



(Writer's Direct Dial No. 727/820-5184)

JOHN T. BURNETT
Associate General Counsel – Florida

April 3, 2006

VIA HAND DELIVERY

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

Re: *Petition for Approval of Amended Standard Offer Contract and Retirement of
COG-2 Rate Schedule; Docket No. 060310-EG*

Dear Ms. Bayó:

Enclosed for filing on behalf of Progress Energy Florida, Inc. ("PEF") are an original and seven (7) copies of our petition for approval of amended standard offer contract and retirement of COG-2 rate schedule.

Also enclosed for filing is a diskette containing the petition in Word format. Please feel free to call me should you have any questions.

Very truly yours,

John T. Burnett Lms
John T. Burnett

*Original Tariffs forwarded
to ECR*
JTB/lms
Enclosures

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Progress
Energy Florida, Inc. for
Approval of Amended
Standard Offer Contract and
Retirement of COG-2 Rate
Schedule.

Docket No. 060310-ER

Submitted for filing:
April 3, 2006

PETITION

Progress Energy Florida, Inc. ("PEF" or "the Company"), pursuant to Sections 366.051 and 366.91(3), Fla. Stats., and Rule 25-17.0832(4), F.A.C., hereby requests that the Florida Public Service Commission ("the Commission") approve PEF's Amended Standard Offer Contract and approve the retirement of PEF's COG-2 Rate Schedule. In support of its petition, PEF states as follows:

Introduction

1. PEF is a public utility subject to the regulatory jurisdiction of the Commission pursuant to Chapter 366, Florida Statutes. The Company's principal place of business is located at 100 Central Avenue, St. Petersburg, Florida 33701.
2. All notices, pleadings and correspondence required to be served on the petitioner should be directed to:

John T. Burnett, Esquire
Post Office Box 14042
St. Petersburg, FL 33733-4042
Facsimile: (727) 820-5249
Email: john.burnett@pgnmail.com

For express private courier deliveries, the street address and zip code in paragraph 1 above should be used.

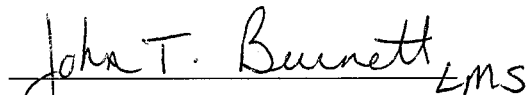
Discussion

3. The Amended Standard Offer Contract attached hereto as Exhibit A complies with Sections 366.051 and 366.91(3), Fla. Stats., and Rule 25-17.0832, F.A.C. The Standard Offer Contract subject to this Petition includes the subscription limit set to the full capacity of the avoided unit and a term of 10 years. The avoided unit on which the Amended Standard Offer Contract is based is PEF's next planned capacity addition, the re-powering of PEF's Bartow Plant into a nominal 1,279 MW combined cycle unit with a scheduled in-service date of June 2009. The changes from PEF's most recent Standard Offer Contract are shown in underline and strike through in attached Exhibit B. The attached Exhibit C contains the economic and financial assumptions for the cost parameters and the K Factor of the combined cycle unit on which the Amended Standard Offer Contract is based.

4. With respect to PEF's Rate Schedule COG-2, PEF requests that the existing Qualifying Facility standard offer be retired. The Standard Offer Contract subject to this Petition applies to both cogenerators with a design capacity of less than 100 kW and generating facilities that utilize renewable resources and therefore includes any Qualifying Facility that would have previously been eligible for Rate Schedule COG-2.

WHEREFORE, for the above-stated reasons, PEF respectfully requests that the Commission grant this Petition, approve PEF's Amended Standard Offer Contract, and approve the retirement of PEF's Rate Schedule COG-2.

Respectfully submitted,



John T. Burnett *LMS*

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Attorney for
PROGRESS ENERGY FLORIDA, INC.

EXHIBIT A

AMENDED STANDARD OFFER CONTRACT

CONTRACT FOR THE PURCHASE OF FIRM CAPACITY
AND ENERGY FROM A RENEWABLE ENERGY PRODUCER
OR QUALIFYING FACILITY LESS THAN 100 KW

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SECTION NO. IX
FIRST REVISED SHEET NO. 9.911
CANCELS ORIGINAL SHEET NO. 9.911

CONTRACT FOR THE PURCHASE OF FIRM CAPACITY
AND ENERGY FROM A RENEWABLE ENERGY PRODUCER
OR QUALIFYING FACILITY LESS THAN 100 KW

between

and

PROGRESS ENERGY FLORIDA

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**CONTRACT FOR THE PURCHASE OF FIRM CAPACITY
AND ENERGY FROM A RENEWABLE ENERGY PRODUCER
OR QUALIFYING FACILITY LESS THAN 100 KW**

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

WITNESSETH:

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

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

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

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

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



1. Facility; Renewable Status

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

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

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

The Facility must either (i) produce energy from a method that uses one or more of the following fuels or energy sources: hydrogen produced from sources other than fossil fuels, biomass, solar energy, geothermal energy, wind energy, ocean energy, hydroelectric power or waste heat from sulfuric acid manufacturing operations or (ii) have been certified or have self-certified as a "qualifying facility" pursuant to the regulations of the Federal Energy Regulatory Commission ("FERC"). In the event that the Facility is a "qualifying facility" then its design capacity must be 100 kW or less. The REP shall use the same fuel or energy source and maintain the "qualifying"

status of the Facility, if applicable, throughout the term of this Contract. REP shall at all times keep PEF informed of any material changes in its business which affect its renewable or qualifying status. PEF shall have the right at all times to inspect the Facility and to examine any books, records, or other documents of the REP that PEF deems necessary to verify the Facility's renewable or qualifying status. On or before March 31 of each year during the term of this Contract, the REP shall provide to PEF a certificate signed by an officer of the REP certifying that the REP continuously produced energy from a source listed in this section or continuously maintained qualifying status during the prior calendar year.

2. Term of Contract

Except as otherwise provided herein, this Contract shall become effective immediately upon its execution by the Parties and shall end at 12:01 a.m. May 31, 2019, unless terminated earlier in accordance with the provisions hereof. Notwithstanding the foregoing, if the Capacity Delivery Date of the Facility is not accomplished by the REP before June 1, 2009 (or such later date as may be permitted by PEF pursuant to Section 5), PEF's obligations under this Contract shall be rendered of no force and effect.

3. Minimum Specifications

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

- a. The avoided unit ("Avoided Unit") on which this Contract is based is a 1279 MW repowering of PEF's Bartow facility with an in-service date of June 1, 2009.
- b. The total Committed Capacity needed to fully subscribe the Avoided Unit is 1279 MW (the "Subscription Limit").
- c. The date by which firm capacity and energy deliveries from the REP to PEF shall commence is June 1, 2009 unless the Facility chooses capacity payments under Options B, C, or D of Rate Schedule REN, pursuant to the terms of this Contract.
- d. The period of time over which firm capacity and energy shall be delivered from the REP to PEF is the ten - (10) year period beginning on December 1, 2009.
- e. The following are the minimum performance standards for the delivery of firm capacity and energy by the REP to qualify for full capacity payments under this Contract:

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

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

- f. This offer shall expire on the earlier of (i) the c
- SECTION NO. IX
ORIGINAL SHEET NO. 9.917
- illy
- subscribed or (ii) April 1, 2007 unless extended by

4. Sale of Electricity by the REP

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

4.2 Ownership and Offering For Sale Of Renewable Energy Attributes

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

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

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

5. Committed Capacity/Capacity Delivery Date

- 5.1** In the event that the REP elects to make no commitment as to the quantity or timing of its deliveries to PEF, then its Committed Capacity as defined in the following Section 5.2 shall be zero (0) MW. If the Committed Capacity is zero (0) MW, Sections 5.2 through Section 5.8 and all of Section 6 shall not apply.
- 5.2** The REP commits to sell capacity to PEF, the amount of which shall be determined in accordance with this Section 5 and PEF's approved Rate Schedule REN (the "Committed Capacity"). Subject to Section 5.4, the Committed Capacity is set at _____ kW, with an expected Capacity Delivery Date of June 1, 2009.
- 5.3** Testing of the capacity of the Facility (each such test a "Committed Capacity Test") shall be performed in accordance with the procedures set forth in Section 6. The Demonstration Period for the first Committed Capacity Test shall commence no earlier than January 1, 2007 and testing must be completed by 11:59 p.m., May 31, 2009. The first Committed Capacity Test shall not be successfully completed unless the Facility demonstrates a Capacity of at least one hundred percent (100%) of the Committed Capacity set forth in Section 5.2. Subject to Section 6.1, the REP may schedule and perform up to three (3) Committed Capacity Tests to satisfy the requirements of the Contract with respect to the first Committed Capacity Test.
- 5.4** In addition to the first Committed Capacity Test, PEF shall have the right to require the REP, by notice thereto, to validate the Committed Capacity by means of a Committed Capacity Test at any time, up to six (6) times per year, the results of which shall be provided to PEF within seven (7) calendar days of the conclusion of such test. On and after the date of such requested Committed Capacity Test, and until the completion of a subsequent Committed Capacity Test, the Committed Capacity shall be set at the lower of the Capacity tested or the Committed Capacity as set forth in Section 5.2.
- 5.5** Notwithstanding anything contrary to the terms hereof, the Committed Capacity may not exceed the amount set forth in Section 5.2 without the consent of PEF, which consent shall be granted in PEF's sole discretion.
- 5.6** The "Capacity Delivery Date" shall be defined as the first calendar day immediately following the date of the Facility's successful completion of the first Committed Capacity Test.
- 5.7** In no event shall PEF make capacity payments to the REP prior to the Capacity Delivery Date
- 5.8** The REP shall be entitled to receive capacity payments beginning on the Capacity Delivery Date, provided the Capacity Delivery Date occurs on or after January 1, 2007 and on or before June 1, 2009 (or such later date permitted by PEF)

pursuant to the following sentence). If the Capacity Delivery Date does not occur on or before June 1, 2009, PEF shall immediately be entitled to draw down the Completion/Performance security in full.

6. Testing Procedures

- 6.1** The Committed Capacity Test must be completed successfully within a sixty-hour period (the "Demonstration Period"), which period, including the approximate start time of the Committed Capacity Test, shall be selected and scheduled by the REF by means of a written notice to PEF delivered at least thirty (30) calendar days prior to the start of such period. The provisions of the foregoing sentence shall not apply to any Committed Capacity Test ordered by PEF under any of the provisions of this Contract. PEF shall have the right to be present onsite to monitor firsthand any Committed Capacity Test required or permitted under this Contract.
- 6.2** The Committed Capacity Test results shall be based on a test period of twenty-four (24) consecutive hours (the "Committed Capacity Test Period") at the highest sustained net kW rating at which the Facility can operate without exceeding the design operating conditions, temperature, pressures, and other parameters defined by the applicable manufacturer(s) for steady state operations at the Facility. The Committed Capacity Test Period shall commence at the time designated by the REP pursuant to Section 6.1 or at such time requested by PEF pursuant to Section 5.4; provided, however, that the Committed Capacity Test Period may commence earlier than such time in the event that PEF is notified of, and consents to, such earlier time.
- 6.3** Normal station service use of unit auxiliaries, including, without limitation, cooling towers, heat exchangers, and other equipment required by law, shall be in service during the Committed Capacity Test Period.
- 6.4** The Capacity of the Facility (the "Capacity") shall be the minimum average hourly net capacity (generator output minus auxiliary) measured over the Committed Capacity Test Period.
- 6.5** The Committed Capacity Test shall be performed according to standard industry testing procedures for the appropriate technology of the REP.
- 6.6** The results of any Committed Capacity Test, including all data related to Facility operation and performance during testing, shall be submitted to PEF by the REP within seven (7) calendar days of the conclusion of the Committed Capacity Test. The REP shall certify that all such data is accurate and complete.

