) normal payments as defined in Appendix A shall resume; and (ii) the Annual Billing Factor shall be calculated with the period of time in which the QF was paid at the rate of \$37.75 per MWH excluded from the calculation.

14.4.2 If the Default is not cured within 60 days of the notice of Operational Default, or if not curable within a mutually agreed upon time, terminate this Contract without penalty or further obligation, except as set forth in Section 14.5, 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

14.5 Termination of this Contract 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.

SECTION 15. PERMITS

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

obtain any and all governmental permits, certificates, or other authorization that PEF is required to obtain as a prerequisite to engaging in the activities provided for in this Contract.

SECTION 16. INDEMNIFICATION

16.1 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, 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) caused by, arising out of, or resulting from:

- (i) a breach by the Indemnifying Party of its covenants, representations, and warranties or obligations hereunder;
- (ii) 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;
- (iii) any defect in, failure of, or fault related to, the Indemnifying Party's generation system;
- (iv) the negligence or willful misconduct of the Indemnifying Party or its contractors, agents, servants or employees; or
- (v) any other event or act that is the result of, or proximately caused by, the Indemnifying Party or its contractors, agents, servants or employees.

16.2 Payment by an Indemnified Party to a third party shall not be a condition precedent to the obligations of the Indemnifying Party under this Section 16. No Indemnified Party under this Section 16 shall settle any claim for which it claims indemnification hereunder without first allowing the Indemnifying Party the right to defend such a claim and without approval of the Indemnifying Party. The Indemnifying Party shall have no obligations under Section 16 in the event of a breach of the foregoing sentence by the Indemnified Party. Section 16 shall survive termination and expiration of this Contract.

SECTION 17. INSURANCE

17.1 In addition to other insurance carried by the QF in accordance with the Contract, the QF shall deliver to PEF, at least fifteen (15) days prior to the commencement of any work on PEF's Interconnection Facilities, QF Insurance naming the QF as a named insured and PEF as an additional named insured, which policy shall contain a broad form contractual endorsement specifically covering liabilities arising out of the interconnection with the

Facility, or caused by the operation of the Facility or by the QF's failure to maintain the Facility in satisfactory and safe operation condition.

- 17.2 The QF also shall procure or cause to be procured and shall maintain throughout the entire term of this Contract, QF Insurance that at a minimum, 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.
- 17.3 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 PEF and the QF. 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.
- 17.4 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.

SECTION 18. FORCE MAJEURE

- 18.1 If either Party because of a Force Majeure Event is rendered wholly or partly unable to perform its obligations under this Contract, other than the obligation of that Party to make payments of money, that Party shall, except as otherwise provided in this Contract, be excused from whatever performance is affected by the Force Majeure Event to the extent so affected, as provided in this Section 18.
- 18.2 The Party claiming a Force Majeure Event shall notify the other Party in writing within three (3) business days of the occurrence of Force Majeure Event, setting forth the nature of the Force Majeure Event, the date of commencement of the Force Majeure Event 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 Event requires. A Party claiming a Force Majeure Event shall not be entitled to any relief therefore unless and until conforming notice is provided. The Party claiming a Force

Majeure Event shall notify the other Party of the cessation of the Force Majeure Event or of the conclusion of the affected Party's cure for the Force Majeure Event in either case within one (1) business day thereof. In the event the QF claims a Force Majeure Event and provides notice to PEF as set forth herein, PEF must agree that such event is a Force Majeure Event in order for the QF to receive any relief.

18.3 The Party claiming a Force Majeure Event shall use its best efforts to cure the cause(s) preventing its performance of this Contract; provided, however, that 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.

18.4 Force Majeure Event Declared by the QF

18.4.1 If the Facility is rendered completely inoperative as a result of a Force Majeure Event, the QF shall temporarily set the Committed Capacity equal to 0 KW.

18.4.2 If, at any time during the occurrence of a Force Majeure Event or during its cure, the Facility can partially or fully operate, then the QF may adjust the Committed Capacity pursuant to Section 7.4 hereof.

18.4.3 Upon the cessation of the Force Majeure Event or the conclusion of the cure for Force Majeure Event, the Committed Capacity shall be restored to the Committed Capacity that existed immediately prior to the Force Majeure Event.

18.4.4 During the occurrence of a Force Majeure Event resulting in a reduction in Committed Capacity under Section 7, the Payment Adjustment calculated pursuant to Appendix B shall be performed using such reduced Committed Capacity.

18.5 Force Majeure Event declared by PEF

18.5.1 If PEF is unable to receive all or a part of the energy that the QF has made available to PEF at the Point of Delivery due to a Force Majeure Event, then the provisions of Section 5.4 of this Contract shall apply.

18.6 The QF shall be responsible for and pay the costs necessary to reactivate the Facility and/or the interconnection with PEF's Interconnection Facilities 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 shall reactivate, at its own cost, the interconnection with the Facility in circumstances where any interruptions to such interconnection are caused by PEF or its agents.

SECTION 19. FACILITY RESPONSIBILITY AND ACCESS

19.1 Representatives of PEF shall at all reasonable times have access to the Facility and to property owned or controlled by the QF for the purpose of inspecting, testing, and

obtaining other technical information deemed necessary by PEF in connection with this Contract. Except in emergency situations, (1) any such access requires prior notice to the QF, (2) if possible, the QF will provide a representative to escort PEF during its inspection, and (3) PEF shall not adjust or affect the operation of the QF's Facility. Any inspections or testing by PEF shall not relieve the QF of its obligation to maintain the Facility as provided for herein.

- 19.2 In no event shall any PEF statement, representation, or lack thereof, either express or implied, relieve the QF of its exclusive responsibility for the Facility. Any PEF inspection of property or equipment owned or controlled by the QF or any PEF review of or consent to the QF's plans, shall not be construed as endorsing the design, fitness, or operation of the Facility equipment nor as a warranty or guarantee.

SECTION 20. GENERAL PROVISIONS

20.1 Regulatory Approval

PEF shall, within sixty (60) days of the Effective Date, make application to the Florida Public Service Commission ("FPSC") for permission to pass through to its retail customers the costs that PEF will incur pursuant to this Contract. Each Party shall use its best efforts to expedite FPSC action on PEF's request for FPSC approval of this Contract. If, within ninety (90) days following submission of such application, the FPSC issues a final order disallowing the pass-through of all such costs, PEF may terminate this Contract by giving the QF written notice of termination not later than ten (10) days after the issuance of such order.

20.2 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 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.

20.3 Project Management

20.3.1 The QF shall submit to PEF its integrated project schedule for PEF's review within thirty (30) 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. The QF shall submit progress reports in a form satisfactory to PEF every calendar quarter until the Capacity Delivery Date. 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.

20.3.2 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.

20.4 Successors and Assignment

This Contract shall be binding upon and inure to the benefit of the successors and assigns of the Parties hereto, as permitted pursuant to Sections 20.4.1 through 20.4.5, below.

20.4.1 The Parties shall have the right at any time, to mortgage, create or provide for a security interest in, or convey in trust all or a part of its interest herein, under deeds of trust, mortgages, indentures or security agreements, as security for, or in relation to, a Party securing finance without need for the consent of the other Party. In the event of any security interest being made or given by a Party (the "Financing Party"), the non-financing Party shall, upon the request of the Financing Party, enter into an agreement with the financier on commercially reasonable terms, including, but not limited to:

20.4.1 (a) consent by the non-financing Party to the collateral assignment and any subsequent transfer of rights that complies with the terms hereof upon exercise by the financier of its remedies;

20.4.1 (b) entitlement of the financier to exercise the rights of the Financing Party hereunder, to enforce this Contract and to exercise the remedies hereunder;

20.4.1 (c) limitations on the exercise by the non-financing Party of any right to terminate this Contract without first giving the financier notice and opportunity to cure any breach;

20.4.1 (d) limitations on the non-financing Party agreeing to amend this Contract;

20.4.1 (e) requirement on the non-financing Party to provide copies of all material notices hereunder to the financier;

20.4.1 (f) financier step-in rights in specified circumstances;

20.4.1 (g) such other provisions reasonably requested by the financier and reasonably acceptable to the non-financing Party.

20.4.2 Either Party shall have the right to assign its interest herein to an Affiliate without the consent of the other Party.

