



ORIGINAL

Florida Power & Light Company, 215 S. Monroe St., Suite 810, Tallahassee, FL 32301

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RECEIVED FPL  
07 MAY -8 PM 3:29  
COMMISSION  
CLERK

May 8, 2007

**VIA HAND DELIVERY**

Ms. Ann Cole, Commission Clerk  
Division of the Commission Clerk and  
Administrative Services  
Florida Public Service Commission  
Betty Easley Conference Center  
2450 Shumard Oak Blvd., Room 110  
Tallahassee, FL 32399-0850

**Re: Docket No. 070234-EQ Petition of Florida Power & Light Company for  
Approval of Renewable Energy Tariff and Standard Offer Contract**

Dear Ms. Cole:

Enclosed for filing on behalf of Florida Power & Light Company ("FPL") are an original and 15 copies of FPL's Amended Petition. Also enclosed is a diskette containing FPL's Amended Petition in Word.

If you have any questions or comments please feel free to call me at (561) 304-5253. Thank you for your consideration in this matter.

Sincerely,

*[Handwritten signature: Bryan S. Anderson]*

Bryan S. Anderson  
Authorized House Counsel No.: 219511

BSA:jp  
Enclosures as indicated  
cc: Tom Ballinger

- CMP \_\_\_\_\_
- COM 5
- CTR \_\_\_\_\_
- ECR 1 *Diskette forwarded to ECR*
- EOI \_\_\_\_\_
- OPC \_\_\_\_\_
- PCA \_\_\_\_\_
- SDR \_\_\_\_\_
- SGA \_\_\_\_\_
- SEC \_\_\_\_\_
- OTH Pers

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FPSC-BUREAU OF RECORDS

DOCUMENT NUMBER-DATE

03857 MAY-8 5

FPSC-COMMISSION CLERK



2. Pleadings, motions, notices, orders or other documents required to be served upon the petitioner or filed by any party to this proceeding should be served upon the following individuals:

William G. Walker, III  
Vice President  
Florida Power & Light Company  
215 South Monroe Street  
Suite 810  
Tallahassee, FL 32301-1859  
(850) 521-3910  
(850) 521-3939 (telecopier)

Bryan S. Anderson  
Senior Attorney  
Florida Power & Light Company  
700 Universe Boulevard  
Juno Beach, Florida 33408-0420  
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3. On February 22, 2007, the Commission issued its Order No. PSC-07-0154-FOF-EI adopting the Amended and New Rules, which, among other matters, require that FPL and other investor-owned utilities file one or more standard offer contracts in compliance with such rules by April 1 of each year. Accordingly, in compliance with the Amended and Revised Rules, FPL previously filed with the Commission its proposed renewable standard offer contract and tariff sheet. FPL's subsequent review of the renewable standard offer contract and tariff sheet disclosed inconsistencies with its Petition previously filed in this matter, which this Amended Petition and attachments address, as described in more detail below.

4. New Rule 25-17.250, F.A.C., requires that a separate standard offer contract shall be based on the next avoidable fossil fueled generating unit of each technology type identified in the utility's Ten-Year Site Plan filed pursuant to Rule 25-22.071, F.A.C. Pursuant to Rule 25-17.250(2), a standard offer contract for each such technology type shall remain open until the utility files a petition for a need determination or commences construction for the unit, among other bases for closure of a standard offer contract.

5. FPL's 2007 Ten-Year Site Plan contains a next avoidable fossil fueled generating unit within the meaning of Section 25-17.250, F.A.C., specifically a 1219 MW combined cycle

unit with an expected in-service date of June 1, 2015. Accordingly, this combined cycle unit is the subject of FPL's renewable standard offer contract.

6. FPL requests approval of its standard offer contract in the proposed format attached to this Petition as Attachment A. The revised standard offer contract in legislative format, highlighting changes from the April 2, 2007 filing is attached as Attachment B. Revised Appendix A of the standard offer contract in its proposed format for approval is attached as Attachment C, and in legislative format highlighting changes from the April 2, 2007 filing as Attachment D. Revised Appendix B of the petition in proposed format is attached as Attachment E, and in legislative format highlighting changes from the April 2, 2007 filing as Attachment F. FPL's Original Tariff Sheet No. 10.350 in proposed format for which FPL seeks Commission approval is attached as Attachment G.

7. Pursuant to Rule 25-17.290, FPL requests that the Commission approve use of an imputed debt equivalent adjustment ("equity adjustment") with respect to computation of the avoided costs to be paid to a renewable generating facility. The execution of a standard offer contract creates a long-term payment obligation for FPL. This payment obligation draws upon the debt capacity of the Company and, other things being equal, must be offset by increasing the ratio of equity in the Company's financing mix. An equity adjustment recognizes the cost of additional equity which is necessary to rebalance the Company's capital structure including the imputed debt.