7. Payment for Electricity Produced by the Facility

7.1 Energy

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

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

7.2 Capacity

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

7.3 Payments for Energy and Capacity

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

8. Electricity Production and Plant Maintenance Schedule

- 8.1** No later than sixty (60) calendar days prior to the Capacity Delivery Date, and prior to October 1 of each calendar year thereafter during the term of this Contract, the REP shall submit to PEF in writing a detailed plan of the amount of electricity to be generated by the Facility and delivered to PEF for each month of the following calendar year, including the time, duration and magnitude of any scheduled maintenance period(s) or reductions in Capacity.
- 8.2** By October 31 of each calendar year, PEF shall notify the REP in writing whether the requested scheduled maintenance periods in the detailed plan are acceptable. If PEF does not accept any of the requested scheduled maintenance periods, PEF shall advise the REP of the time period closest to the requested period(s) when the outage(s) can be scheduled. The REP shall only schedule outages during periods



approved by PEF, and such approval shall not be unreasonably withheld. Once the schedule for the detailed plan has been established and approved, either Party requesting a subsequent change in such schedule, except when such change is due to Force Majeure, must obtain approval for such change from the other Party. Such approval shall not be unreasonably withheld or delayed. Scheduled maintenance outage days shall be limited to twenty-one (21) days per calendar year. In no event shall maintenance periods be scheduled during the following periods: June 1 through September 15 and December 1 through and including February 28 (or 29th as the case may be).

8.3 The REP shall comply with reasonable requests by PEF regarding day-to-day and hour-by-hour communication between the Parties relative to electricity production and maintenance scheduling.

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

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

8.5 Dispatch and Control

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

8.5.2 The REP shall operate the Facility with all system protective equipment in service whenever the Facility is connected to, or is operated in parallel with, PEF's system, except for normal testing and repair in accordance

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

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

9. Completion/Performance Security

- 9.1** As security for the achievement of the Capacity Delivery Date and satisfactory performance of its obligations hereunder, the REP shall provide PEF either: (a) an unconditional, irrevocable, direct-pay letter(s) of credit in effect through the first

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

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

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

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

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

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

9.4 If an Event of Default has not occurred and the REP fails to achieve the Capacity Delivery Date on or before June 1, 2009, PEF shall be entitled immediately to receive, draw upon, or retain, as the case may be, one-hundred percent (100%) of the Completion/Performance Security. The Parties acknowledge that the injury that PEF will suffer as a result of delayed availability of Committed Capacity and energy is difficult to ascertain and that PEF may accept such sums as liquidated damages or resort to any other remedies which may be available to it under law or in equity. If the Capacity Delivery Date is achieved on or before June 1, 2009, then the REP shall be entitled to reduce the amount of the Completion/Performance Security to an amount equal to \$15.00 per kW (for the number of kW set forth in Section 5.2).

- 9.6 In the event that PEF requires the REP to perform one or more Committed Capacity Test(s) at any time pursuant to Section 5.4 and, in connection with any such Committed Capacity Test(s), the REP fails to demonstrate a Capacity of at least one-hundred percent (100%) of the Committed Capacity set forth in Section 5.2, PEF shall be entitled immediately to receive, draw upon, or retain, as the case may be, one-hundred percent (100%) of the then-remaining amount of the Completion/Performance Security.

10. Termination Fee

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

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

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

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

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

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

11. Performance Factor

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

12. Default

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

- (a) The REP changes or modifies the Facility from that provided in Section 1 with respect to its type, location, technology or fuel source, without the prior written approval of PEF;
- (b) After the Capacity Delivery Date, the Facility fails for twelve (12) consecutive months to maintain an Annual Capacity Billing Factor, as described in Appendix A, of at least seventy percent (70%);
- (c) The REP fails to satisfy its obligations to maintain sufficient fuel on the site of the Facility to deliver the capacity and energy associated with the Committed Capacity for an uninterrupted seventy-two-(72) hour period under Section 8.5.6 hereof;
- (d) The REP fails to provide the Completion and Performance Security and the Termination Fee and to comply with any of the provisions of Sections 9 and 10 hereof;

- (e) The REP, or the entity which owns or controls the REP, ceases the conduct of active business; or if proceedings under the federal bankruptcy law or insolvency laws shall be instituted by or for or against the REP or the entity which owns or controls the REP; or if a receiver shall be appointed for the REP or any of its assets or properties, or for the entity which owns or controls the REP; or if any part of the REP's assets shall be attached, levied upon, encumbered, pledged, seized or taken under any judicial process, and such proceedings shall not be vacated or fully stayed within thirty (30) calendar days thereof; or if the REP shall make an assignment for the benefit of creditors, or admit in writing its inability to pay its debts as they become due;
- (g) The REP fails to give proper assurance of adequate performance as specified under this Contract within thirty (30) calendar days after PEF, with reasonable grounds for insecurity, has requested in writing such assurance;
- (h) The REP fails to achieve licensing, certification, and all federal, state and local governmental, environmental, and licensing approvals required to initiate construction of the Facility by no later than June 1, 2008;
- (i) The REP fails to comply with the provisions of Section 18.3 hereof;
- (j) Any of the representations or warranties made by the REP in this Contract is false or misleading in any material respect as of the time made;
- (k) If, at any time after the Capacity Delivery Date, the REP reduces the Committed Capacity due to an event of Force Majeure and fails to repair the Facility and reset the Committed Capacity to the level set forth in Section 5.2 (as such level may be reduced by Section 5.4) within twelve (12) months following the occurrence of such event of Force Majeure;
- (l) The REP breaches any material provision of this Contract not specifically mentioned in this Section 12.

13. PEF's Rights in the Event of Default

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

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

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

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

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

14. Indemnification

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

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

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

15 Insurance

15.1 The REP shall procure or cause to be procured and shall maintain throughout the entire term of this Contract, a policy or policies of liability insurance issued by an

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

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

16. Force Majeure

Force Majeure is defined as an event or circumstance that is not reasonably foreseeable, is beyond the reasonable control of and is not caused by the negligence or lack of due diligence of the affected Party or its contractors or suppliers. Such events or

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

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

- 16.5 If the Facility is rendered completely inoperative as a result of Force Majeure, the REP shall temporarily set the Committed Capacity equal to 0 kW until such time as the Facility can partially or fully operate at the Committed Capacity that existed prior to the Force Majeure. If the Committed Capacity is 0 kW, PEF shall have no obligation to make Capacity Payments hereunder.
- 16.6 If, at any time during the occurrence of an event of Force Majeure or during its cure, the Facility can partially or fully operate, then the REP shall temporarily set the Committed Capacity at the maximum capability that the Facility can reasonably be expected to operate.
- 16.7 Upon the cessation of the event of Force Majeure or the conclusion of the cure for the event of Force Majeure, the Committed Capacity shall be restored to the Committed Capacity that existed immediately prior to the Force Majeure. Notwithstanding any other provisions of this Contract, upon such cessation or cure, PEF shall have right to require a Committed Capacity Test to demonstrate the Facility's compliance with the requirements of this section 16.7. Any Committed Capacity Test required by PEF under this Section shall be additional to any Committed Capacity Test under Section 5.4.
- 16.8 During the occurrence of an event of Force Majeure and a reduction in Committed Capacity under Section 16.4 all Monthly Capacity Payments shall reflect, pro rata, the reduction in Committed Capacity, and the Monthly Capacity Payments will continue to be calculated in accordance with the pay-for-performance provisions in Appendix A.
- 16.9 The REP agrees to be responsible for and pay the costs necessary to reactivate the Facility and/or the interconnection with PEF's system if the same is (are) rendered inoperable due to actions of the REP, its agents, or Force Majeure events affecting the REP, the Facility or the interconnection with PEF. PEF agrees to reactivate, at its own cost, the interconnection with the Facility in circumstances where any interruptions to such interconnections are caused by PEF or its agents.

17. Representations, Warranties, and Covenants of REP

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

17.1 Organization, Standing and Qualification

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

qualified or licensed would impair its ability to perform its obligations under this Contract or would result in a material liability to or would have a material adverse effect on PEF.

17.2 Due Authorization, No Approvals, No Defaults

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

17.3 Compliance with Laws

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

17.4 Governmental Approvals

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

17.5 No Suits, Proceedings

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

17.6 Environmental Matters

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

18. General Provisions

18.1 Project Viability

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

18.2 Permits

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

18.3 Project Management

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

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

18.4 Assignment

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

18.5 Disclaimer

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

18.6 Notification

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

For the REP:

For PEF:

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

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

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

Attention: Cogeneration Manager BT 9G

18.7 Applicable Law

ISSUED BY: Lori Cross, Manager, Regulatory Services - Florida
EFFECTIVE:

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

18.8 Taxation

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

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

18.10 Severability

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

18.11 Complete Agreement and Amendments

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

18.12 Survival of Contract

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

18.13 Record Retention

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

18.14 No Waiver

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

18.15 Set-Off

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



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

REP

PROGRESS ENERGY FLORIDA, INC.

Signature

Signature

Print Name

Print Name

Title

Title

Date

Date

**APPENDIX A
TO
PROGRESS ENERGY FLORIDA
RENEWABLE OR QUALIFYING FACILITY STANDARD OFFER CONTRACT
RATE SCHEDULE REN**

SCHEDULE

REN, Firm Capacity and Energy

AVAILABLE

PEF will, under the following:

- A. In the event that the Annual Capacity Billing Factor ("ACBF"), as defined below, is less than 50%, then no Monthly capacity Payment shall be due. That is:

$$\text{MCP} = 0$$

- B. In the event that the ACBF is equal to or greater than 50% but less than 89%, then the Monthly Capacity Payment shall be calculated by using the following formula:

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

- C. In the event that the ACBF is equal to or greater than 89%, then the Monthly Capacity Payment shall be calculated by using the following formula:

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

Where:

- MCP = Monthly Capacity Payment in dollars.
- BCP = Base Capacity Payment in \$/kW/Month as specified in PEF's Rate Schedule REN.
- CC = Committed Capacity in kW.
- ACBF = Annual Capacity Billing Factor. This factor is calculated using the 12 month rolling average of the Monthly Capacity Factor. This 12 month rolling average shall be defined as the electric energy actually received by PEF for the 12 consecutive months preceding the date of calculation excluding any energy received during an event of Force Majeure in which the Committed Capacity is temporarily set equal to 0 kW, divided by the product of the Committed Capacity and the number of

hours in the 12 consecutive months preceding the date of calculation excluding the hours during an event of Force Majeure in which the Committed Capacity is temporarily set equal to 0 kW. If an event of Force Majeure occurs during the 12 consecutive months preceding the date of calculation in which the Committed Capacity is temporarily set to a value greater than 0 kW then the 12 month rolling average will be pro-rated accordingly. During the first 12 consecutive Monthly Billing Periods commencing with the first Monthly Billing Period in which Capacity payments are to be made, the calculation of 12-month rolling average Annual Capacity Billing Factor shall be performed as follows (a) during the first Monthly Billing Period, the Annual Capacity Billing Factor shall be equal to the Monthly Capacity Factor; (b) thereafter, the calculation of the Annual Capacity Billing Factor shall be computed by electric energy actually received by PEF for the number of full consecutive months preceding the date of calculation excluding any energy received during an event of Force Majeure in which the Committed Capacity is temporarily set equal to 0 kW, divided by the product of the Committed Capacity and the number of hours in the number of full consecutive months preceding the date of calculation excluding the hours during an event of Force Majeure in which the Committed Capacity is temporarily set equal to 0 kW. If an event of Force Majeure occurs during the months preceding the date of calculation in which the Committed Capacity is temporarily set to a value greater than 0 kW then the 12 month rolling average will be pro-rated accordingly. This calculation shall be performed at the end of each Monthly Billing Period until enough Monthly Billing Periods have elapsed to calculate a true 12-month rolling average Annual Capacity Billing Factor.