20.4.3 In the case of an assignment under this Section 20.4, the assigning party shall, at the request of the non-assigning party, procure the proposed assignee to enter into

an agreement with or for the benefit of the non-assigning party, under which the proposed assignee would agree to perform and observe all the obligations imposed on the assigning party hereunder.

20.4.4 Any transactions allowed under this Section 20.4 shall not violate the terms of any license or permit required for performance hereunder.

20.4.5 Except as provided in Sections 20.4.1 and 20.4.2 above, neither Party shall assign its interest herein in whole or in part without the prior written consent of the other Party. Such consent shall not be unreasonably withheld or delayed.

20.5 Disclaimer

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

20.6 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:

G2 Energy, FL, LLC
Nick King
645 Spalding Drive
Atlanta, GA 30328

For PEF:

Progress Energy Florida, Inc.
Cogeneration Manager BT 9G
100 Central Avenue
St. Petersburg, FL 33701

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

20.7 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 without regard to its conflict of laws principles. The Parties hereby irrevocably waive their rights to a trial by jury in any action brought hereunder.

20.8 Taxation

In the event that PEF becomes liable for additional federal or state taxes, including interest and/or penalties, arising from a determination by the Internal Revenue Service or any other taxing authorities, through audit, ruling or other authority, that PEF's payments to the QF for capacity are not fully deductible when paid (Additional Tax Liability), PEF shall bill the QF monthly for the costs, including carrying charges, interest and/or penalties, associated with such Additional Tax Liability. PEF, at its option, may offset such Additional Tax Liability against amounts due the QF hereunder. The bills to the QF for the Additional Tax Liability shall 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 determination of Additional Tax Liability, 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.

20.9 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.

20.10 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.

20.11 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.

20.12 Record Retention

The QF agrees to retain for a period of ten (10) years from the date of termination of the Contract hereof all records relating to the performance of its obligations hereunder. The

QF shall cause all QF Entities (as defined in Section 16.1) to retain all such records for the same period

20.13 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 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.

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

G2 ENERGY, FL, LLC

FLORIDA POWER CORPORATION
D/B/A PROGRESS ENERGY FLORIDA,
INC.

John Bean
Signature
Mr. ~~Nick King~~ John Bean
Print Name

Robert F. Caldwell
Signature
Robert F. Caldwell
Print Name



~~President~~ Managing Member
Title

Vice President
Title

September 29, 2005
Date

September 8, 2005
Date

APPENDIX A
PAYMENTS
(\$/MWH)

Contract Year	Capacity Payment	Energy Payment	Base Payment Rate
2008	6.90	37.75	44.65
2009	7.07	37.75	44.82
2010	7.25	37.75	45.00
2011	7.43	37.75	45.18
2012	7.61	37.75	45.36
2013	7.81	37.75	45.56
2014	8.01	37.75	45.76
2015	8.21	37.75	45.96
2016	8.42	37.75	46.17
2017	8.63	37.75	46.38
2018	8.85	37.75	46.60
2019	9.07	37.75	46.82
2020	9.30	37.75	47.05
2021	9.53	37.75	47.28
2022	9.77	37.75	47.52

APPENDIX B
PERFORMANCE PROVISIONS
PAYMENT ADJUSTMENT CALCULATION

1. The Payment Rate (PR) for each Monthly Billing Period shall be computed according to the following:

Where:

PR = Payment Rate in \$/MWh.

BPR = Base Payment Rate in \$/MWh as specified Appendix A.

CC = Committed Capacity in KW.

ABF = Annual Billing Factor.

During the first Monthly Billing Period, the Annual Billing Factor shall be equal to the Monthly Capacity Factor for that Monthly Billing Period. For the second through twelfth consecutive Monthly Billing Periods, the Annual Billing Factor shall be computed by dividing the total energy received during the On-Peak Hours by the sum of the products of the Committed Capacity times the total On-Peak Hours for each Billing Month. Thereafter, the Annual Billing Factor shall be computed based on the rolling ratio of the total energy received during the On-Peak Hours for the twelve most recent Monthly Billing Periods divided by the sum of the products of the Committed Capacity times the total On-Peak Hours for each of the twelve most recent Monthly Billing Periods. Periods in which the provisions of Section 5.4 apply or during a Force Majeure Event in which the Committed Capacity is temporarily set to 0 MW shall be excluded for this calculation of the ABF. During Force Majeure Events in which the Committed Capacity is temporarily set to a value above 0 MW the denominator of the ABF shall be adjusted such that the product of the temporary Committed Capacity times the On-Peak Hours during the Force Majeure Event shall apply during the Force Majeure Event. This adjustment shall be included in the calculation of the ABF until the Force Majeure Event is no longer in the most recent twelve months.

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

Performance Adjustment:

A. In the event that the Annual Billing Factor ("ABF") is less than 50%, then:

$$PR = \$37.75/MWh$$

B. In the event that the ABF is equal to or greater than 50% then:

$$PR = BPR$$

APPENDIX C

DETAILED PROJECT INFORMATION

Each eligible Contract received by PEF will be evaluated to determine if the underlying QF project is financially and technically viable. The QF 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
- 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:
 - * Project Development
 - * Siting and Licensing the Facility
 - * Designing the Facility
 - * Constructing the Facility
 - * Operating the Facility

III. 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, solid waste,

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

IV. 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, utility engineer 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

V. FINANCIAL

- 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.
- Provide an illustration of the project ownership structure.

APPENDIX D

APPLICATION FOR INTERCONNECTION SERVICE

No later than sixty (60) days after the Effective Date, the QF shall specify the date it desires 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, Company shall develop preliminary written interconnection costs and scheduling estimates for the 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 this Appendix D.

The QF shall submit a completed copy of the attached QF Interconnection Service Study Data Request Form including all revisions to the information previously submitted in an Application for Interconnection Service to Company no later than the date specified above unless such date is modified in Company's reasonable discretion. Based upon the information provided and within sixty (60) days after the information is provided, Company shall update its written Interconnection Costs and schedule estimates, provide the estimated time period required for construction of Company Interconnection Facilities, and specify the date by which Company must receive notice from the QF to initiate construction, which date shall, to the extent practical, be consistent with the QF's schedule for delivery of energy into Company's system.

Any subsequent change in the data submitted in the QF Interconnection Service Study Request Form shall be submitted to Company and it is understood and agreed that any such changes may affect Company's schedules and Interconnection Costs as previously estimated.

The QF shall pay the actual costs incurred by Company to develop all estimates pursuant to this Application for Interconnection Service and to evaluate any changes proposed by the QF under this Appendix D, as such costs are billed pursuant to the Contract. At Company's option, advance payment for these cost estimates may be required, in which event Company will issue an adjusted bill reflecting actual costs following completion of the cost estimates.

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

PROGRESS ENERGY FLORIDA
QF INTERCONNECTION SERVICE STUDY
DATA REQUEST FORM

INSTRUCTIONS

(*) Denotes items that are required prior to the start of the Feasibility Study phase of a QF Interconnection Study. All items on this form are required prior to the start of engineering design.

If a data item is unavailable, please provide an estimate and indicate it as an estimate. Please note that a restudy could be required if data assumptions change while the study is in progress.

Please fill out and attach a copy of Section II for each steam turbine or gas turbine generator proposed at the site.

Please use this form to supply the requested data. Submittal of manufacturer data sheets, other than generator characteristic curves, is not an acceptable alternative to completing this form.

DEFINITIONS

Plant is a group of steam turbine or gas turbine generators that operate as single power block. For example, a 2 on 1 combined cycle plant is composed of two gas turbine generators and one steam turbine generator.

Type of plant denotes whether the plant is combustion turbine, combined cycle, steam, nuclear, wind, etc.

Unit is the individual gas turbine generator or steam turbine generator that makes up a plant. For example, a single combustion turbine could be both a Plant and a Unit.

SECTION I – Generation Site Data

A) **Contact Person** - Provide name and address of person completing this form

(*) 1. Name: _____

(*) 2. Address: _____

(*) 3. City/State/Zip: _____

(*) 4. Telephone: _____

(*) 5. Date: _____

B) **Site Data**

(*) 1. County: _____

(*) 2. Section / Township / Range: _____

(*) 3. Site Drawing: Please submit a drawing detailing the property and a site plan layout suitable for land use permitting including the orientation of all generation, substation, and other equipment proposed on the generation site including critical dimensions.