8. Attached as Attachment H is a recent publication by Standard & Poor's ("S&P") which explains at page 2 how S&P will compute the imputed debt amount associated with purchased power agreements. In its computation of the imputed debt amount, S&P explains that it uses a relative risk scale for purposes of computing imputed debt amounts that depends upon

the regulatory regime under which purchased power costs are recovered. S&P states that “based on the effectiveness of FAC [fuel adjustment clause] mechanisms, we will adjust modestly the risk factor of 30% down to 25%.” Request for Comments: Imputing Debt to Purchased Power Obligations, Standard & Poor’s, Publication Date November 1, 2006, attached as Attachment H, at p. 2. Consistent with S&P’s imputed debt computation approach described in Attachment H, FPL’s computations of avoided costs shown in the exemplar payment schedule in Rate QS-2 have been reduced in order to fairly represent the costs associated with the imputed debt associated with the standard offer contract. FPL requests approval of Rate QS-2, and approval that in preparing any actual schedule of payments with respect to a standard offer contract that it may reduce the avoided cost to be paid to a Qualified Seller in a comparable manner that fairly and accurately reflects the costs associated with imputed debt.

9. On June 28, 2006, the Commission granted FPL a need determination pursuant to Rule 25-22.082 for FPL’s 2400 MW West County Energy Center combined cycle electric generating units in Order No. PSC-06-0555-FOF-EI, Docket No. 060225-EI. On February 1, 2007 FPL filed a petition for a need determination with respect to its proposed 1960 MW FPL Glades Power Park coal-fired generating units. Accordingly, while these units appear in FPL’s 2007 ten year site plan, they do not constitute “avoidable fossil fueled generating units” within the meaning of Rule 25-17.250 Rule and are not subject to standard offer contracts. While a standard offer contract is not submitted for these units for these reasons, FPL remains willing to discuss purchases from renewable facilities with pricing based on units other than the 2015 combined cycle unit described herein, including, but not limited to the FPL Glades Power Park coal-fired generating units.

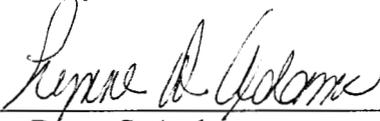
10. As stated in FPL's original petition filed on April 2, 2007, FPL's proposed standard offer contract implements changes required by the Amended and New Rules and clarifies certain existing provisions. The contract also reflects certain updates to other sections, consistent with good commercial practice, including: (i) specification of the electrical "Delivery Point" where delivery is deemed to occur; (ii) specification of acceptable credit ratings for banks issuing letters of credit; (iii) express provision for payment of interest by FPL to a Qualified Supplier that chooses to meet security obligations through deposit of cash collateral; (iv) a mutual limitation on consequential, incidental and indirect damages; and (v) a mutual waiver of jury trial for any court disputes.

11. FPL's proposed revised standard offer contract, attached as Exhibit A, contains the following revisions in comparison with the standard offer contract as originally filed on April 2, 2007: (i) addition of Section 18.9, Waiver of Jury Trial, which had been inadvertently omitted when the standard offer contract was originally filed; and (ii) minor editorial "clean-up" changes. FPL's proposed revised standard offer contract also includes additional language in Section 1(a) clarifying the circumstances under which a renewable energy facility may use fossil fuel.

WHEREFORE, for the foregoing reasons, FPL respectfully requests that the Commission grant FPL's Petition and approve FPL's (i) proposed standard offer contract and its Appendix A in the form attached hereto as Attachments A and C; (ii) Original Tariff Sheet No. 10.350 in the form attached as Attachment G; and (iii) proposed use of an imputed debt equivalent adjustment in connection with computation of avoided costs as provided for in Rule 25-17.290, F.A.C.

Dated: May 8, 2007

Respectfully submitted,

By:   
\_\_\_\_\_  
Bryan S. Anderson

Senior Attorney  
Authorized House Counsel No. 219511  
Florida Power & Light Company  
700 Universe Boulevard  
Juno Beach, Florida 33408-0420  
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## Attachment A

**STANDARD OFFER CONTRACT FOR THE PURCHASE OF  
CAPACITY AND ENERGY FROM A RENEWABLE ENERGY FACILITY OR A  
QUALIFYING FACILITY WITH A DESIGN CAPACITY OF 100 KW OR LESS  
(2015 AVOIDED UNIT)**