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

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

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

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

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

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

where

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

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

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



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

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

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

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

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

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

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

DETAILED PROJECT INFORMATION**

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

I. FACILITY DESCRIPTION

- Project Name
- Project Location

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

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

- Contact Person

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

II. PROJECT PARTICIPANTS

- Indicate the entities responsible for the following project management activities and provide a detailed description of the experience and capabilities of the entities:

- * Project Development
- * Siting and Licensing the Facility
- * Designing the Facility
- * Constructing the Facility
- * Securing the Fuel Supply
- * Operating the Facility

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

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

III. FUEL SUPPLY

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

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

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

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

owned =	fuel transport via a fully developed system owned by one or more of the project participants
contract =	fully executed firm transportation contract exists between the developer(s) and fuel transporter(s)
LOI =	a letter of intent for fuel transport exists between developer(s) and fuel transporter(s)
spot =	fuel transportation will be purchased on the spot market
none =	no firm fuel transportation arrangement currently in place
other =	fuel transportation arrangement which does not fit any of the above categories (please describe)

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

IV. PLANT DISPATCHABILITY/CONTROLLABILITY

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

V. SITING AND LICENSING

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

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

VI. FACILITY DEVELOPMENT AND PERFORMANCE

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

VII. FINANCIAL

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

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

- Other Project Information

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

- Permanent Financing

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

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

**APPENDIX D
TO
PROGRESS ENERGY FLORIDA RENEWABLE OR QUALIFYING FACILITY
STANDARD OFFER CONTRACT
RATE SCHEDULE REN**

SCHEDULE

REN, Firm Capacity and Energy from a Renewable Energy Provider

AVAILABLE

PEF will, under the provisions of this Schedule and PEF's Renewable or Qualifying Facility Standard Offer Contract for the Purchase of Firm Capacity and Energy from a Renewable Energy Provider ("Renewable or Qualifying Facility Standard Offer Contract") to which this Appendix is attached and incorporated into by reference, purchase firm capacity and energy offered by a Renewable Provider as defined in the contract. PEF's obligation to contract to purchase firm capacity from such Renewable Providers by means of this schedule and the Renewable or Qualifying Facility Standard Offer Contract will continue only as long as, and the extent that, the subscription limit is not exceeded and, in any event, no later than April 1, 2006 unless extended by the FPSC. PEF's obligation to purchase firm capacity by means of this rate schedule and the Renewable or Qualifying Facility Standard Offer Contract from REPs locating north of the latitude of PEF's Central Florida Substation is conditioned upon PEF being able to acquire import capability to replace that amount of Florida-Southern Interface import capability lost as a result of the location of the Facility.

APPLICABLE

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

CHARACTER OF SERVICE

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

LIMITATION

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

- A. Are defined in the Renewable or Qualifying Facility Standard Offer Contract;
- B. Execute a Renewable or Qualifying Facility Standard Offer Contract;
- C. Provide capacity which would not result in the capacity subscription limit for PEF to be exceeded.

RATES FOR PURCHASES BY PEF

Firm Capacity and Energy are purchased at unit cost, in dollars per kilowatt per month and cents per kilowatt-hour, respectively, based on the value of deferring additional capacity required by PEF. For the purpose of this Schedule, an Avoided Unit has been designated by PEF. PEF's next Avoided Unit has been identified as a 1279 MW repower of PEF's Bartow facility with an in-service date of June 1, 2009, Schedule 1 to this Appendix describes the methodology used to calculate payment schedules, general terms, and conditions applicable to PEF's Renewable or Qualifying Facility Standard Offer Contract filed and approved pursuant to FPSC Rules 25-17.080 through 25-17.091, F.A.C.

A. Firm Capacity Rates

Four options, A through D, as set forth below, are available for payments of firm capacity that is produced by a REP and delivered to PEF. Once selected, an option shall remain in effect for the term of the Renewable or Qualifying Facility Standard Offer Contract with PEF. Exemplary payment schedules, shown below, contain the monthly rate per kilowatt of Firm Capacity which the REP has contractually committed to deliver to PEF and are based on a contract term which extends through May 31, 2019. Payment schedules for other contract terms will be made available to any REP upon request and may be calculated based on the methodologies described in Schedule 1. The currently approved parameters used to calculate the following schedule of payments are found in Schedule 2 to this Appendix.

Option A - Fixed Value of Deferral Payments - Normal Capacity

Payment schedules under this option are based on the value of a year-by-year deferral of PEF's Avoided Unit with an in-service date of June 1, 2009, calculated in accordance with FPSC Rule 25-17.0832, F.A.C., as described in Schedule 1. Once this option is selected, the current schedule of payments shall remain fixed and in effect throughout the term of the Renewable or Qualifying Facility Standard Offer Contract. The payment schedule for this option follows the description of Option D.

Option B - Fixed Value of Deferral Payments - Early Capacity

Payment schedules under this option are based upon the early capital cost component of the value of a year-by-year deferral of PEF's Avoided Unit. The term "early" with

respect to Option B means that these payments can start as early as four years prior to the anticipated in-service date of PEF's Avoided Unit; provided, however, that under no circumstances may payments begin before this REP is delivering firm capacity and energy to PEF pursuant to the terms of the Renewable or Qualifying Facility Standard Offer Contract. When this option is selected, the capacity payments shall be made monthly commencing no earlier than the Capacity Delivery Date of the REP and calculated as shown on Schedule 1. Capacity Payments under Option B do not result in a prepayment or create a future benefit.

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

Option C - Fixed Value of Deferral Payment - Levelized Capacity

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

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

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

EXAMPLE MONTHLY CAPACITY PAYMENT IN \$kW/MONTH
 PEF'S 2009 COMBINED CYCLE AVOIDED UNIT (20 MW)
 RENEWABLE OR QUALIFYING FACILITY STANDARD OFFER CONTRACT AVOIDED
 CAPACITY PAYMENTS

(\$/kW/MONTH)

Contract Year	<u>Option A</u>	<u>Option B</u>	<u>Option C</u>	<u>Option D</u>
	Normal Capacity Payment Starting 06/01/2009	Early Capacity Payment Starting 01/01/2007	Levelized Capacity Payment Starting 06/01/2009	Early Levelized Capacity Payment Starting 01/01/2007
2007	-	3.44	-	3.82
2008	-	3.52	-	3.83
2009	4.63	3.61	5.06	3.83
2010	4.75	3.70	5.07	3.84
2011	4.87	3.79	5.08	3.85
2012	4.99	3.89	5.09	3.86
2013	5.12	3.99	5.10	3.87
2014	5.24	4.09	5.11	3.87
2015	5.37	4.19	5.13	3.88
2016	5.51	4.29	5.14	3.89
2017	5.65	4.40	5.15	3.90
2018	5.79	4.51	5.16	3.91

B. Energy Rates

Payments Prior to June 1, 2009

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

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

Payments Starting on June 1, 2009

The calculation of payments to the REP for energy delivered to PEF on and after June 1, 2009 shall be the sum, over all hours of the Monthly Billing Period, of the product of (a) each hour's Firm Energy Rate (¢/kWh); and (b) the amount of energy (kWh) delivered to PEF from the Facility during that hour.



The firm energy rate shall be, on an hour-by-hour basis, PEF's Avoided Unit Energy Cost. For any other period during which energy is delivered by the REP to PEF, the Firm Energy Rate in cents per kilowatt hour (¢/kWh) shall be the following on an hour-by-hour basis: the lesser of (a) the as-available energy rate calculated by PEF in accordance with FPSC Rule 25-17.0825, F.A.C., and PEF's Rate Schedule COG-1, as they may each be amended from time to time and (b) PEF's Avoided Unit Energy Cost. PEF's Avoided Unit Energy Cost, in cents per kilowatt - hour (¢/kWh) shall be defined as the product of (a) the Avoided Unit Gas Cost and (b) an average annual heat rate of 7,236 BTU per kilowatt hour; plus (c) an additional 0.250 ¢ per kilowatt hour in mid-2009 dollars for variable operation and maintenance expenses which will be escalated based on CPI-U.

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

ESTIMATED AS-AVAILABLE ENERGY COST

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

<u>Applicable Period</u>	<u>Average ¢/KWH</u>
October 1, 2006 - March 31, 2007	7.1
April 1, 2007 - September 30, 2007	9.6
October 1, 2007 - March 31, 2008	8.3
April 1, 2008 - September 30, 2008	9.2



ESTIMATED UNIT FUEL COST

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

\$/MMBTU

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
11.56	11.39	8.32	8.69	8.80	8.75	8.66	8.58	8.93

DELIVERY VOLTAGE ADJUSTMENT

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

<u>Delivery Voltage</u>	<u>Adjustment Factor</u>
Transmission Voltage Delivery	1.0202
Primary Voltage Delivery	1.0317
Secondary Voltage Delivery	1.0656

PERFORMANCE CRITERIA

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

A. Capacity Delivery Date

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

B. Availability and Capacity Factor

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

METERING REQUIREMENTS

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



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

BILLING OPTIONS

A REP, upon entering into a Renewable or Qualifying Facility Standard Offer Contract for the sale of firm capacity and energy or prior to delivery of as-available energy, may elect to make either simultaneous purchases from and sales to PEF, or net sales to PEF; provided, however, that no such arrangement shall cause the REP to sell more than the Facility's net output. A decision on billing methods may only be changed: 1) when a REP selling as-available energy enters into a Renewable or Qualifying Facility Standard Offer Contract for the sale of firm capacity and energy; 2) when a Renewable Standard Offer Contract expires or is lawfully terminated by either the REP or PEF; 3) when the REP is selling as-available energy and has not changed billing methods within the last twelve months; 4) when the election to change billing methods will not contravene the provisions of rule 25-17.0832 or a contract between the REP and PEF.

If a REP elects to change billing methods, such changes shall be subject to the following: 1) upon at least thirty days advance written note to PEF; 2) the installation by PEF of any additional metering equipment reasonably required to effect the change in billing and upon payment by the REP for such metering equipment and its installation; and 3) upon completion and approval by PEF of any alteration(s) to the interconnection reasonably required to effect the change in billing and upon payment by the REP for such alteration(s).

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

CHARGES TO RENEWABLE ENERGY PROVIDER

The REP shall be responsible for all applicable charges as currently approved or as they may be approved by the Florida Public Service Commission, including, but not limited to:

A. Retail Service Charges

The REP shall be responsible for all FPSC approved charges for any retail service that may be provided by PEF. The REP shall be billed \$74.42 monthly for the costs of meter reading, billing, and other administrative costs.

B. Interconnection Charge for Non-Variable Utility Expenses

The REP shall bear the cost required for interconnection, including the metering. The REP 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 progressively incurred by PEF in installing the interconnection facilities, or (iii) upon a showing of credit worthiness, making equal monthly installment payments over a period no longer than thirty six (36) months toward the full cost of interconnection. In the latter case, PEF shall assess interest at a rate equal to the thirty(30) day highest grade commercial paper rate as published in the Wall Street Journal on the first business day of each month. Such interest shall be compounded monthly.

C. Interconnection Charge for Variable Utility Expenses

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

The REP may pay a monthly charge equal to a percentage of the installed cost of the interconnection facilities. This monthly rate is stated in the Agreement for the Purchase of As-Available Energy and/or Parallel Operation With a Qualifying Facility as filed with the Florida Public Service Commission and may be amended periodically. The current rate is 0.5% per month of the installed cost of the interconnection facilities.

D. Interconnection Charge for REP Locating North of Central Florida Substation

For a REP with a Facility located north of the latitude of PEF's Central Florida Substation, PEF shall perform a study, at REP's expense, to determine the extent to which the amount of power PEF can import over the Florida-Southern Interface is diminished by the location of the Facility north of the Central Florida Substation. REP shall reimburse PEF for the costs of acquiring import capability to replace that amount of capability lost as a result of the location of the Facility.