(*) 4. Verification of Site Control: Please submit documentation verifying site control. If the property is fee owned, a copy of the Title and Legal Description of the property is required. If the property is leased, a copy of the Lease Agreement that specifies the term of the lease is required. If the property is under option to purchase, a copy of the purchase contract that specifies the term of the option is required.

C) Proposed Load Requirements for Site

(*) 1. Required Date: _____

(*) 2. Nature of Load (Station Service, Start-up Power, Etc.) _____

(*) 3. Connected kVA Load: _____

(*) 4. Peak Demand kVA Load: _____

(*) 5. Expected Power Factor: _____

(*) 6. Service Voltage: _____

(*) 7. Anticipated Future Load Requirements (please describe):

*D) Plant Information.

Plant Capability

Plant Number or Identification	Type of Plant	Maximum Net MW ¹ (59° F ambient)	Maximum Net MW ¹ (90° F ambient)

Plant Power Factor

Plant Number or Identification	Plant Lagging Power Factor @ Maximum Net MW ¹ (59° F ambient)	Plant Leading Power Factor @ Maximum Net MW ¹ (90° F ambient)

E) In-Service Dates

(*) 1. Required connection to grid for generator testing: _____

(*) 2. Commercial in-service date: _____

¹ Applies to combustion turbine or combined cycle plants. For a steam plant, use the maximum net summer and winter rating.

SECTION II – Unit Data

Please complete this form for each steam turbine or gas turbine generator at the site, and indicate the plant it is associated with.

A) Unit Identification

- (*) 1. Unit Number or Identification _____
- (*) 2. Plant Number or Identification _____
- (*) 3. Type of Turbine Generator _____
- 4. Manufacturer _____
- 5. Generator Serial Number _____
- 6. Turbine Serial Number _____

B) Ratings and Capabilities

- 1. Nameplate kV Rating (nominal design voltage) _____
- 2. MVA Rating MVA Rating @ Hydrogen Pressure
 - a. _____ _____
 - b. _____ _____
 - c. _____ _____
 - d. _____ _____
- (*) 3. Gross MW¹ Rating @ 59° F Outdoor Ambient _____
- (*) 4. Net MW¹ Rating @ 59° F Outdoor Ambient _____
- (*) 5. Gross MW¹ Rating @ 90° F Outdoor Ambient _____
- (*) 6. Net MW¹ Rating @ 90° F Outdoor Ambient _____
- (*) 7. Rated Power Factor (leading and lagging) _____
- 8. Rated Speed _____
- 9. Rated Turbine Capability _____
- 10. Field Voltage at Rated Load _____

- 11. Field Current at Rated Load _____
- 12. No-load Field Voltage at Generator Rated Voltage _____
- 13. Air Gap Field Voltage at Generator Rated Voltage _____
- 14. Field Resistance _____ ohms @ _____ °C

C) Inertia

- (*) 1. WR^2 for Generator and Exciter _____ lb-ft²
- (*) 2. WR^2 for Turbine _____ lb-ft²
- (*) 3. Calculated H Constant _____ sec. @ _____ MVA

D) Losses and Efficiency

- 1. Open circuit core loss _____ KW
- 2. Windage loss _____ KW
- 3. H₂ seal and exciter friction loss _____ KW
- 4. Stator I²R Loss at rated power and voltage _____ °C _____ KW
- 5. Rotor I²R Loss at rated power and voltage _____ °C _____ KW
- 6. Stray Load loss _____ KW
- 7. Excitation losses _____ KW

E) Generator Time Constants

- 1. T'_{do} (Direct axis open circuit transient time constant) _____ sec
- 2. T''_{do} (Direct axis open circuit subtransient time constant) _____ sec
- 3. T'_{qo} (Quadature axis open circuit transient time constant) _____ sec
- 4. T''_{qo} (Quadature axis open circuit subtransient time constant) _____ sec
- 5. T_{a3} (Short circuit time constant) _____ sec

F) Generator Impedances

- (*) 1. MVA base for all impedance data _____ MVA

(*) 2. kV base for all impedance data

_____ kV

<u>Parameter</u>	<u>Description</u>	<u>p.u. value</u>
(*) 3. X_d	Direct axis synchronous reactance (unsaturated)	_____
4. X_q	Quadrature axis synchronous reactance (unsaturated)	_____
(*) 5' X'_d	Direct axis transient reactance (unsaturated)	_____
6' X'_{dv}	Direct axis transient reactance (saturated)	_____
7' X'_q	Quadrature axis transient reactance (unsaturated)	_____
(*) 8'' X''_d	Direct axis subtransient reactance (unsaturated)	_____
9. X''_{dv}	Direct axis subtransient reactance (saturated)	_____
10. X''_q	Quadrature axis subtransient reactance (unsaturated)	_____
11. X_L	Armature leakage reactance	_____
12. R_1	Positive sequence armature resistance at 75° C	_____
13. R_2	Negative sequence armature resistance at 75° C	_____
14. X_{2v}	Negative sequence armature reactance (saturated)	_____
15. X_{0v}	Zero sequence armature reactance (saturated)	_____
16. R_0	Zero sequence armature resistance at 75° C	_____
17. R_{dc}	Direct current armature resistance at 75° C	_____
18.	Generator neutral grounding resistance	_____ ohms
(*) 19.	Generator neutral grounding reactance	_____ ohms

G) Required Characteristic Curves and Diagrams

(*) 1. Real and reactive power capability curves

2. Saturation curve, full load and no-load

3. "V" curves

4. One-Line diagram showing generator and substation equipment connections

H) Excitation System Data

1. Excitation system type _____
2. Voltage regulator model name _____
3. Excitation system model, supply block diagram and model parameters in IEEE² or PSS/E format
4. Voltage compensation, supply block diagram and settings if used
5. Voltage regulator overexcitation limiters, supply block diagram and model parameters in IEEE³ format.
6. Power System Stabilizer (if used), supply Power System Stabilizer block diagram and model parameters in IEEE or PSS/E format

I) Turbine Governor Data

1. Speed/Load governor model name _____
2. Governor model, supply block diagram and model parameters in IEEE^{4,5} or PSS/E format

J) Turbine Generator Step-up Transformer Data

1. Manufacturer _____
2. Model Type _____
3. Serial Number _____
- (*) 4. Rating _____ MVA
- (*) 5. High voltage winding, nominal voltage _____ kV
- (*) 6. High voltage winding connection (wye/delta) _____
- (*) 7. Low voltage winding, nominal voltage _____ kV
- (*) 8. Low voltage winding connection (wye/delta) _____
9. Transformer resistance _____ p.u.
- (*) 10. Transformer reactance _____ p.u.
- (*) 11. Transformer impedance base values _____ MVA _____ kV

K) Available tap settings

HV taps _____ kV

LV taps _____ kV.

Expected tap settings

HV taps _____ kV

LV taps _____ kV

² IEEE Standard 421.5-1992, "IEEE Recommended Practice for Excitation System Models for Power System Stability Studies"

³ IEEE Committee Report, "Recommended Models for Overexcitation Limiting Devices," IEEE Transactions on Energy Conversion, Vol. 10, No. 4, December 1995

⁴ IEEE Committee Report, "Dynamic Models for Steam and Hydro Turbine Control Models for System Dynamic Studies," IEEE Transactions on Power Apparatus and Systems, Vol. PAS-92, November 19

⁵ W.I. Rowen, "Simplified Mathematical Representations of Heavy Duty Gas Turbines," Transactions of ASME, Vol. 105(1), 1983

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 facilities either presently in place or presently proposed to be installed, as identified in Appendix AA, 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 Appendix AA, 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 Appendix DD 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 Appendix BB.
- 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 Appendix EE.
- 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 Appendix AA, 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 Appendix AA, 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.
- 1.20 “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.
- 1.21 “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 Appendix AA 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 Article 2.4. 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 Appendices AA 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 an investment grade level below "A" by S&P or "A2" by Moody's, 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) that is a United States Office of a commercial bank or trust company organized under the laws of the United States of America or a political subdivision thereof or a foreign bank with a branch office located in the United States and in either case, subject to the supervision or examination by a federal or state authority or the United States of America, having a credit rating of "A" or higher by S&P or "A2" or higher by Moody's and having a minimum asset base of at least \$10 billion. with an investment grade credit rating, and meet the requirements of Article 2.4, 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 Article 2.4.1 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 Appendix FF. If the QF does not satisfy a milestone on or before the date set forth in Appendix FF, 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 Article 2.5 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.**
- 3.6.1 **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 Article 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.