THIS CONTRACT is made and entered this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, by and between \_\_\_\_\_ (herein after “Qualified Seller” or “QS”) a corporation/limited liability company organized and existing under the laws of the State of \_\_\_\_\_ and owner of a Renewable Energy Facility as defined in section 25-17.210 (1) F.A.C. or a Qualifying Facility with a design capacity of 100 KW or less as defined in section 25-17.250, and Florida Power & Light Company (hereinafter “FPL”) a corporation organized and existing under the laws of the State of Florida. The QS and FPL shall be jointly identified herein as the “Parties”. This Contract contains five Appendices; Appendix A, QS-2 Standard Rate for Purchase of Capacity and Energy; Appendix B, Pay for Performance Provisions; Appendix C, Termination Fee; Appendix D, Detailed Project Information and Appendix E, contract options to be selected by QS.

**WITNESSETH:**

WHEREAS, the QS desires to sell, and FPL desires to purchase, firm capacity and energy to be generated by the QS consistent with the terms of this Contract, Section 366.91, Florida Statutes, and/or Florida Public Service Commission (“FPSC”) Rules 25-17.082 through 25-17.091, F.A.C. and FPSC Rules 25-17.200 through 25.17.310.F.A.C.

WHEREAS, the QS has signed an interconnection agreement with FPL (the “Interconnection Agreement”), or it has entered into valid and enforceable interconnection/transmission service agreement(s) with the utility (or those utilities) whose transmission facilities are necessary for delivering the firm capacity and energy to FPL (the “Wheeling Agreement(s)”);

WHEREAS, the FPSC has approved the form of this Standard Offer Contract for the Purchase of Firm Capacity and Energy from a Renewable Energy Facility or a Qualifying Facility with a design capacity of 100 KW or less; and

WHEREAS, the Facility is capable of delivering firm capacity and energy to FPL for the term of this Contract in a manner consistent with the provisions of this Contract; and

WHEREAS, Section 366.91(3), Florida Statutes, provides that the “prudent and reasonable costs associated with a QS energy contract shall be recovered from the ratepayers of the contracting utility, without differentiating among customer classes, through the appropriate cost-recovery clause mechanism” administered by the FPSC.

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

**1. QS Facility**

The QS 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 an 85% lagging to 85% 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)	
Type of Facility (Hydrogen produced from sources other than fossil fuels, biomass as defined in Section 25-17.210 (2) F.A.C. , solar energy, geothermal energy, wind energy, ocean energy, hydroelectric power, waste heat from sulfuric acid manufacturing operations: or <100KW cogenerator)	
Technology	
Fuel Type and Source	
Generator Rating (KVA)	
Maximum Capability (KW)	
Minimum Load	
Peaking Capability	
Net Output (KW)	
Power Factor (%)	
Operating Voltage (kV)	
Peak Internal Load KW	

The following sections (a) through (e) are applicable to Renewable Energy Facilities ("REFs") and section (f) is only applicable to Qualifying Facilities with a design capacity of 100 KW or less:

- (a) If the QS is a REF, the QS represents and warrants that the sole source(s) of fuel or power used by the Facility to produce energy for sale to FPL during the term of this Contract shall be such sources as are defined in and provided for pursuant to Sections 366.91(2) (a) and (b), Florida Statutes, and FPSC Rules 25-17.210(1) and (2), F.A.C. Fossil fuels must be limited to the minimum quantities necessary for start-up, shut-down and for operating stability at minimum load. The REF must be capable of generating the amount of capacity pursuant to Section 5 of this Agreement without the use of fossil fuels.
- (b) The Parties agree and acknowledge that if the QS is a REF, the QS will not charge for, and FPL shall have no obligation to pay for, any electrical

energy produced by the Facility from a source of fuel or power except as specifically provided for in paragraph 1(a) above.

- (c) If the QS is a REF, the QS shall, on an annual basis and within thirty (30) days after the anniversary date of this Contract, deliver to FPL a report certified by an officer of the QS: (i) stating the type and amount of each source of fuel or power used by the QS to produce energy during the twelve month period prior to the anniversary date (the "Contract Year"); and (ii) verifying that one hundred percent (100%) of all energy sold by the QS to FPL during the Contract Year complies with Sections 1(a) and (b) of this Contract.
- (e) If the QS is a REF, the QS represents and warrants that the Facility meets the renewable energy requirements of Section 366.91(2)(a) and (b), Florida Statutes, and FPSC Rules 25-17.210(1) and (2), F.A.C., and that the QS shall continue to meet such requirements throughout the term of this Contract. FPL shall have the right at all times to inspect the Facility and to examine any books, records, or other documents of the QS that FPL deems necessary to verify that the Facility meets such requirements.
- (f) The Facility (i) has been certified or has self-certified as a "qualifying facility" pursuant to the Regulations of the Federal Energy Regulatory Commission ("FERC"), or (ii) has been certified by the FPSC as a "qualifying facility" pursuant to Rule 25-17.080(1). A QS that is a qualifying facility with a design capacity of less than 100 KW shall maintain the "qualifying status" of the Facility throughout the term of this Contract. FPL shall have the right at all times to inspect the Facility and to examine any books and records or other documents of the Facility that FPL deems necessary to verify the Facility's qualifying status. On or before March 31 of each year during the term of this Contract, the QS shall provide to FPL a certificate signed by an officer of the QS certifying that the Facility has continuously maintained qualifying status.