TERMS OF SERVICE

- A. It shall be the REP's responsibility to inform PEF of any change in its electric generation capability.
- B. Any electric service delivered by PEF to a REP located in PEF's service area shall be subject to the following terms and conditions:
- (1) A REP shall be metered separately and billed under the applicable retail rate schedule(s), whose terms and conditions shall pertain.



- (2) A security deposit will be required in accordance with FPSC Rules 25-17.082(5) and 25-6.097, F.A.C., and the following:
 - (i) In the first year of operation, the security deposit should be based upon the singular month in which the REP's projected purchases from PEF exceed, by the greatest amount, PEF's estimated purchases from the REP. The security deposit should be equal to twice the amount of the difference estimated for that month. The deposit is required upon interconnection.
 - (ii) For each year thereafter, a review of the actual sales and purchases between the REP and PEF will be conducted to determine the actual month of maximum difference. The security deposit should be adjusted to equal twice the greatest amount by which the actual monthly purchases by the REP exceed the actual sales in PEF in that month.
 - (3) PEF shall specify the point of interconnection and voltage level.
 - (4) The REP must enter into an interconnection to PEF's system. Specific features of the REP and its interconnection to PEF's facilities will be considered by PEF in preparing the interconnection agreement.
- C. Service under this rate schedule is subject to the rules and regulations of the FPSC.

**SCHEDULE 1
TO RATE SCHEDULE REN****CALCULATION OF VALUE OF DEFERRAL PAYMENTS****APPLICABILITY**

Schedule 1 provides a detailed description of the methodology used by PEF to calculate the monthly values of deferring or avoiding PEF's Avoided Unit identified in Schedule REN. When used in conjunction with the current FPSC-approved cost parameters associated with PEF's Avoided Unit contained in Schedule 2, a REP may determine the applicable value of deferral capacity payment rate associated with the timing and operation of its particular facility should the REP enter into a Renewable or Qualifying Facility Standard Offer Contract with PEF.

Also contained in Schedule 1 is the discussion of the types and forms of surety bond requirements or equivalent assurance for payment of the Termination Fee acceptable to PEF in the event of contractual default by a REP.

CALCULATION OF VALUE OF DEFERRAL OPTION A

FPSC Rule 25-17.0832(5) specifies that avoided capacity costs, in dollars per kilowatt per month, associated with capacity sold to a utility by a REP pursuant to PEF's Renewable or Qualifying Facility Standard Offer Contract shall be defined as the year-by-year value of deferral of PEF's Avoided Unit. The year-by-year value of deferral shall be the difference in revenue requirements associated with deferring PEF's 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 valued to the middle of the first year;
- R = $(1 + i_p) / (1 + r)$;
- I_n = total direct and indirect cost, in mid-year dollars per kilowatt including AFUDC but excluding CWIP, of PEF's Avoided Unit with an in-service date of year n, including all identifiable and quantifiable costs relating to the construction for PEF's Avoided Unit which would have been paid had the Unit been constructed;

- O_n = total fixed operation and maintenance expense for the year n, in mid-year dollars per kilowatt per year, of PEF's Avoided Unit;
- i_p = annual escalation rate associated with the plant cost of PEF's Avoided Unit(s);
- i_o = annual escalation rate associated with the operation and maintenance expense of PEF's Avoided Unit(s);
- r = annual discount rate, defined as the utility's incremental after-tax cost of capital;
- L = expected life of PEF's Avoided Unit(s); and
- n = year for which PEF's Avoided Unit(s) (are) deferred starting with its (their) original anticipated in-service date(s) and ending with the termination of PEF's Renewable or Qualifying Facility Standard Offer Contract.

CALCULATION OF FIXED VALUE OF DEFERRAL PAYMENTS - EARLY CAPACITY-OPTION B

Under the fixed value of deferral Option A, payments for firm capacity shall not commence until the in-service date of PEF's Avoided unit(s). At the option of the REP, however, PEF may begin making payments for capacity consisting of the capital cost component of the value of a year-by-year deferral of PEF's Avoided Unit starting as early as three years prior to the anticipated in-service date of PEF's Avoided Unit. When such payments for capacity are elected, the avoided capital cost component of capacity payments shall be paid monthly commencing no earlier than the Capacity Delivery Date of the REP, and shall be calculated as follows:

$$A_M = [A_c (1 + i_p)^{(m-1)} + A_o (1 + i_o)^{(m-1)}] / 12 \quad \text{for } m = 1 \text{ to } t$$

Where:

- A_M = monthly payments to be made to the REP for each month of the contract year n, in dollars per kilowatt per month in which REP delivers capacity pursuant to the early capacity option;
- i_p = annual escalation rate associated with the plant cost of PEF's Avoided Unit(s);
- i_o = annual escalation rate associated with the operation and maintenance expense of PEF's Avoided Unit(s);
- m = year for which the fixed value of deferral payments under the early capacity option are made to a REP, starting in year one and ending in the year t;

t = the term, in years, of the Renewable or Qualifying Facility Standard Offer Contract:

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

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 PEF's Avoided Unit(s);

$$R = (1 + i_p) / (1 + r)$$

r = annual discount rate, defined as PEF'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 PEF's Avoided Unit(a).

$$R = (1 + i_o) / (1 + r)$$

The currently approved parameters applicable to the formulas above are found in Schedule 2.

CALCULATION OF FIXED VALUE OF DEFERRAL PAYMENTS - LEVELIZED AND EARLY LEVELIZED CAPACITY - OPTION C & OPTION D, RESPECTIVELY

Monthly fixed value of deferral payments for levelized and early levelized capacity shall be calculated as follows:

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

Where:

P_L = the monthly levelized capacity payment, starting on or prior to the in-service date of PEF's Avoided Unit(s):

- 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 PEF's incremental after-tax cost of capital;
- t = the term, in years of the Renewable or Qualifying Facility Standard Offer Contract
- O = the monthly fixed operation and maintenance component of the capacity payments, calculated in accordance with calculation of the fixed value of deferral payments for the levelized capacity or the early levelized capacity options.

RISK-RELATED GUARANTEES

With the exception of governmental solid waste facilities covered by FPSC Rule 25-17.091, FPSC Rule 25-17.0832 paragraph (4)(e)10 requires that, when fixed value or deferral payments - early capacity, levelized capacity, or early levelized capacity are elected, the REP must provide a surety bond or equivalent assurance of securing the payment of a Termination Fee in the event the REP is unable to meet the terms and conditions of its Renewable or Qualifying Facility Standard Offer Contract. Depending on the nature of the REP's operation, financial health and solvency, and its ability to meet the terms and conditions of PEF's Renewable or Qualifying Facility Standard Offer Contract, one of the following may constitute an equivalent assurance of payment:

- (1) Bond;
- (2) Cash deposit(s) with PEF;
- (3) Unconditional, irrevocable, direct pay letter of credit;
- (4) Unsecured promise by a municipal, county or state government to repay payment for early or levelized capacity in the event of default, in conjunction with a legally binding commitment from such government allowing the utility to levy a surcharge on either the electric bills of the government's electricity consuming facilities or the constituent electric customers of such government to assure that payments for early or levelized capacity are repaid;
- (5) Unsecured promise by a privately-owned REP to repay payments for early or levelized capacity in the event of default, in conjunction with a legally binding commitment from the owner(s) of the REP, parent company, and/or subsidiary companies located in Florida to assure that payments for early, levelized or early levelized capacity are repaid; or
- (6) Other guarantees acceptable to PEF.

PEF will cooperate with each REP applying for fixed value of deferral payments under the early, levelized or early levelized capacity options to determine the exact form of an "equivalent assurance" for payment of the Termination Fee to be required based on the particular aspects of the REP. PEF will endeavor to accommodate an equivalent assurance of repayment which is in the best interests of both the REP and PEF's ratepayers.

**SCHEDULE 2
TO RATE SCHEDULE REN
CAPACITY OPTION PARAMETERS**

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

Where, for one year deferral:

		<u>Value</u>
VAC_m	= PEF's value of avoided capacity and O&M, in dollars per kilowatt per month, during month m;	\$4.63
K	= present value of carrying charges for one dollar of investment over L years with carrying charges computed using average annual rate base and assumed to be paid at the middle of each year and present valued to the middle of the first year;	1.539
I_n	= total direct and indirect cost, in mid-year dollars per kilowatt including AFUDC but excluding CWIP, of PEF's Avoided Unit with an in-service date of year n;	\$440.48
O_n	= total fixed operation and maintenance expense, for the year n, in mid-year dollars per kilowatt per year, of PEF's Avoided Unit;	\$4.59
i_p	= annual escalation rate associated with the plant cost of PEF's Avoided Unit;	2.5%
i_o	= annual escalation rate associated with the operation and maintenance expense of PEF's Avoided Unit;	2.5%
r	= annual discount rate, defined as PEF's incremental after-tax cost of capital;	8.89%
L	= expected life of PEF's Avoided Unit;	25
n	= year for which PEF's Avoided Unit is deferred starting with its original anticipated in-service date and ending with the termination of the Renewable or Qualifying Facility Standard Offer Contract.	2009

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

A_m	= monthly avoided capital cost component of capacity payments to be made to the REP starting as early as two years prior to the anticipated in-service date of PEF's Avoided Unit, in dollars per kilowatt per month;	\$3.44
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i_p	=	annual escalation rate associated with the plant cost of PEF's Avoided Unit;	2.5%
n	=	year for which early capacity payments to a REP are to begin;	2007
F	=	the cumulative present value of the avoided capital cost component of capacity payments which would have been made had capacity payments commenced with the anticipated in-service date of PEF's Avoided Unit and continued for a period of 10 years;	\$305.58
r	=	annual discount rate, defined as PEF's incremental after-tax cost of capital;	8.89%
t	=	the term, in years, of the Renewable or Qualifying Facility Standard Offer Contract for the purchase of firm capacity commencing prior to the in-service date of PEF's Avoided Unit;	12
G	=	the cumulative present value of the avoided fixed operation and maintenance expense component of capacity payments which would have been made had capacity payments commenced with the anticipated in-service date of PEF's Avoided Unit and continued for a period of 5 years.	\$27.47

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

EXHIBIT B

**AMENDED STANDARD OFFER CONTRACT
(Legislative Format)**



CONTRACT FOR THE PURCHASE OF FIRM CAPACITY
AND ENERGY FROM A RENEWABLE ENERGY PRODUCER
OR QUALIFYING FACILITY LESS THAN 100 KW

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SECTION NO. IX
ORIGINAL FIRST REVISED SHEET NO. 9.911
CANCELS ORIGINAL SHEET NO. 9.911

CONTRACT FOR THE PURCHASE OF FIRM CAPACITY
AND ENERGY FROM A RENEWABLE ENERGY PRODUCER
OR QUALIFYING FACILITY LESS THAN 100 KW

between

and

PROGRESS ENERGY FLORIDA

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SECTION NO. IX
~~ORIGINAL FIRST REVISED SHEET NO. 9.913~~
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**CONTRACT FOR THE PURCHASE OF FIRM CAPACITY
AND ENERGY FROM A RENEWABLE ENERGY PRODUCER
OR QUALIFYING FACILITY LESS THAN 100 KW**

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

WITNESSETH:

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

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

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

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

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



1. Facility; Renewable Status

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

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

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

The Facility must either (i) produce energy from a method that uses one or more of the following fuels or energy sources: hydrogen produced from sources other than fossil fuels, biomass, solar energy, geothermal energy, wind energy, ocean energy, hydroelectric power or waste heat from sulfuric acid manufacturing operations or (ii) have been certified or have self-certified as a "qualifying facility" pursuant to the regulations of the Federal Energy Regulatory Commission ("FERC"). In the event that the Facility is a "qualifying facility" then its design capacity must be 100 kW or less. The REP shall use the same fuel or energy source and maintain the "qualifying" throughout the term of this Contract. REP shall at all times keep PEF informed of any material changes in its business which affect its renewable or qualifying status. PEF shall have the right at all times to inspect the Facility and to examine any books, records, or other documents of the REP that PEF deems

ISSUED BY: Lori Cross, Manager, Regulatory Services - Florida
 EFFECTIVE:



status of the Facility, if applicable, throughout the term of this Contract. REP shall at all times keep PEF informed of any material changes in its business which affect its renewable or qualifying status. PEF shall have the right at all times to inspect the Facility and to examine any books, records, or other documents of the REP that PEF deems necessary to verify the Facility's renewable or qualifying status. On or before March 31 of each year during the term of this Contract, the REP shall provide to PEF a certificate signed by an officer of the REP certifying that the REP continuously produced energy from a source listed in this section or continuously maintained qualifying status during the prior calendar year.