3.6.2 **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 Appendix GG. 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 Appendix GG) 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.

3.6.3 **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.

- 3.7 **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.
- 3.8 **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.
- 3.8.1 **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.
- 3.8.2. **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 Appendix GG.
- 3.8.3 **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.

3.8.4 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.

3.9 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.

3.9.2 Outage Restoration.

3.9.2.1 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 Article 3.9.2.1 shall be construed as forgiving performance in the Contract.

3.9.2.2 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 Article 3.9.2.2 shall be construed as forgiving performance in the Contract.

3.9.3 **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.

3.9.4 **Disconnection.**

3.9.4.1 **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.

3.9.4.2 **Disconnection in Event of Emergency.** Subject to the provisions of Article 3.9.4.3, 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 Article 3.9.4.2, 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.

3.9.4.3 **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 Appendix GG.

- 3.9.5 **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; (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.
- 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; (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.
- 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 10 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 Article 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 Appendix BB 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 20.6 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 Appendix GG. 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 Appendix D of the Contract. 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 Article 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 Article 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.

10.4 Taxes.

10.4.1 Representations and Covenants. In accordance with IRS Notice 2001-82 and IRS Notice 88-129, QF represents and covenants that (i) for income tax purposes, the amount of any payments and the cost of any property transferred to Company for Company's Interconnection Facilities will be capitalized by QF as an intangible asset and recovered using the straight-line method over a useful life of twenty (20) years, and (ii) any portion of Company's Interconnection Facilities that is a "dual-use intertie," within the meaning of IRS Notice 88-129, is reasonably expected to carry only a de minimis amount of electricity in the direction of the QF. For this purpose, "de minimis amount" means no more than 5 percent of the total power flows in both directions, calculated in accordance with the "5 percent test" set forth in IRS Notice 88-129. This is not intended to be an exclusive list of the relevant conditions that must be met to conform to IRS requirements for non-taxable treatment.

At Company's request, QF shall provide Company with a report from an independent engineer confirming its representation in clause (ii), above. Company represents and covenants that the cost of Company's Interconnection Facilities paid for by QF will have no net effect on the base upon which rates are determined.

10.4.2 Indemnification for the Cost Consequences of Current Tax Liability Imposed Upon the Company. QF shall protect, indemnify and hold harmless Company from the cost consequences of any current tax liability imposed against Company as the result of payments or property transfers made by QF to Company under this agreement, as well as any interest and penalties.

10.4.3 Tax Gross-Up Amount. QF's liability for the cost consequences of any current tax liability under this Article 10.4 shall be calculated on a fully grossed-up basis. Except as may otherwise be agreed to by the parties, this means that QF will pay Company, in addition to the amount paid for the Interconnection Facilities, an amount equal to (1) the current taxes imposed on Company ("Current Taxes") on the excess of (a) the gross income realized by Company as a result of payments or property transfers made by QF to Company under this agreement (without regard to any payments under this Article 10.4) (the "Gross Income Amount") over (b) the present value of future tax deductions for depreciation that will be available as a result of such payments or property transfers (the "Present Value Depreciation Amount"), plus (2) an additional amount sufficient to permit Company to receive and retain, after the payment of all Current Taxes, an amount equal to the net amount described in clause (1).

For this purpose, (i) Current Taxes shall be computed based on Company's composite federal and state tax rates at the time the payments or property

transfers are received and Company will be treated as being subject to tax at the highest marginal rates in effect at that time (the "Current Tax Rate"), and (ii) the Present Value Depreciation Amount shall be computed by discounting Company's anticipated tax depreciation deductions as a result of such payments or property transfers by Company's current weighted average cost of capital. Thus, the formula for calculating QF's liability to Transmission Owner pursuant to this Article 10.4.3 can be expressed as follows: $(\text{Current Tax Rate} \times (\text{Gross Income Amount} - \text{Present Value of Tax Depreciation})) / (1 - \text{Current Tax Rate})$.

10.4.4 Subsequent Taxable Events. If, within 10 years from the date on which the relevant Interconnection Facilities are placed in service, (i) QF Breaches the covenants contained in Article 10.4.2, (ii) a "disqualification event" occurs within the meaning of IRS Notice 88-129, or (iii) this agreement terminates and Company retains ownership of the Interconnection Facilities, QF shall pay a tax gross-up for the cost consequences of any current tax liability imposed on Company, calculated using the methodology described in Article 10.4.3 and in accordance with IRS Notice 90-60.

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.

**APPENDIX AA
INTERCONNECTION FACILITIES**

This Appendix AA 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 Appendices AA and BB, 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 Appendix AA. 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 Appendix AA.

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.

APPENDIX BB
METERING EQUIPMENT

This Appendix BB 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 Appendix BB. 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 Appendix BB.

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.

APPENDIX CC
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.”

APPENDIX DD
JOINT USE FACILITIES

This Appendix DD 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.

APPENDIX EE
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.

APPENDIX FF
MILESTONES

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

- | | | |
|----|---|--------------------------|
| 1. | Acquire the Facility site | <u>January 1, 2007</u> |
| 2. | Obtain all required permits | <u>March 1, 2007</u> |
| 3. | Begin construction of Facility | <u>August 1, 2007</u> |
| 2. | Engine No. 1 Delivery | <u>October 1, 2007</u> |
| 3. | Start-up Testing – Engine No. 1 | <u>December 31, 2007</u> |
| 4. | Commercial Operations Date – Engine No. 1 | <u>January 1, 2008</u> |

APPENDIX GG
FACILITY CONNECTION REQUIREMENTS

APPENDIX F

FLORIDA POWER CORPORATION
GENERATION CURTAILMENT PLAN
FOR MINIMUM LOAD CONDITIONS
ISSUED: October 12, 1994
PAGE 1 OF 5

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.

- 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.

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 G
FPSC RULES 25-17.080 THROUGH 25-17.091

UTILITIES' OBLIGATIONS WITH REGARD TO
COGENERATORS AND SMALL POWER PRODUCERS

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25-17.080 Definitions and Qualifying Criteria.

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

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

- (a) the small power producer does not exceed 80 MW; and
- (b) the primary (at least 50%) energy source of the small power producer is biomass, waste, or another renewable resource; and

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

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

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

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

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

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

Specific Authority 366.05(1), 350.127(2) FS. Law Implemented 366.05(1) FS. History-New 5-13-81, Amended 9-4-83, Formerly 25-17.80.

25-17.081 Reserved.

25-17.082 The Utility's Obligation to Purchase; Customer's Selection of Billing Method.

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

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

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

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

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

1. when a qualifying facility selling as-available energy enters into a negotiated contract or standard offer contract for the sale of firm capacity and energy; or
2. when a firm capacity and energy contract expires or is lawfully terminated by either the

qualifying facility or the purchasing utility; or

3. when the qualifying facility is selling as-available energy and has not changed billing methods within the last twelve months; and

4. when the election to change billing methods will not contravene the provisions of Rule

25-17.0832, F.A.C., or any contract between the qualifying facility and the utility.

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

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

1. upon at least thirty days advance written notice;

2. upon the installation by the utility of any additional metering equipment reasonably required to effect the change in billing and upon payment by the qualifying facility for such metering equipment and its installation; and

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

such alterations.

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

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

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

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

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

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

Specific Authority 366.051, 350.127(2) FS. Law Implemented 350.115, 366.03, 366.04(2)(a),(c), (5), 366.041(1), 366.051, 366.06(1) FS. History-New 5-13-81, Amended 9-4-83, Formerly 25-17.82, Amended 10-25-90.

25-17.0825 As-Available Energy.

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

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

(a) **Tariff Rates:** Each utility shall publish a tariff for the purchase of as-available energy from qualifying facilities. Each utility's published tariff shall state that the rate of payment for as-available energy is the utility's avoided energy cost as defined in subsection (2) of this rule, less the additional costs directly attributable to the purchase of such energy from a qualifying facility. The additional costs directly associated with the purchase of as-available energy from qualifying facilities shall be specifically identified in the utility's tariff.