2. Term of Contract

Except as otherwise provided herein, this Contract shall become effective immediately upon its execution by the Parties and shall end at 12:01 a.m. ~~November 30~~ May 31, 2019, unless terminated earlier in accordance with the provisions hereof. Notwithstanding the foregoing, if the Capacity Delivery Date of the Facility is not accomplished by the REP before ~~December~~ June 1, 2009 (or such later date as may be permitted by PEF pursuant to Section 5), PEF's obligations under this Contract shall be rendered of no force and effect.

3. Minimum Specifications

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

- a. The avoided unit ("Avoided Unit") on which this Contract is based is a ~~20-1279 MW portion repowering of a 528 MW combined cycle unit PEF's Bartow facility~~ with an in-service date of ~~December~~ June 1, 2009.
- b. The total Committed Capacity needed to fully subscribe the Avoided Unit is ~~20-1279~~ MW (the "Subscription Limit").
- c. The date by which firm capacity and energy deliveries from the REP to PEF shall commence is ~~December~~ June 1, 2009 unless the Facility chooses capacity payments under Options B, C, or D of Rate Schedule REN, pursuant to the terms of this Contract.
- d. The period of time over which firm capacity and energy shall be delivered from the REP to PEF is the ten - (10) year period beginning on December 1, 2009.
- e. The following are the minimum performance standards for the delivery of firm capacity and energy by the REP to qualify for full capacity payments under this Contract:

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

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

- f. This offer shall expire on the earlier of (i) the date subscribed or (ii) ~~June-April 1, 2006-2007~~ unless extended by the FPSC.

4. Sale of Electricity by the REP

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

4.2 Ownership and Offering For Sale Of Renewable Energy Attributes

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

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

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

PEF and that the transmission service will be : SECTION NO. IX
agreement. ORIGINAL-FIRST REVISED SHEET NO. 9.918
CANCELS ORIGINAL SHEET NO. 9.918

5. Committed Capacity/Capacity Delivery Date

- 5.1 In the event that the REP elects to make no commitment as to the quantity or timing of its deliveries to PEF, then its Committed Capacity as defined in the following Section 5.2 shall be zero (0) MW. If the Committed Capacity is zero (0) MW, Sections 5.2 through Section 5.8 and all of Section 6 shall not apply.
- 5.2 The REP commits to sell capacity to PEF, the amount of which shall be determined in accordance with this Section 5 and PEF's approved Rate Schedule REN (the "Committed Capacity"). Subject to Section 5.4, the Committed Capacity is set at _____ kW, with an expected Capacity Delivery Date of ~~December~~ June 1, 2009.
- 5.3 Testing of the capacity of the Facility (each such test a "Committed Capacity Test") shall be performed in accordance with the procedures set forth in Section 6. The Demonstration Period for the first Committed Capacity Test shall commence no earlier than January 1, 2007 and testing must be completed by 11:59 p.m., ~~November 30~~ May 31, 2009. The first Committed Capacity Test shall not be successfully completed unless the Facility demonstrates a Capacity of at least one hundred percent (100%) of the Committed Capacity set forth in Section 5.2. Subject to Section 6.1, the REP may schedule and perform up to three (3) Committed Capacity Tests to satisfy the requirements of the Contract with respect to the first Committed Capacity Test.
- 5.4 In addition to the first Committed Capacity Test, PEF shall have the right to require the REP, by notice thereto, to validate the Committed Capacity by means of a Committed Capacity Test at any time, up to six (6) times per year, the results of which shall be provided to PEF within seven (7) calendar days of the conclusion of such test. On and after the date of such requested Committed Capacity Test, and until the completion of a subsequent Committed Capacity Test, the Committed Capacity shall be set at the lower of the Capacity tested or the Committed Capacity as set forth in Section 5.2.
- 5.5 Notwithstanding anything contrary to the terms hereof, the Committed Capacity may not exceed the amount set forth in Section 5.2 without the consent of PEF, which consent shall be granted in PEF's sole discretion.
- 5.6 The "Capacity Delivery Date" shall be defined as the first calendar day immediately following the date of the Facility's successful completion of the first Committed Capacity Test.
- 5.7 In no event shall PEF make capacity payments to the REP prior to the Capacity Delivery Date
- 5.8 The REP shall be entitled to receive capacity payments beginning on the Capacity Delivery Date, provided the Capacity Delivery Date occurs on or after January 1, 2007 and on or before ~~December~~ June 1, 2009 (or such later date permitted by PEF)

pursuant to the following sentence). If the Capacity Delivery Date does not occur on or before ~~December~~ June 1, 2009, PEF shall immediately be entitled to draw down the Completion/Performance security in full.

6. Testing Procedures

- 6.1 The Committed Capacity Test must be completed successfully within a sixty-hour period (the "Demonstration Period"), which period, including the approximate start time of the Committed Capacity Test, shall be selected and scheduled by the REF by means of a written notice to PEF delivered at least thirty (30) calendar days prior to the start of such period. The provisions of the foregoing sentence shall not apply to any Committed Capacity Test ordered by PEF under any of the provisions of this Contract. PEF shall have the right to be present onsite to monitor firsthand any Committed Capacity Test required or permitted under this Contract.
- 6.2 The Committed Capacity Test results shall be based on a test period of twenty-four (24) consecutive hours (the "Committed Capacity Test Period") at the highest sustained net kW rating at which the Facility can operate without exceeding the design operating conditions, temperature, pressures, and other parameters defined by the applicable manufacturer(s) for steady state operations at the Facility. The Committed Capacity Test Period shall commence at the time designated by the REP pursuant to Section 6.1 or at such time requested by PEF pursuant to Section 5.4; provided, however, that the Committed Capacity Test Period may commence earlier than such time in the event that PEF is notified of, and consents to, such earlier time.
- 6.3 Normal station service use of unit auxiliaries, including, without limitation, cooling towers, heat exchangers, and other equipment required by law, shall be in service during the Committed Capacity Test Period.
- 6.4 The Capacity of the Facility (the "Capacity") shall be the minimum average hourly net capacity (generator output minus auxiliary) measured over the Committed Capacity Test Period.
- 6.5 The Committed Capacity Test shall be performed according to standard industry testing procedures for the appropriate technology of the REP.
- 6.6 The results of any Committed Capacity Test, including all data related to Facility operation and performance during testing, shall be submitted to PEF by the REP within seven (7) calendar days of the conclusion of the Committed Capacity Test. The REP shall certify that all such data is accurate and complete.

7. Payment for Electricity Produced by the Facility

7.1 Energy

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

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

7.2 Capacity

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

7.3 Payments for Energy and Capacity

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

8. Electricity Production and Plant Maintenance Schedule

8.1 No later than sixty (60) calendar days prior to the Capacity Delivery Date, and prior to October 1 of each calendar year thereafter during the term of this Contract, the REP shall submit to PEF in writing a detailed plan of the amount of electricity to be generated by the Facility and delivered to PEF for each month of the following calendar year, including the time, duration and magnitude of any scheduled maintenance period(s) or reductions in Capacity.

8.2 By October 31 of each calendar year, PEF shall notify the REP in writing whether the requested scheduled maintenance periods in the detailed plan are acceptable. If PEF does not accept any of the requested scheduled maintenance periods, PEF shall advise the REP of the time period closest to the requested period(s) when the outage(s) can be scheduled. The REP shall only schedule outages during periods

approved by PEF, and such approval shall not be unreasonably withheld. Once the schedule for the detailed plan has been established and approved, either Party requesting a subsequent change in such schedule, except when such change is due to Force Majeure, must obtain approval for such change from the other Party. Such approval shall not be unreasonably withheld or delayed. Scheduled maintenance outage days shall be limited to twenty-one (21) days per calendar year. In no event shall maintenance periods be scheduled during the following periods: June 1 through September 15 and December 1 through and including February 28 (or 29th as the case may be).

8.3 The REP shall comply with reasonable requests by PEF regarding day-to-day and hour-by-hour communication between the Parties relative to electricity production and maintenance scheduling.

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

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

8.5 Dispatch and Control

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

8.5.2 The REP shall operate the Facility with all system protective equipment in service whenever the Facility is connected to, or is operated in parallel with, PEF's system, except for normal testing and repair in accordance

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

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

9. Completion/Performance Security

- 9.1** As security for the achievement of the Capacity Delivery Date and satisfactory performance of its obligations hereunder, the REP shall provide PEF either: (a) an unconditional, irrevocable, direct-pay letter(s) of credit in effect through the first

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

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

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

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

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

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

9.4 If an Event of Default has not occurred and the REP fails to achieve the Capacity Delivery Date on or before ~~December~~ June 1, 2009, PEF shall be entitled immediately to receive, draw upon, or retain, as the case may be, one-hundred percent (100%) of the Completion/Performance Security. The Parties acknowledge that the injury that PEF will suffer as a result of delayed availability of Committed Capacity and energy is difficult to ascertain and that PEF may accept such sums as liquidated damages or resort to any other remedies which may be available to it under law or in equity. If the Capacity Delivery Date is achieved on or before ~~December~~ June 1, 2009, then the REP shall be entitled to reduce the amount of the Completion/Performance Security to an amount equal to \$15.00 per kW (for the number of kW set forth in Section 5.2).

9.6 In the event that PEF requires the REP to perform one or more Committed Capacity Test(s) at any time pursuant to Section 5.4 and, in connection with any such Committed Capacity Test(s), the REP fails to demonstrate a Capacity of at least one-hundred percent (100%) of the Committed Capacity set forth in Section 5.2, PEF shall be entitled immediately to receive, draw upon, or retain, as the case may be, one-hundred percent (100%) of the then-remaining amount of the Completion/Performance Security.

10. Termination Fee

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

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

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

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

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

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

11. Performance Factor

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

12. Default

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

- (a) The REP changes or modifies the Facility from that provided in Section 1 with respect to its type, location, technology or fuel source, without the prior written approval of PEF;
- (b) After the Capacity Delivery Date, the Facility fails for twelve (12) consecutive months to maintain an Annual Capacity Billing Factor, as described in Appendix A, of at least seventy percent (70%);
- (c) The REP fails to satisfy its obligations to maintain sufficient fuel on the site of the Facility to deliver the capacity and energy associated with the Committed Capacity for an uninterrupted seventy-two-(72) hour period under Section 8.5.6 hereof;
- (d) The REP fails to provide the Completion and Performance Security and the Termination Fee and to comply with any of the provisions of Sections 9 and 10 hereof;

- (e) The REP, or the entity which owns or controls the REP, ceases the conduct of active business; or if proceedings under the federal bankruptcy law or insolvency laws shall be instituted by or for or against the REP or the entity which owns or controls the REP; or if a receiver shall be appointed for the REP or any of its assets or properties, or for the entity which owns or controls the REP; or if any part of the REP's assets shall be attached, levied upon, encumbered, pledged, seized or taken under any judicial process, and such proceedings shall not be vacated or fully stayed within thirty (30) calendar days thereof; or if the REP shall make an assignment for the benefit of creditors, or admit in writing its inability to pay its debts as they become due;
- (g) The REP fails to give proper assurance of adequate performance as specified under this Contract within thirty (30) calendar days after PEF, with reasonable grounds for insecurity, has requested in writing such assurance;
- (h) The REP fails to achieve licensing, certification, and all federal, state and local governmental, environmental, and licensing approvals required to initiate construction of the Facility by no later than ~~December~~ June 1, 2008;
- (i) The REP fails to comply with the provisions of Section 18.3 hereof;
- (j) Any of the representations or warranties made by the REP in this Contract is false or misleading in any material respect as of the time made;
- (k) If, at any time after the Capacity Delivery Date, the REP reduces the Committed Capacity due to an event of Force Majeure and fails to repair the Facility and reset the Committed Capacity to the level set forth in Section 5.2 (as such level may be reduced by Section 5.4) within twelve (12) months following the occurrence of such event of Force Majeure;
- (l) The REP breaches any material provision of this Contract not specifically mentioned in this Section 12.