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

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

(b) Each utility's tariff shall include a description of the methodology to be used in the calculation of avoided energy cost implementing subsection (2) of this rule. Each utility's implementation methodology shall specify the method by which the utility's incremental fuel and operating and maintenance costs and line losses are determined.

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

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

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

(4) Each utility shall file with the Commission by the twentieth business day of the following month, a monthly report of their actual hourly avoided energy costs, the average of their actual hourly avoided energy costs for the on-peak and off-peak periods during the month, and the average of their actual hourly avoided energy costs for the month with the Commission. A copy shall be furnished to any individual who requests such information.

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

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

Specific Authority 366.051, 350.127(2) FS. Law Implemented 366.04(2)(c), (2)(f),(5), 366.041(1), 366.051, 366.06(1) FS. History-New 9-4-83, Formerly 25-17.825, Amended 10-25-90.

25-17.083 Firm Energy and Capacity.

Specific Authority 366.04(1), 366.05(1), 366.05(9), 350.127(2) FS. Law Implemented 366.05(9) FS. History-New 9-4-83, Formerly 25-17.83, Repealed 10-25-90.

25-17.0831 Contracts.

Specific Authority 366.05(9), 350.127(2) FS. Law Implemented 366.05(9) FS. History-New 5-13-81, Amended 9-4-83, Formerly 25-17.831, Repealed 10-25-90.

25-17.0832 Firm Capacity and Energy Contracts.

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

(a) Within one working day of the execution of a negotiated contract or the receipt of a signed standard offer contract, the utility shall notify the Director of the Division of Economic Regulation and provide the amount of committed capacity and the type of generating unit, if any, which the contracted capacity is intended to avoid or defer.

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

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

(2) Negotiated Contracts. Utilities and qualifying facilities are encouraged to negotiate contracts for the purchase of firm capacity and energy to avoid or defer the construction of all planned utility generating units which are not subject to the requirements of Rule 25-22.082, F.A.C. If a utility is required to issue a Request for Proposals (RFP) pursuant to Rule 25-22.082, F.A.C., negotiations with qualifying facilities shall be governed by the utility's RFP process. Negotiated contracts will be considered prudent for cost recovery purposes if it is demonstrated by the utility that the purchase of firm capacity and energy from the qualifying facility pursuant to the rates, terms, and other conditions of the contract can reasonably be expected to contribute towards the deferral or avoidance of additional capacity construction or other capacity-related costs by the purchasing utility at a cost to the utility's ratepayers which does not exceed full avoided costs, giving consideration to the characteristics of the capacity and energy to be delivered by the qualifying facility under the contract. Negotiated contracts shall not be counted towards the subscription limit of the avoided unit in a standard offer contract, thus preserving the standard offer for small qualifying facilities as described in subsection (4).

(3) Cost Recovery for Negotiated Contracts. In reviewing negotiated firm capacity and energy contracts for the purpose of cost recovery, the Commission shall consider factors relating to the contract that would impact the utility's general body of retail and wholesale customers including:

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

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

1. The cumulative present worth of the value of a year-by-year deferral of the construction and operation of generation or parts thereof by the purchasing utility over the term of the contract, calculated in accordance with subsection (5) and paragraph (6)(a) of this rule, provided that the contract is designed to contribute towards the deferral or avoidance of such capacity; or

2. The cumulative present worth of other capacity and energy related costs that the contract is designed to avoid such as fuel, operation, and maintenance expenses or alternative purchases of capacity, provided that the contract is designed to avoid such costs;

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

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

(4) Standard Offer Contracts.

(a) Upon petition by a utility or pursuant to a Commission action, each public utility shall submit for Commission approval a tariff or tariffs and a standard offer contract or contracts for the purchase of firm capacity and energy from small qualifying facilities. In lieu of a separately negotiated contract, standard offer contracts are available to the following types of qualifying facilities:

1. A small power producer or other qualifying facility using renewable or non-fossil fuel where the primary energy source in British Thermal Units (BTUs) is at least 75 percent biomass, waste, solar or other renewable resource;

2. A qualifying facility, as defined by Rule 25-17.080(3), F.A.C., with a design capacity of 100 Kw or less; or

3. A municipal solid waste facility as defined by Rule 25-17.091, F.A.C.

(b) The rates, terms, and other conditions contained in each utility's standard offer contract or contracts shall be based on the need for and equal to the avoided cost of deferring or avoiding the construction of additional generation capacity or parts thereof by the purchasing utility. Rates for payment of capacity sold by a qualifying facility shall be specified in the contract for the duration of the contract. In reviewing a utility's standard offer contract or contracts, the Commission shall consider the criteria specified in paragraphs (3)(a) through (3)(d) of this rule, as well as any other information relating to the determination of the utility's full avoided costs.

(c) The utility shall evaluate, select, and enter into standard offer contracts with eligible qualifying facilities based on the benefits to the ratepayers. Within 60 days of receipt of a signed standard offer contract, the utility shall either:

1. Accept and sign the contract and return it within five days to the qualifying facility; or

2. Petition the Commission not to accept the contract and provide justification for the refusal. Such petitions may be based on:

a. A reasonable allegation by the utility that acceptance of the standard offer will exceed the subscription limit of the avoided unit or units; or

b. Material evidence showing that because the qualifying facility is not financially or technically viable, it is unlikely that the committed capacity and energy would be made available to the utility by the date specified in the standard offer.

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

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

1. The avoided unit or units on which the contract is based;
2. The total amount of committed capacity, in megawatts, needed to fully subscribe the avoided unit specified in the contract;
3. The payment options available to the qualifying facility including all financial and economic assumptions necessary to calculate the firm capacity payments available under each payment option and an illustrative calculation of firm capacity payments for a minimum five year term contract commencing with the in-service date of the avoided unit for each payment option;
4. The date on which the standard contract offer expires;
5. A reasonable open solicitation period during which time the utility will accept proposals for standard offer contracts. Prior to the issuance of timely notice of a Request for Proposals (RFP) pursuant to Rule 25-22.082(3), F.A.C., the utility shall end the open solicitation period;
6. The date by which firm capacity and energy deliveries from the qualifying facility to the utility shall commence. This date shall be no later than the anticipated in-service date of the avoided unit specified in the contract;
7. The period of time over which firm capacity and energy shall be delivered from the qualifying facility to the utility. Firm capacity and energy shall be delivered, at a minimum, for a period of five years, commencing with the anticipated in-service date of the avoided unit specified in the contract. At a maximum, firm capacity and energy shall be delivered for a period of time equal to the anticipated plant life of the avoided unit, commencing with the anticipated in-service date of the avoided unit;
8. The minimum performance standards for the delivery of firm capacity and energy by the qualifying facility during the utility's daily seasonal peak and off-peak periods. These performance standards shall approximate the anticipated peak and off-peak availability and capacity factor of the utility's avoided unit over the term of the contract;
9. The description of the proposed facility including the location, steam host, generation technology, and fuel sources;
10. Provisions to ensure repayment of payments to the extent that annual firm capacity and energy payments made to the qualifying facility in any year exceed that year's annual value of deferring the avoided unit specified in the contract in the event that the qualifying facility fails to perform pursuant to the terms and conditions of the contract. Such provisions may be in the form of a surety bond or equivalent assurance of repayment of payments exceeding the year-by-year value of deferring the avoided unit specified in the contract.

(f) The utility may include the following provisions:

1. Provisions to protect the purchasing utility's ratepayers in the event the qualifying facility fails to deliver firm capacity and energy in the amount and times specified in the contract which may be in the form of an up-front payment, surety bond, or equivalent assurance of payment. Payment or surety shall be refunded upon completion of the facility and demonstration that the facility can deliver the amount of capacity and energy specified in the contract; and
2. A listing of the parameters, including any impact on electric power transfer capability, associated with the qualifying facility as compared to the avoided unit necessary for the calculation of the avoided cost.
3. Provisions that allow for revisions to the contract based upon changes to the purchasing utility's avoided costs.