13. PEF's Rights in the Event of Default

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

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

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

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

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

14. Indemnification

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

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

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

15 Insurance

15.1 The REP shall procure or cause to be procured and shall maintain throughout the entire term of this Contract, a policy or policies of liability insurance issued by an

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

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

16. Force Majeure

Force Majeure is defined as an event or circumstance that is not reasonably foreseeable, is beyond the reasonable control of and is not caused by the negligence or lack of due diligence of the affected Party or its contractors or suppliers. Such events or

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

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

- 16.5 If the Facility is rendered completely inoperative as a result of Force Majeure, the REP shall temporarily set the Committed Capacity equal to 0 kW until such time as the Facility can partially or fully operate at the Committed Capacity that existed prior to the Force Majeure. If the Committed Capacity is 0 kW, PEF shall have no obligation to make Capacity Payments hereunder.
- 16.6 If, at any time during the occurrence of an event of Force Majeure or during its cure, the Facility can partially or fully operate, then the REP shall temporarily set the Committed Capacity at the maximum capability that the Facility can reasonably be expected to operate.
- 16.7 Upon the cessation of the event of Force Majeure or the conclusion of the cure for the event of Force Majeure, the Committed Capacity shall be restored to the Committed Capacity that existed immediately prior to the Force Majeure. Notwithstanding any other provisions of this Contract, upon such cessation or cure, PEF shall have right to require a Committed Capacity Test to demonstrate the Facility's compliance with the requirements of this section 16.7. Any Committed Capacity Test required by PEF under this Section shall be additional to any Committed Capacity Test under Section 5.4.
- 16.8 During the occurrence of an event of Force Majeure and a reduction in Committed Capacity under Section 16.4 all Monthly Capacity Payments shall reflect, pro rata, the reduction in Committed Capacity, and the Monthly Capacity Payments will continue to be calculated in accordance with the pay-for-performance provisions in Appendix A.
- 16.9 The REP agrees to be responsible for and pay the costs necessary to reactivate the Facility and/or the interconnection with PEF's system if the same is (are) rendered inoperable due to actions of the REP, its agents, or Force Majeure events affecting the REP, the Facility or the interconnection with PEF. PEF agrees to reactivate, at its own cost, the interconnection with the Facility in circumstances where any interruptions to such interconnections are caused by PEF or its agents.

17. Representations, Warranties, and Covenants of REP

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

17.1 Organization, Standing and Qualification

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

qualified or licensed would impair its ability to perform its obligations under this Contract or would result in a material liability to or would have a material adverse effect on PEF.

17.2 Due Authorization, No Approvals, No Defaults

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

17.3 Compliance with Laws

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

17.4 Governmental Approvals

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

17.5 No Suits, Proceedings

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

17.6 Environmental Matters

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

18. General Provisions

18.1 Project Viability

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

18.2 Permits

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

18.3 Project Management

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



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

18.4 Assignment

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

18.5 Disclaimer

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

18.6 Notification

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

For the REP:

For PEF:

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

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

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

Attention: Cogeneration Manager BT 9G

18.7 Applicable Law

ISSUED BY: Lori Cross, Manager, Regulatory Services - Florida
EFFECTIVE:

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

18.8 Taxation

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

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

18.10 Severability

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

18.11 Complete Agreement and Amendments

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

18.12 Survival of Contract

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

18.13 Record Retention

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

18.14 No Waiver

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

18.15 Set-Off

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



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

REP

PROGRESS ENERGY FLORIDA, INC.

Signature

Signature

Print Name

Print Name

Title

Title

Date

Date

**APPENDIX A
TO
PROGRESS ENERGY FLORIDA
RENEWABLE OR QUALIFYING FACILITY STANDARD OFFER CONTRACT
RATE SCHEDULE REN**

SCHEDULE

REN, Firm Capacity and Energy

AVAILABLE

PEF will, under the following:

- A. In the event that the Annual Capacity Billing Factor ("ACBF"), as defined below, is less than 50%, then no Monthly capacity Payment shall be due. That is:

$$\text{MCP} = 0$$

- B. In the event that the ACBF is equal to or greater than 50% but less than 89%, then the Monthly Capacity Payment shall be calculated by using the following formula:

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

- C. In the event that the ACBF is equal to or greater than 89%, then the Monthly Capacity Payment shall be calculated by using the following formula:

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

Where:

- MCP = Monthly Capacity Payment in dollars.
- BCP = Base Capacity Payment in \$/kW/Month as specified in PEF's Rate Schedule REN.
- CC = Committed Capacity in kW.
- ACBF = Annual Capacity Billing Factor. This factor is calculated using the 12 month rolling average of the Monthly Capacity Factor. This 12 month rolling average shall be defined as the electric energy actually received by PEF for the 12 consecutive months preceding the date of calculation excluding any energy received during an event of Force Majeure in which the Committed Capacity is temporarily set equal to 0 kW, divided by the product of the Committed Capacity and the number of

hours in the 12 consecutive months preceding the date of calculation excluding the hours during an event of Force Majeure in which the Committed Capacity is temporarily set equal to 0 kW. If an event of Force Majeure occurs during the 12 consecutive months preceding the date of calculation in which the Committed Capacity is temporarily set to a value greater than 0 kW then the 12 month rolling average will be pro-rated accordingly. During the first 12 consecutive Monthly Billing Periods commencing with the first Monthly Billing Period in which Capacity payments are to be made, the calculation of 12-month rolling average Annual Capacity Billing Factor shall be performed as follows (a) during the first Monthly Billing Period, the Annual Capacity Billing Factor shall be equal to the Monthly Capacity Factor; (b) thereafter, the calculation of the Annual Capacity Billing Factor shall be computed by electric energy actually received by PEF for the number of full consecutive months preceding the date of calculation excluding any energy received during an event of Force Majeure in which the Committed Capacity is temporarily set equal to 0 kW, divided by the product of the Committed Capacity and the number of hours in the number of full consecutive months preceding the date of calculation excluding the hours during an event of Force Majeure in which the Committed Capacity is temporarily set equal to 0 kW. If an event of Force Majeure occurs during the months preceding the date of calculation in which the Committed Capacity is temporarily set to a value greater than 0 kW then the 12 month rolling average will be pro-rated accordingly. This calculation shall be performed at the end of each Monthly Billing Period until enough Monthly Billing Periods have elapsed to calculate a true 12-month rolling average Annual Capacity Billing Factor.

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

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

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

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

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

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

where

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

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

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

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

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

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

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

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

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

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

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

I. FACILITY DESCRIPTION

- Project Name
- Project Location

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

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

- Contact Person

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

II. PROJECT PARTICIPANTS

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

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

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

III. FUEL SUPPLY

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

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

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

- Provide a summary of the status of the fuel transportation arrangements in place to meet the AFTR in each year of the proposed operating life of the Facility. Use the categories below to describe the current arrangement for securing the AFTR.
 - owned = fuel transport via a fully developed system owned by one or more of the project participants
 - contract = fully executed firm transportation contract exists between the developer(s) and fuel transporter(s)
 - LOI = a letter of intent for fuel transport exists between developer(s) and fuel transporter(s)
 - spot = fuel transportation will be purchased on the spot market
 - none = no firm fuel transportation arrangement currently in place
 - other = fuel transportation arrangement which does not fit any of the above categories (please describe)
- Provide the maximum, minimum and average fuel inventory levels to be maintained for primary and secondary fuels at the Facility site. List the assumptions used in determining the inventory levels.
- Provide information regarding REP's plans to maintain sufficient on site fuel to deliver capacity and energy for an uninterrupted seventy-two (72) hour period.

IV. PLANT DISPATCHABILITY/CONTROLLABILITY

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

V. SITING AND LICENSING

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

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

VI. FACILITY DEVELOPMENT AND PERFORMANCE

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

VII. FINANCIAL

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

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

- Other Project Information

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

- Permanent Financing

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

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

APPENDIX D
TO
PROGRESS ENERGY FLORIDA RENEWABLE OR QUALIFYING FACILITY
STANDARD OFFER CONTRACT
RATE SCHEDULE REN

SCHEDULE

REN, Firm Capacity and Energy from a Renewable Energy Provider

AVAILABLE

PEF will, under the provisions of this Schedule and PEF's Renewable or Qualifying Facility Standard Offer Contract for the Purchase of Firm Capacity and Energy from a Renewable Energy Provider ("Renewable or Qualifying Facility Standard Offer Contract") to which this Appendix is attached and incorporated into by reference, purchase firm capacity and energy offered by a Renewable Provider as defined in the contract. PEF's obligation to contract to purchase firm capacity from such Renewable Providers by means of this schedule and the Renewable or Qualifying Facility Standard Offer Contract will continue only as long as, and the extent that, the ~~20-MW~~ subscription limit is not exceeded and, in any event, no later than ~~June~~ April 1, 2006 unless extended by the FPSC. PEF's obligation to purchase firm capacity by means of this rate schedule and the Renewable or Qualifying Facility Standard Offer Contract from REPs locating north of the latitude of PEF's Central Florida Substation is conditioned upon PEF being able to acquire import capability to replace that amount of Florida-Southern Interface import capability lost as a result of the location of the Facility.

APPLICABLE

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

CHARACTER OF SERVICE

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

LIMITATION

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

- A. Are defined in the Renewable or Qualifying Facility Standard Offer Contract;
- B. Execute a Renewable or Qualifying Facility Standard Offer Contract;
- C. Provide capacity which would not result in the ~~20 MW~~ capacity subscription limit for PEF to be exceeded.

RATES FOR PURCHASES BY PEF

Firm Capacity and Energy are purchased at unit cost, in dollars per kilowatt per month and cents per kilowatt-hour, respectively, based on the value of deferring additional capacity required by PEF. For the purpose of this Schedule, an Avoided Unit has been designated by PEF. PEF's next Avoided Unit has been identified as a ~~20-1279 MW portion-repower of a 528 MW combined cycle unit~~ PEF's Bartow facility with an in-service date of ~~November~~ June 1, 2009, Schedule 1 to this Appendix describes the methodology used to calculate payment schedules, general terms, and conditions applicable to PEF's Renewable or Qualifying Facility Standard Offer Contract filed and approved pursuant to FPSC Rules 25-17.080 through 25-17.091, F.A.C.

A. Firm Capacity Rates

Four options, A through D, as set forth below, are available for payments of firm capacity that is produced by a REP and delivered to PEF. Once selected, an option shall remain in effect for the term of the Renewable or Qualifying Facility Standard Offer Contract with PEF. Exemplary payment schedules, shown below, contain the monthly rate per kilowatt of Firm Capacity which the REP has contractually committed to deliver to PEF and are based on a contract term which extends through ~~November 30~~ May 31, 2019. Payment schedules for other contract terms will be made available to any REP upon request and may be calculated based on the methodologies described in Schedule 1. The currently approved parameters used to calculate the following schedule of payments are found in Schedule 2 to this Appendix.