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

1. Value of deferral capacity payments. Value of deferral capacity payments shall commence on the anticipated in-service date of the avoided unit. Capacity payments under this option shall consist of monthly payments escalating annually of the avoided capital and fixed operation and maintenance expense associated with the avoided unit and shall be equal to the value of a year-by-year deferral of the avoided unit, calculated in accordance with paragraph (6)(a) of this rule.

2. Early capacity payments. Each standard offer contract shall specify the earliest date prior to the anticipated in-service date of the avoided unit when early capacity payments may commence. The early capacity payment date shall be an approximation of the lead time required to site and construct the avoided unit. Early capacity payments shall consist of monthly payments escalating annually of the avoided capital and fixed operation and maintenance expense associated with the avoided unit, calculated in conformance with paragraph (6)(b) of the rule. At the option of the qualifying facility, early capacity payments may commence at any time after the specified early capacity payment date and before the anticipated in-service date of the avoided unit provided that the qualifying facility is delivering firm capacity and energy to the utility. Where early capacity payments are elected, the cumulative present value of the capacity payments made to the qualifying facility over the term of the contract shall not exceed the cumulative present value of the capacity payments which would have been made to the qualifying facility had such payments been made pursuant to subparagraph (4)(g)1. of this rule.

3. Levelized capacity payments. Levelized capacity payments shall commence on the anticipated in-service date of the avoided unit. The capital portion of capacity payments under this option shall consist of equal monthly payments over the term of the contract, calculated in conformance with paragraph (6)(c) of this rule. The fixed operation and maintenance portion of capacity payments shall be equal to the value of the year-by-year deferral of fixed operation and maintenance expense associated with the avoided unit calculated in conformance with paragraph (6)(a) of this rule. Where levelized capacity payments are elected, the cumulative present value of the levelized capacity payments made to the qualifying facility over the term of the contract shall not exceed the cumulative present value of capacity payments which would have been made to the qualifying facility had such payments been made pursuant to subparagraph (4)(g)1. of this rule, value of deferral capacity payments.

4. Early levelized capacity payments. Each standard offer contract shall specify the earliest date prior to the anticipated in-service date of the avoided unit when early levelized capacity payments may commence. The early capacity payment date shall be an approximation of the lead time required to site and construct the avoided unit. The capital portion of capacity payments under this option shall consist of equal monthly payments over the term of the contract, calculated in conformance with paragraph (6)(c) of this rule. The fixed operation and maintenance expense shall be calculated in conformance with paragraph (6)(b) of this rule. At the option of the qualifying facility, early levelized capacity payments shall commence at any time after the specified early capacity date and before the anticipated in-service date of the avoided unit provided that the qualifying facility is delivering firm capacity and energy to the utility. Where early levelized capacity payments are elected, the cumulative present value of the capacity payments made to the qualifying facility over the term of the contract shall not exceed the cumulative present value of the capacity payments which would have been made to the qualifying facility had such payments been made pursuant to subparagraph (4)(g)1. of this rule.

(5) Avoided Energy Payments for Standard Offer Contracts.

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

of the avoided unit, the qualifying facility may sell as-available energy to any utility pursuant to Rule 25-17.0825, F.A.C.

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

(c) The energy cost of the avoided unit specified in the contract shall be defined as the cost of fuel, in cents per kilowatt-hour, which would have been burned at the avoided unit plus variable operation and maintenance expense plus avoided line losses. The cost of fuel shall be calculated as the average market price of fuel, in cents per million Btu, associated with the avoided unit multiplied by the average heat rate associated with the avoided unit. The variable operating and maintenance expense shall be estimated based on the unit fuel type and technology of the avoided unit.

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

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

$$VAC_m = 1/12[KI_n(1-R)/(1-R^L) + O_n]$$

Where, for a one year deferral:

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

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 value to the middle of the first year;

R = $(1+ip)/(1+r)$;

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

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

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

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

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

L = expected life of the avoided unit; and

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

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

$$A_m = [A_c (1 + ip)^{(m-1)} + A_o (1 + io)^{(m-1)}]/12 \quad \text{for } m=1 \text{ to } t$$

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

i_p = annual escalation rate associated with the plant cost of the avoided unit;
 i_o = annual escalation rate associated with the operation and maintenance expense of the avoided unit(s);
 m = year for which early capacity payments to a qualifying facility are made, starting in year one and ending in the year t ;
 t = the term, in years, of the contract for the purchase of firm capacity;

$$A_c = F[(1-R)/(1-R^t)]$$

Where: F = the cumulative present value in the year that the contractual payments will begin, of the avoided capital cost component of capacity payments which would have been made had capacity payments commenced with the anticipated in-service date of the avoided unit(s);
 R = $(1+i_p)/(1+r)$; and
 r = annual discount rate, defined as the utility's incremental after tax cost of capital; and

$$A_o = G[(1-R)(1-R^t)]$$

Where: G = The cumulative present value in the year that the contractual payments will begin, of the avoided fixed operation and maintenance expense component of capacity payments which would have been made had capacity payments commenced with the anticipated in-service date of the avoided unit; and
 R = $(1+i_o)/(1+r)$.

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

$$P_L = F/12 \{ r/[1-(1+r)^{-t}] \} + O$$

Where: P_L = the monthly levelized capacity payment, starting on or prior to the in-service date of the avoided unit;
 F = the cumulative present value, in the year that the contractual payments will begin, of the avoided capital cost component of the capacity payments which would have been made had the capacity payments not been levelized;
 r = the annual discount rate, defined as the utility's incremental after tax cost of capital; and
 t = the term, in years, of the contract for the purchase of firm capacity.
 O = the monthly fixed operation and maintenance component of the capacity payments, calculated in accordance with paragraph (5)(a) for levelized capacity payments or with paragraph (5)(b) for early levelized capacity payments.

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

(8)(a) Firm energy and capacity payments made to a qualifying facility pursuant to a separately negotiated contract shall be recoverable by a utility through the Commission's periodic review of fuel and purchased power costs if the contract is found to be prudent in accordance with subsection (2) of this rule.

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

(c) Firm energy and capacity payments made pursuant to a standard offer contract signed by the qualifying facility, for which the utility has petitioned the Commission to reject, is recoverable through the Commission's periodic review of fuel and purchased power costs if the Commission requires the utility to accept the contract because it satisfies subsection (4) of this rule.

Specific Authority 350.127, 366.05(1) FS. Law Implemented 366.051, 366.81 FS. History-New 10-25-90, Amended 1-7-97, 5-18-03.

25-17.0833 Planning Hearings.

Specific Authority 366.05(8), 366.051, 350.127(2) FS. Law Implemented 366.051 FS. History-New 10-25-90, Repealed 6-9-97.

25-17.0834 Settlement of Disputes in Contract Negotiations.

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

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

(3) If the Commission finds that a utility has failed to negotiate or deal in good faith with qualifying facilities, or has explicitly dealt in bad faith with qualifying facilities, it shall impose an appropriate penalty on the utility as approved by section 350.127, F.S.

Specific Authority 366.051, 350.127(2) FS. Law Implemented 350.127(1), 366.051 FS. History-New 10-25-90.

25-17.0835 Wheeling.

Specific Authority 366.05(9), 350.127(2) FS. Law Implemented 366.05(9), 366.055(3) FS. History-New 9-4-83, Repealed 10-4-85, Formerly 25-17.835.

25-17.0836 Modification to Existing Contracts; Explanation of When Approval is Required.

(1) Each investor-owned utility shall notify the Director of the Division of Economic Regulation of all modifications to existing contracts for the purchase of firm capacity and energy, the costs of which are reviewed through the Commission's periodic review of fuel and purchased power costs, within 30 days of the modification. At a minimum, the following information shall be submitted:

(a) A description of the modification and a statement indicating whether the modification is a material change;

(b) A copy of the documents that evidence the modification;

(c) A detailed statement explaining whether the existing contract would be viable if no modification is made;

(d) A statement indicating whether the in-service date of the project will change because of the modification; and

(e) A description of the price, performance, or other concessions that result from the contract modification between the purchasing utility and the qualifying facility, nonutility generator, or other utility.

(2) In order for a utility to recover its costs, Commission approval is required for a modification that affects the overall efficiency, cost-effectiveness or nature of the project. Such modifications include, but are not limited to, changes to contractual terms such as location, prime mover technology type, fuel type, performance requirements, contracted megawatt output, the timing of capacity payments, or amount of capacity payments.