Option A - Fixed Value of Deferral Payments - Normal Capacity

Payment schedules under this option are based on the value of a year-by-year deferral of PEF's Avoided Unit with an in-service date of ~~November~~ June 1, 2009, calculated in accordance with FPSC Rule 25-17.0832, F.A.C., as described in Schedule 1. Once this option is selected, the current schedule of payments shall remain fixed and in effect throughout the term of the Renewable or Qualifying Facility Standard Offer Contract. The payment schedule for this option follows the description of Option D.

Option B - Fixed Value of Deferral Payments - Early Capacity

Payment schedules under this option are based upon the early capital cost component of the value of a year-by-year deferral of PEF's Avoided Unit. The term "early" with

respect to Option B means that these payments can start as early as four years prior to the anticipated in-service date of PEF's Avoided Unit; provided, however, that under no circumstances may payments begin before this REP is delivering firm capacity and energy to PEF pursuant to the terms of the Renewable or Qualifying Facility Standard Offer Contract. When this option is selected, the capacity payments shall be made monthly commencing no earlier than the Capacity Delivery Date of the REP and calculated as shown on Schedule 1. Capacity Payments under Option B do not result in a prepayment or create a future benefit.

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

Option C - Fixed Value of Deferral Payment - Levelized Capacity

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

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

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



EXAMPLE MONTHLY CAPACITY PAYMENT IN \$/KW/MONTH
 PEF'S 2009 ~~COMBINED CYCLE BARTOW REPOWERING AVOIDED UNIT (20 MW)~~
 RENEWABLE OR QUALIFYING FACILITY STANDARD OFFER CONTRACT AVOIDED CAPACITY
 PAYMENTS

(\$/KW/MONTH)

Contract Year	Option A	Option B	Option C	Option D
	Normal Capacity Payment Starting 01/06/01/20082009	Early Capacity Payment Starting 01/01/2007	Levelized Capacity Payment Starting 01/06/01/20082009	Early Levelized Capacity Payment Starting 01/01/2007
2007	-	3,243.44	-	3,463.82
2008	-	3,333.52	-	3,463.83
2009	5,064.63	3,413.61	5,285.06	3,473.83
2010	5,184.75	3,493.70	5,295.07	3,473.84
2011	5,314.87	3,583.79	5,305.08	3,483.85
2012	5,454.99	3,673.89	5,305.09	3,483.86
2013	5,585.12	3,763.99	5,315.10	3,483.87
2014	5.24	4.09	5.11	3.87
2015	5.37	4.19	5.13	3.88
2016	5.51	4.29	5.14	3.89
2017	5.65	4.40	5.15	3.90
2018	5.79	4.51	5.16	3.91

B. Energy Rates

Payments Prior to January June 1, 2009

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

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

Payments Starting on January June 1, 2009

The calculation of payments to the REP for energy delivered to PEF on and after January June 1, 2008 2009 shall be the sum, over all hours of the Monthly Billing Period, of the product of (a) each hour's Firm Energy Rate (¢/kWh); and (b) the amount of energy (kWh) delivered to PEF from the Facility during that hour.

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



The firm energy rate shall be, on an hour-by-hour basis, PEF's Avoided Unit Energy Cost. For any other period during which energy is delivered by the REP to PEF, the Firm Energy Rate in cents per kilowatt hour (¢/kWh) shall be the following on an hour-by-hour basis: the lesser of (a) the as-available energy rate calculated by PEF in accordance with FPSC Rule 25-17.0825, F.A.C., and PEF's Rate Schedule COG-1, as they may each be amended from time to time and (b) PEF's Avoided Unit Energy Cost. PEF's Avoided Unit Energy Cost, in cents per kilowatt - hour (¢/kWh) shall be defined as the product of (a) the Avoided Unit Gas Cost and (b) an average annual heat rate of 7,236 BTU per kilowatt hour; plus (c) an additional 0.250¢ per kilowatt hour in mid-2009 dollars for variable operation and maintenance expenses which will be escalated based on CPI-U.

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

ESTIMATED AS-AVAILABLE ENERGY COST

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

<u>Applicable Period</u>	<u>On Peak ¢/KWH</u>	<u>Off Peak ¢/KWH</u>	<u>Average ¢/KWH</u>
October 1, 2005 - March 31, 2006	5.5	4.4	7.14.9
April 1, 2006 - September 30, 2006	7.7	4.1	9.65.7
October 1, 2006 - March 31, 2007	4.9	3.8	8.34.3
April 1, 2007 - September 30, 2007	7.2	3.9	9.25.4

ESTIMATED UNIT FUEL COST

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

\$/MMBTU

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

DELIVERY VOLTAGE ADJUSTMENT

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



ESTIMATED UNIT FUEL COST

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

S/MMBTU

2007	2008	2009	2010	2011	2012	2013	2014	2015
<u>11.56</u>	<u>11.39</u>	<u>8.32</u>	<u>8.69</u>	<u>8.80</u>	<u>8.75</u>	<u>8.66</u>	<u>8.58</u>	<u>8.93</u>
7.07	6.38	6.80	7.31	7.14	7.05	6.99	6.90	6.79

DELIVERY VOLTAGE ADJUSTMENT

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

<u>Delivery Voltage</u>	<u>Adjustment Factor</u>
Transmission Voltage Delivery	<u>1.0202</u>
Primary Voltage Delivery	<u>1.0317</u>
Secondary Voltage Delivery	<u>1.0656</u>

PERFORMANCE CRITERIA

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

A. Capacity Delivery Date

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

B. Availability and Capacity Factor

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

METERING REQUIREMENTS

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

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

BILLING OPTIONS

A REP, upon entering into a Renewable Standard Offer Contract for the sale of firm capacity and energy or prior to delivery of as available energy, may elect to make either simultaneous purchases from and sales to PEF, or net sales to PEF; provided, however, that no such arrangement shall cause the REP to sell more than the Facility's net output. A decision on billing methods may only be changed: 1) when a REP selling as available energy enters into a Renewable Standard Offer Contract for the sale of firm capacity and energy; 2) when a Renewable Standard Offer Contract expires or is lawfully terminated by either the REP or PEF; 3) when the REP is selling as available energy and has not changed billing methods within the last twelve months; 4) when the election to change billing methods will not contravene the provisions of rule 25-17.0832 or a contract between the REP and PEF.

ISSUED BY: Lori Cross, Manager, Regulatory Services - Florida
 EFFECTIVE:



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

BILLING OPTIONS

A REP, upon entering into a Renewable or Qualifying Facility Standard Offer Contract for the sale of firm capacity and energy or prior to delivery of as-available energy, may elect to make either simultaneous purchases from and sales to PEF, or net sales to PEF; provided, however, that no such arrangement shall cause the REP to sell more than the Facility's net output. A decision on billing methods may only be changed: 1) when a REP selling as-available energy enters into a Renewable or Qualifying Facility Standard Offer Contract for the sale of firm capacity and energy; 2) when a Renewable Standard Offer Contract expires or is lawfully terminated by either the REP or PEF; 3) when the REP is selling as-available energy and has not changed billing methods within the last twelve months; 4) when the election to change billing methods will not contravene the provisions of rule 25-17.0832 or a contract between the REP and PEF.

If a REP elects to change billing methods, such changes shall be subject to the following: 1) upon at least thirty days advance written note to PEF; 2) the installation by PEF of any additional metering equipment reasonably required to effect the change in billing and upon payment by the REP for such metering equipment and its installation; and 3) upon completion and approval by PEF of any alteration(s) to the interconnection reasonably required to effect the change in billing and upon payment by the REP for such alteration(s).

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

CHARGES TO RENEWABLE ENERGY PROVIDER

The REP shall be responsible for all applicable charges as currently approved or as they may be approved by the Florida Public Service Commission, including, but not limited to:

A. Retail Service Charges

The REP shall be responsible for all FPSC approved charges for any retail service that may be provided by PEF. The REP shall be billed \$74.42 monthly for the costs of meter reading, billing, and other administrative costs.

B. Interconnection Charge for Non-Variable Utility Expenses

~~The REP shall bear the cost required for interconnection, including the metering. The REP 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 progressively incurred by PEF in installing the interconnection facilities, or (iii) upon a showing of credit worthiness, making equal monthly installment payments over a period no longer than thirty six (36) months toward the full cost of interconnection. In the latter case, PEF shall assess interest at a rate equal to the thirty(30) day highest grade commercial paper rate as published in the Wall Street Journal on the first business day of each month. Such interest shall be compounded monthly.~~

C. Interconnection Charge for Variable Utility Expenses

~~The REP shall be billed monthly for the variable utility expenses associated with the operation, maintenance and repair of the interconnection facilities. These include (a) PEF's inspections of the interconnection facilities and (b) maintenance of any equipment beyond that which would be required to provide normal electric service to the REP if no sales to PEF were involved.~~

~~The REP may pay a monthly charge equal to a percentage of the installed cost of the interconnection facilities. This monthly rate is stated in the Agreement for the Purchase~~



The REP shall bear the cost required for interconnection, including the metering. The REP 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 progressively incurred by PEF in installing the interconnection facilities, or (iii) upon a showing of credit worthiness, making equal monthly installment payments over a period no longer than thirty six (36) months toward the full cost of interconnection. In the latter case, PEF shall assess interest at a rate equal to the thirty(30) day highest grade commercial paper rate as published in the Wall Street Journal on the first business day of each month. Such interest shall be compounded monthly.

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

The REP may pay a monthly charge equal to a percentage of the installed cost of the interconnection facilities. This monthly rate is stated in the Agreement for the Purchase of As-Available Energy and/or Parallel Operation With a Qualifying Facility as filed with the Florida Public Service Commission and may be amended periodically. The current rate is 0.5% per month of the installed cost of the interconnection facilities.

D. Interconnection Charge for REP Locating North of Central Florida Substation

For a REP with a Facility located north of the latitude of PEF's Central Florida Substation, PEF shall perform a study, at REP's expense, to determine the extent to which the amount of power PEF can import over the Florida-Southern Interface is diminished by the location of the Facility north of the Central Florida Substation. REP shall reimburse PEF for the costs of acquiring import capability to replace that amount of capability lost as a result of the location of the Facility.

TERMS OF SERVICE

- A. It shall be the REP's responsibility to inform PEF of any change in its electric generation capability.
- B. Any electric service delivered by PEF to a REP located in PEF's service area shall be subject to the following terms and conditions:
- (1) A REP shall be metered separately and billed under the applicable retail rate schedule(s), whose terms and conditions shall pertain.
 - (2) ~~A security deposit will be required in accordance with FPSC Rules 25-17.082(5) and 25-6.097, F.A.C., and the following:~~
 - (i) ~~In the first year of operation, the security deposit should be based upon the singular month in which the REP's projected purchases from PEF exceed, by the greatest amount, PEF's estimated purchases from the REP. The security deposit should be equal to twice the amount of the difference estimated for that month. The deposit is required upon interconnection.~~
 - (ii) ~~For each year thereafter, a review of the actual sales and purchases between the REP and PEF will be conducted to determine the actual month of maximum difference. The security deposit should be adjusted to equal twice the greatest amount by which the actual monthly purchases by the REP exceed the actual sales in PEF in that month.~~
 - (3) ~~PEF shall specify the point of interconnection and voltage level.~~
 - (4) ~~The REP must enter into an interconnection to PEF's system. Specific features of the REP and its interconnection to PEF's facilities will be considered by PEF in preparing the interconnection agreement.~~
- C. ~~Service under this rate schedule is subject to the rules and regulations of the FPSC.~~

- (2) A security deposit will be required in accordance with FPSC Rules 25-17.082(5) and 25-6.097, F.A.C., and the following:
- (i) In the first year of operation, the security deposit should be based upon the singular month in which the REP's projected purchases from PEF exceed, by the greatest amount, PEF's estimated purchases from the REP. The security deposit should be equal to twice the amount of the difference estimated for that month. The deposit is required upon interconnection.
 - (ii) For each year thereafter, a review of the actual sales and purchases between the REP and PEF will be conducted to determine the actual month of maximum difference. The security deposit should be adjusted to equal twice the greatest amount by which the actual monthly purchases by the REP exceed the actual sales in PEF in that month.
- (3) PEF shall specify the point of interconnection and voltage level.
- (4) The REP must enter into an interconnection to PEF's system. Specific features of the REP and its interconnection to PEF's facilities will be considered by PEF in preparing the interconnection agreement.