(3) Commission approval is not required for modifications explicitly contemplated by the terms of the contract or routine administrative changes. Such modifications include, but are not limited to, an assignment expressly authorized by the terms of the contract, typographical corrections, change of address for payments, or change of name of resident agent.

(4) In cases where approval of a contract modification is required for utility cost recovery, a utility shall file with the Division of the Commission Clerk and Administrative Services a petition for contract modification approval that provides the information required by paragraphs (1)(a) through (e) above. The petition shall also comply with the requirements of Rule 25-22.036, F.A.C. When a petition is filed, the petition shall serve as the notice required by subsection (1) above.

(5) The utility shall demonstrate any benefits to the general body of ratepayers that result from contract modifications and renegotiations.

(6) The modifications and concessions of the utility and developer shall be evaluated against both the existing contract and the current value of the purchasing utility's avoided cost.

(7) On its own motion, the Commission may review a contract modification to determine whether the modification requires approval.

Specific Authority 350.127(2), 366.05(1) FS. Law Implemented 366.05(7), (8), 366.051 FS. History-New 1-7-97.

25-17.0837 Negotiations with Other Utility and Nonutility Generating Facilities.

(1) If an investor owned utility's planned generation unit is not subject to Rule 25-22.082, F.A.C., utilities are encouraged to negotiate contracts for the purchase of firm capacity and energy with other utility and nonutility generators for this capacity.

(2) If a utility has issued a Request for Proposal (RFP) pursuant to Rule 25-22.082, F.A.C., negotiations with other utilities and nonutility generators shall be governed by the utility's request for proposal process. Prior to or in conjunction with issuing a RFP, the utility may specify the date and time when ongoing negotiations shall cease.

Specific Authority 350.127(2), 366.05(1) FS. Law Implemented 366.05(8) FS. History-New 1-7-97.

25-17.084 The Utility's Obligation to Sell.

Upon compliance with Rule 25-17.087, F.A.C., each utility shall sell energy to qualifying facilities at rates which are just, reasonable, and non-discriminatory.

Specific Authority 350.127(2) FS. Law Implemented 366.04(1), 366.051, 366.06(1) FS. History-New 5-13-81, Amended 9-4-83, Formerly 25-17.84.

25-17.085 Reserved.

25-17.086 Periods During Which Purchases Are Not Required.

Where purchases from a qualifying facility will impair the utility's ability to give adequate service to the rest of its customers or, due to operational circumstances, purchases from qualifying facilities will result in costs greater than those which the utility would incur if it did not make such purchases, or otherwise place an undue burden on the utility, the utility shall be relieved of its obligation under Rule 25-17.082, F.A.C., to purchase electricity from a qualifying facility. The utility shall notify the qualifying facility(ies) prior to the instance giving rise to those conditions, if practicable. If prior notice is not practicable, the utility shall notify the qualifying facility(ies) as soon as practicable after the fact. In either event the utility shall notify the Commission, and the Commission staff shall, upon request of the affected qualifying facility(ies), investigate the utility's claim. Nothing in this section shall operate to relieve the utility of its general obligation to purchase pursuant to Rule 25-17.082, F.A.C.

Specific Authority 350.127(2) FS. Law Implemented 366.04(5), 366.051 FS. History-New 5-13-81, Amended 9-4-83, Formerly 25-17.86.

25-17.087 Interconnection and Standards.

(1) Each utility shall interconnect with any qualifying facility which:

- (a) is in its service area;
- (b) requests interconnection;
- (c) agrees to meet system standards specified in this rule;
- (d) agrees to pay the cost of interconnection; and
- (e) signs an interconnection agreement.

(2) Where a utility refuses to interconnect with a qualifying facility or attempts to impose unreasonable standards, the qualifying facility may petition the Commission for relief. The utility shall have the burden of demonstrating to the Commission why interconnection with the qualifying facility should not be required or that the standards the utility seeks to impose on the qualifying facility are reasonable.

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

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

(a) Physical layout drawings, including dimensions;

(b) All associated equipment specifications and characteristics including technical parameters, ratings, basic impulse levels, electrical main one-line diagrams, schematic diagrams, system protections, frequency, voltage, current and interconnection distance;

(c) Functional and logic diagrams, control and meter diagrams, conductor sizes and length, and any other relevant data which might be necessary to understand the proposed system and to be able to make a coordinated system;

(d) Power requirements in watts and vars;

(e) Expected radio-noise, harmonic generation and telephone interference factor;

(f) Synchronizing methods; and

(g) Operating/instruction manuals.

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

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

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

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

(a) Disconnect Switch. A manual disconnect switch, of the visible load break type, to provide a separation point between the qualifying facility's generation system and the utility's system, shall be required. The utility will specify the location of the disconnect switch. The switch shall be mounted separate from the meter socket and shall be readily accessible to the utility and be capable of being locked in the open position with a utility padlock. The utility may reserve the right to open the switch (i.e. isolating the qualifying facility's generation system) without prior notice to the qualifying facility. To the extent practicable, however, prior notice shall be given.

Any of the following conditions shall be cause for disconnection:

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

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

1. Any act or omission by a party or that party's contractors, agents, servants and employees in connection with the installation or operation of that party's generation system or the operation thereof in connection with the other party's system;

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

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

(c) Insurance.

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

1. The policy providing such coverage for a standard offer contract shall provide public liability insurance, including property damage, in the amount of \$1,000,000 for each occurrence.

2. The policy providing such coverage for a negotiated contract shall provide public liability insurance, including property damage, in an amount not less than \$1,000,000 for each occurrence. The parties may negotiate the amount of insurance over \$1,000,000.

3. The above required policy shall be endorsed with a provision requiring the insurance company to notify the utility thirty days prior to the effective date of cancellation or material change in the policy.

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

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

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

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

This automatic disconnecting device may be of the manual or automatic reclose type and shall not be capable of reclosing until after service is restored by the utility. The type and size of the device shall be approved by the utility depending upon the installation. Adequate test data or technical proof that the device meets the above criteria must be supplied by the qualifying

facility to the utility. The utility shall approve a device that will perform the above functions at minimal capital and operating costs to the qualifying facility.

(b) Coordination and Synchronization. The qualifying facility shall be responsible for coordination and synchronization of the qualifying facility's equipment with the utility's electrical system, and assumes all responsibility for damage that may occur from improper coordination or synchronization of the generator with the utility's system.

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

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

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

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

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

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

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

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

(d) Power Factor. The qualifying facility's generation system shall be designed, operated and controlled to provide reactive power requirements from 0.85 lagging to 0.85 leading power factor. Induction generators shall have static capacitors that provide at least 85% of the magnetizing current requirements of the induction generator field. (Capacitors shall not be so large as to permit self-excitation of the qualifying facility's generator field).

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

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

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

(9) Cost Responsibility. The qualifying facility is required to bear all costs associated with the change-out, upgrading or addition of protective devices, transformers, lines, services, meters, switches, and associated equipment and devices beyond that which would be required to provide normal service to the qualifying facility if the qualifying facility were a non-generating customer. These costs shall be paid by the qualifying facility to the utility for all material and labor that is required. Prior to any work being done by the utility, the utility shall supply the qualifying facility with a written cost estimate of all its required materials and labor and an estimate of the date by which construction of the interconnection will be completed. This estimate shall be provided to the qualifying facility within 60 days after the qualifying facility supplies the utility with its final electrical plans. The utility shall also provide project timing and feasibility information to the qualifying facility.

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

Specific Authority 366.051, 350.127(2) FS. Law Implemented 366.04(2)(c),(5), 366.051 FS. History-New 5-13-81, Amended 9-4-83, Formerly 25-17.87, Amended 10-25-90, 5-10-93, 1-31-00.

25-17.088 Transmission Service for Qualifying Facilities.

Specific Authority 350.127(2), 366.051 FS. Law Implemented 366.051, 366.04(3), 366.055(3) FS. History-New 10-4-85, Formerly 25-17.88, Amended 2-3-87, Repealed 10-25-90.

25-17.0882 Transmission Service Not Required for Self-Service.

Specific Authority 350.127(2), 366.05(1) FS. Law Implemented 366.05(9), 366.04(3), 366.055(3) FS. History-New 10-4-85, Formerly 25-17.882, Repealed 10-25-90.

25-17.0883 Conditions Requiring Transmission Service for Self-Service.

Public utilities are required to provide transmission and distribution services to enable a retail customer to transmit electrical power generated at one location to the customer's facilities at another location when the provision of such service and its associated charges, terms, and other conditions are not reasonably projected to result in higher cost electric service to the utility's general body of retail and wholesale customers or adversely affect the adequacy or reliability of electric service to all customers. The determination of whether transmission service for self service is likely to result in higher cost electric service may be made using cost effectiveness methodology employed by the Commission in evaluating conservation programs of the utility, adjusted as appropriate to reflect the qualifying facility's contribution to the utility for standby service and wheeling charges, other utility program costs, the fact that qualifying facility self-service performance can be precisely metered and monitored, and taking into consideration the unique load characteristics of the qualifying facility compared to other conservation programs.

Specific Authority 366.051, 350.127(2) FS. Law Implemented 366.051 FS. History-New 10-25-90.

25-17.0889 Transmission Service for Qualifying Facilities.

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

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

(3) An electric utility may deny, curtail, or discontinue transmission service to a Qualifying Facility on a non-discriminatory basis if the provision of such service would adversely affect the safety, adequacy, reliability, or cost of providing electric service to the utility's general body of retail and wholesale customers.

Specific Authority 366.051, 350.127(2) FS. Law Implemented 366.04(2)(c), (5), 366.051, 366.055(3) FS. History-New 10-25-90.

25-17.089 Contractual Rights.

Specific Authority 366.04(1), 366.05(1) FS. Law Implemented 366.82(6) FS. History-New 5-13-81, Repealed 9-4-83, Formerly 25-17.89.

25-17.090 Reserved.

25-17.091 Governmental Solid Waste Energy and Capacity.

(1) Definitions and Applicability:

(a) "Solid Waste Facility" means a facility owned or operated by, or on behalf of, local government, the purpose of which is to dispose of solid waste, as that term is defined in section 403.703(13), F.S. (1988), and to generate electricity.

(b) A facility is owned by or operated on behalf of a local government if the power purchase agreement is between the local government and the electric utility.

(c) A solid waste facility shall include a facility which is not owned or operated by a local government but is operated on its behalf. When the power purchase agreement is between a non-

governmental entity and an electric utility, the facility is operated by a private entity on behalf of a local government if:

1. One or more local governments have entered into a long-term agreement with the private entity for the disposal of solid waste for which the local governments are responsible and that agreement has a term at least as long as the term of the contract for the purchase of energy and capacity from the facility; and
2. The Commission determines there is no undue risk imposed on the electric ratepayers of the purchasing utility, based on:
 - a. The local government's acceptance of responsibility for the private entity's performance of the power purchase contract, or
 - b. Such other factors as the Commission deems appropriate, including, without limitation, the issuance of bonds by the local government to finance all, or a substantial portion, of the costs of the facility; the reliability of the solid waste technology; and the financial capability of the private owner and operator.

3. The requirements of subparagraph 2 shall be satisfied if a local government described in subparagraph 1 enters into an agreement with the purchasing utility providing that in the event of a default by the private entity under the power purchase contract, the local government shall perform the private entity's obligations, or cause them to be performed, for the remaining term of the contract, and shall not seek to renegotiate the power purchase contract.

(d) This rule shall apply to all contracts for the purchase of energy or capacity from solid waste facilities entered into, or renegotiated as provided in subsection (3), after October 1, 1988.

(2) Except as provided in subsections (3) and (4) of this rule, the provisions of Rules 25-17.080, 25-17.089, F.A.C., are applicable to contracts for the purchase of energy and capacity from a solid waste facility.

(3) Any solid waste facility which has an existing firm energy and capacity contract in effect before October 1, 1988, shall have a one-time option to renegotiate that contract to incorporate any or all of the provisions of subsection (2) and (4) into their contract. This renegotiation shall be based on the unit that the contract was designed to avoid but applying the most recent Commission-approved cost estimates of Rule 25-17.0832(5)(a), F.A.C., for the same unit type and in-service year to determine the utility's value of avoided capacity over the remaining term of the contract.

(4) Because Section 377.709(4), F.S., requires the local government to refund early capacity payments should a solid waste facility be abandoned, closed down or rendered illegal, a utility may not require risk-related guarantees as required in Rule 25-17.0832, F.A.C., paragraph (2)(c), (2)(d), (3)(e)8., and (3)(f)1. However, at its option, a solid waste facility may provide such risk related guarantee.

(5) Nothing in this rule shall preclude a solid waste facility from electing advance capacity payments authorized pursuant to Section 377.709(3)(b), F.S., which advanced capacity payments shall be in lieu of firm capacity payments otherwise authorized pursuant to this rule and Rule 25-

17.0832, F.A.C. The provisions of subsection (4) are applicable to solid waste facilities electing advanced capacity payments.

Specific Authority 350.127(2), 377.709(5) FS. Law Implemented 366.051, 366.055(3), 377.709 FS. History-New 8-8-85, Formerly 25-17.91, Amended 4-26-89, 10-25-90.

EXHIBIT B

**CALCULATION OF COST SAVINGS
FROM THE G2 CONTRACT**

G2 Energy Landfill Evaluation
Dollars in \$000

Year:	PV	Nominal	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Discount Factor			0.78	0.72	0.67	0.62	0.57	0.53	0.49	0.45	0.42	0.39	0.36	0.33	0.30	0.28
Payments to G2 Energy:																
Capacity MW			14	14	14	14	14	14	14	14	14	14	14	14	14	14
Energy MWh		1,472,755	98,381	98,112	98,112	98,112	98,381	98,112	98,112	98,112	98,381	98,112	98,112	98,112	98,381	98,112
Capacity Price (\$/MWh)			\$ 6.90	\$ 7.07	\$ 7.25	\$ 7.43	\$ 7.62	\$ 7.81	\$ 8.01	\$ 8.21	\$ 8.42	\$ 8.63	\$ 8.85	\$ 9.07	\$ 9.30	\$ 9.53
Energy Price (\$/MWh)			\$37.75	\$37.75	\$37.75	\$37.75	\$37.75	\$37.75	\$37.75	\$ 37.75	\$ 37.75	\$ 37.75	\$ 37.75	\$ 37.75	\$ 37.75	\$37.75
Capacity Payments	5,607	12,162	679	694	711	729	750	766	786	805	828	847	868	890	915	935
Energy Payments	26,570	55,597	3,714	3,704	3,704	3,704	3,714	3,704	3,704	3,704	3,714	3,704	3,704	3,704	3,714	3,704
Total Cost	32,177	67,758	4,393	4,397	4,415	4,433	4,464	4,470	4,490	4,509	4,542	4,550	4,572	4,594	4,629	4,639
Avoided Tariff																
Avoided Capacity Cost (\$/kw-mo)			\$ 4.46	\$ 4.58	\$ 4.69	\$ 4.81	\$ 4.93	\$ 5.05	\$ 5.18	\$ 5.31	\$ 5.44	\$ 5.57	\$ 5.71	\$ 5.86	\$ 6.00	\$ 6.15
Avoided Energy Cost (\$/MWh)			\$56.70	\$60.03	\$60.01	\$57.53	\$55.97	\$54.73	\$53.74	\$ 53.01	\$ 52.52	\$ 52.90	\$ 53.52	\$ 54.15	\$ 54.81	\$55.43
Avoided Capacity Payments	\$ 6,201	\$ 13,448	\$ 750	\$ 769	\$ 788	\$ 808	\$ 828	\$ 848	\$ 870	\$ 891	\$ 914	\$ 937	\$ 960	\$ 984	\$ 1,009	\$ 1,034
Avoided Energy Payments	39,346	81,602	5,578	5,890	5,888	5,645	5,506	5,370	5,272	5,200	5,167	5,190	5,251	5,312	5,392	5,438
Total Cost	45,547	95,050	6,328	6,659	6,676	6,452	6,334	6,218	6,142	6,092	6,081	6,127	6,211	6,296	6,400	6,472
Net Benefit	13,370	27,291	1,935	2,261	2,261	2,019	1,870	1,748	1,652	1,583	1,538	1,576	1,639	1,703	1,772	1,833