C. Service under this rate schedule is subject to the rules and regulations of the FPSC.

**SCHEDULE 1
TO RATE SCHEDULE REN**

CALCULATION OF VALUE OF DEFERRAL PAYMENTS

APPLICABILITY

Schedule 1 provides a detailed description of the methodology used by PEF to calculate the monthly values of deferring or avoiding PEF's Avoided Unit identified in Schedule REN. When used in conjunction with the current FPSC approved cost parameters associated with PEF's Avoided Unit contained in Schedule 2, a REP may determine the applicable value of deferral capacity payment rate associated with the timing and operation of its particular facility should the REP enter into a Renewable Standard Offer Contract with PEF.

Also contained in Schedule 1 is the discussion of the types and forms of surety bond requirements or equivalent assurance for payment of the Termination Fee acceptable to PEF in the event of contractual default by a REP.

CALCULATION OF VALUE OF DEFERRAL OPTION A

FPSC Rule 25-17.0832(5) specifies that avoided capacity costs, in dollars per kilowatt per month, associated with capacity sold to a utility by a REP pursuant to PEF's Renewable Standard Offer Contract shall be defined as the year by year value of deferral of PEF's Avoided Unit. The year by year value of deferral shall be the difference in revenue requirements associated with deferring PEF's 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 valued to the middle of the first year;

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

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

O_n = total fixed operation and maintenance expense for the year n, in mid-year dollars per kilowatt per year, of PEF's Avoided Unit;

**SCHEDULE 1
TO RATE SCHEDULE REN****CALCULATION OF VALUE OF DEFERRAL PAYMENTS****APPLICABILITY**

Schedule 1 provides a detailed description of the methodology used by PEF to calculate the monthly values of deferring or avoiding PEF's Avoided Unit identified in Schedule REN. When used in conjunction with the current FPSC-approved cost parameters associated with PEF's Avoided Unit contained in Schedule 2, a REP may determine the applicable value of deferral capacity payment rate associated with the timing and operation of its particular facility should the REP enter into a Renewable or Qualifying Facility Standard Offer Contract with PEF.

Also contained in Schedule 1 is the discussion of the types and forms of surety bond requirements or equivalent assurance for payment of the Termination Fee acceptable to PEF in the event of contractual default by a REP.

CALCULATION OF VALUE OF DEFERRAL OPTION A

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- 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 valued to the middle of the first year;
- R = $(1 + i_p) / (1 + r)$;
- I_n = total direct and indirect cost, in mid-year dollars per kilowatt including AFUDC but excluding CWIP, of PEF's Avoided Unit with an in-service date of year n, including all identifiable and quantifiable costs relating to the construction for PEF's Avoided Unit which would have been paid had the Unit been constructed;

- O_n = total fixed operation and maintenance expense for the year n, in mid-year dollars per kilowatt per year, of PEF's Avoided Unit;
- i_p = annual escalation rate associated with the plant cost of PEF's Avoided Unit(s);
- i_o = annual escalation rate associated with the operation and maintenance expense of PEF's Avoided Unit(s);
- r = annual discount rate, defined as the utility's incremental after-tax cost of capital;
- L = expected life of PEF's Avoided Unit(s); and
- n = year for which PEF's Avoided Unit(s) (are) deferred starting with its (their) original anticipated in-service date(s) and ending with the termination of PEF's Renewable or Qualifying Facility Standard Offer Contract.

CALCULATION OF FIXED VALUE OF DEFERRAL PAYMENTS - EARLY CAPACITY-OPTION B

Under the fixed value of deferral Option A, payments for firm capacity shall not commence until the in-service date of PEF's Avoided unit(s). At the option of the REP, however, PEF may begin making payments for capacity consisting of the capital cost component of the value of a year-by-year deferral of PEF's Avoided Unit starting as early as three years prior to the anticipated in-service date of PEF's Avoided Unit. When such payments for capacity are elected, the avoided capital cost component of capacity payments shall be paid monthly commencing no earlier than the Capacity Delivery Date of the REP, and shall be calculated as follows:

$$A_M = [A_c (1 + i_p)^{(m-1)} + A_o (1 + i_o)^{(m-1)}] / 12 \quad \text{for } m = 1 \text{ to } t$$

Where:

- A_M = monthly payments to be made to the REP for each month of the contract year n, in dollars per kilowatt per month in which REP delivers capacity pursuant to the early capacity option;
- i_p = annual escalation rate associated with the plant cost of PEF's Avoided Unit(s);
- i_o = annual escalation rate associated with the operation and maintenance expense of PEF's Avoided Unit(s);

- m = year for which the fixed value of deferral payments under the early capacity option are made to a REP, starting in year one and ending in the year t;
- t = the term, in years, of the Renewable Standard Offer Contract:
- $A_c = F [(1 - R) / (1 - R^t)]$

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 PEF's Avoided Unit(s);
- $R = (1 + i_p) / (1 + r)$
- r = annual discount rate, defined as PEF'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 PEF's Avoided Unit(a).
- $R = (1 + i_o) / (1 + r)$

The currently approved parameters applicable to the formulas above are found in Schedule 2.

CALCULATION OF FIXED VALUE OF DEFERRAL PAYMENTS - LEVELIZED AND EARLY LEVELIZED CAPACITY - OPTION C & OPTION D, RESPECTIVELY

Monthly fixed value of deferral payments for levelized and early levelized capacity shall be calculated as follows:

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

Where:

- P_L = the monthly levelized capacity payment, starting on or prior to the in-service date of PEF's Avoided Unit(s):



- 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 PEF's incremental after-tax cost of capital;
- t = the term, in years of the Renewable or Qualifying Facility Standard Offer Contract
- O = the monthly fixed operation and maintenance component of the capacity payments, calculated in accordance with calculation of the fixed value of deferral payments for the levelized capacity or the early levelized capacity options.

RISK-RELATED GUARANTEES

With the exception of governmental solid waste facilities covered by FPSC Rule 25-17.091, FPSC Rule 25-17.0832 paragraph (4)(e)10 requires that, when fixed value or deferral payments - early capacity, levelized capacity, or early levelized capacity are elected, the REP must provide a surety bond or equivalent assurance of securing the payment of a Termination Fee in the event the REP is unable to meet the terms and conditions of its Renewable or Qualifying Facility Standard Offer Contract. Depending on the nature of the REP's operation, financial health and solvency, and its ability to meet the terms and conditions of PEF's Renewable or Qualifying Facility Standard Offer ~~contract~~ Contract, one of the following may constitute an equivalent assurance of payment:

- (1) Bond;
- (2) Cash deposit(s) with PEF;
- (3) Unconditional, irrevocable, direct pay letter of credit;
- (4) Unsecured promise by a municipal, county or state government to repay payment for early or levelized capacity in the event of default, in conjunction with a legally binding commitment from such government allowing the utility to levy a surcharge on either the electric bills of the government's electricity consuming facilities or the constituent electric customers of such government to assure that payments for early or levelized capacity are repaid;
- (5) Unsecured promise by a privately-owned REP to repay payments for early or levelized capacity in the event of default, in conjunction with a legally binding commitment from the owner(s) of the REP, parent company, and/or subsidiary companies located in Florida to assure that payments for early, levelized or early levelized capacity are repaid; or
- (6) Other guarantees acceptable to PEF.

PEF will cooperate with each REP applying for fixed value of deferral payments under the early, levelized or early levelized capacity options to determine the exact form of an "equivalent assurance" for payment of the Termination Fee to be required based on the particular aspects of the REP. PEF will endeavor to accommodate an equivalent assurance of repayment which is in the best interests of both the REP and PEF's ratepayers.

**SCHEDULE 2
TO RATE SCHEDULE REN
CAPACITY OPTION PARAMETERS**

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

Where, for one year deferral:

		<u>Value</u>
VAC_m	= PEF's value of avoided capacity and O&M, in dollars per kilowatt per month, during month m;	\$5.06 <u>\$4.63</u>
K	= present value of carrying charges for one dollar of investment over L years with carrying charges computed using average annual rate base and assumed to be paid at the middle of each year and present valued to the middle of the first year;	1.591 <u>1.539</u>
I_n	= total direct and indirect cost, in mid-year dollars per kilowatt including AFUDC but excluding CWIP, of PEF's Avoided Unit with an in-service date of year n;	\$506.37 <u>\$440.48</u>
O_n	= total fixed operation and maintenance expense, for the year n, in mid-year dollars per kilowatt per year, of PEF's Avoided Unit;	\$2.96 <u>\$4.59</u>
i_p	= annual escalation rate associated with the plant cost of PEF's Avoided Unit;	2.5%
i_o	= annual escalation rate associated with the operation and maintenance expense of PEF's Avoided Unit;	2.5%
r	= annual discount rate, defined as PEF's incremental after-tax cost of capital;	8.31% <u>8.89%</u>
L	= expected life of PEF's Avoided Unit;	25
n	= year for which PEF's Avoided Unit is deferred starting with its original anticipated in-service date and ending with the termination of the Renewable <u>or Qualifying Facility Standard Offer Contract.</u>	2009

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

A_m	= monthly avoided capital cost component of capacity payments to be made to the REP starting as early as two years prior to the anticipated in-service date of PEF's Avoided Unit, in dollars per kilowatt per month;	\$3.24 <u>\$3.44</u>
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i_p	=	annual escalation rate associated with the plant cost of PEF's Avoided Unit;	2.5%
n	=	year for which early capacity payments to a REP are to begin;	2007
F	=	the cumulative present value of the avoided capital cost component of capacity payments which would have been made had capacity payments commenced with the anticipated in-service date of PEF's Avoided Unit and continued for a period of <u>5-10</u> years;	\$188.48 <u>\$305.58</u>
r	=	annual discount rate, defined as PEF's incremental after-tax cost of capital;	8.31% <u>8.89%</u>
t	=	the term, in years, of the <u>Renewable or Qualifying Facility</u> Standard Offer Contract for the purchase of firm capacity commencing prior to the in-service date of PEF's Avoided Unit;	7 <u>12</u>
G	=	the cumulative present value of the avoided fixed operation and maintenance expense component of capacity payments which would have been made had capacity payments commenced with the anticipated in-service date of PEF's Avoided Unit and continued for a period of 5 years.	\$9.65 <u>\$27.47</u>

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

EXHIBIT C

**ECONOMIC AND FINANCIAL ASSUMPTIONS
AND K FACTOR**

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

AFUDC RATE

8.89%

CAPITALIZATION RATIOS

Debt	42.0%
Preferred	0.0%
Equity	58.0%

DISCOUNT RATE

8.89%

RATE OF RETURN

Debt	5.73%
Preferred	0.0%
Equity	11.75%

BOOK DEPRECIATION LIFE

25 Years

INCOME TAX RATE

State	3.58%
Federal	35.0%
Effective	38.58%

TAX DEPRECIATION LIFE

20 Years

OTHER TAXES & INS.

2.00%

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

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

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

PLANT TYPE: Repower Bartow Plant

NET CAPACITY: 1279 MW Combined Cycle Unit

BOOK LIFE: 25 Years

INSTALLED COST (IN-SERVICE YEAR 2008)

TOTAL INSTALLED COST (\$/KW): 440.48

DIRECT CONSTRUCTION COST (\$/KW): 411.61

AFUDC AMOUNT (\$/KW): 31.91

FIXED O & M (\$/KW-YR): 4.59

VARIABLE O & M (¢/KWH) 2.50

ASSUMED CAPACITY FACTOR 54%

K FACTOR 1.539