## **2. Term of Contract**

Except as otherwise provided herein, this Contract shall become effective immediately upon its execution by the Parties and shall have the termination date stated in Appendix E, unless terminated earlier in accordance with the provisions hereof. Notwithstanding the foregoing, if the Capacity Delivery Date (as defined in Section 5.5) of the Facility is not accomplished by the QS before June 1, 2015, or such later date as may be permitted by FPL pursuant to Section 5 of this Contract, FPL will be permitted to terminate this Contract consistent with the terms herein without further obligations, duties or liability to the QS.

## **3. Minimum Specifications**

The following minimum specifications pertaining to this Contract:

1. The avoided unit ("Avoided Unit") on which this Contract is based is a 1219 MW combined cycle unit.

2. This offer shall expire on April 1, 2008.

3. The date by which firm capacity and energy deliveries from the QS to FPL shall commence is June 1, 2015 (or such later date as may be permitted by FPL pursuant to Section 5 of this contract) unless the QS chooses a capacity payment option that provides for early capacity payments pursuant to the terms of this contract.

4. The period of time over which firm capacity and energy shall be delivered from the QS to FPL is as specified in Appendix E; provided, such period shall be no less than a minimum of ten (10) years after the in-service date of the Avoided Unit.

5. The following are the minimum performance standards for the delivery of firm capacity and energy by the QS to qualify for full capacity payments under this Contract:

	On Peak *	All Hours
Availability	97.0%	97.0%

\* QS Performance and On Peak hours shall be as measured and/or described in FPL's Rate Schedule QS-2 attached hereto as Appendix A

#### **4. Sale of Energy and Capacity by the QS**

4.1 Consistent with the terms hereof, the QS shall sell and deliver to FPL at the Delivery Point (defined below) and FPL shall purchase and receive from the QS all of the energy and capacity generated by the Facility. FPL shall have the sole and exclusive right to purchase all energy and capacity produced by the Facility. The purchase and sale of energy and capacity 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 QS to sell more energy and capacity than the Facility's net output. The billing methodology may be changed at the option of the QS, subject to the provisions of FPL Rate Schedule QS-2. For purposes of this Contract, Delivery Point shall be defined as either: (i) the point of interconnection between FPL's system and the transmission system of the final utility transmitting energy and capacity from the Facility to the FPL system, as specifically described in the applicable Wheeling Agreement, or (ii) the point of interconnection between the Facility and FPL's transmission system, as specifically described in the Interconnection Agreement.

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

4.3 The QS shall be responsible for all costs, charges and penalties associated with the operation of the Facility.

## **5. Committed Capacity/Capacity Delivery Date**

5.1 The QS commits to sell capacity to FPL at the Delivery Point, the amount of which shall be determined in accordance with this Section 5 (the "Committed Capacity"). Subject to Section 5.3 the Committed Capacity is set at \_\_\_\_\_ KW, with an expected Capacity Delivery Date no later than June 1, 2015.

5.2 Testing of the capacity of the Facility (each such test, a "Committed Capacity Test") shall be performed in accordance with the procedures set forth in Section 6. The Demonstration Period (defined herein) for the first Committed Capacity Test shall commence no earlier than six (6) months prior to the commencement date for deliveries of firm capacity and energy (as such is specified in Appendix E) and testing must be completed by 11:59 p.m., May 31, 2015. The first Committed Capacity Test shall be deemed successfully completed when the QS demonstrates to FPL's satisfaction that the Facility can make available capacity of at least one hundred percent (100%) of the Committed Capacity set forth in Section 5.1. Subject to Section 6.1, the QS may schedule and perform up to three (3) Committed Capacity Tests to satisfy the capacity requirements of the Contract.

5.3 FPL shall have the right to require the QS, by notice thereto, to validate the Committed Capacity of the Facility by means of subsequent Committed Capacity Tests as follows: a) once per each Summer period and once per each Winter period at FPL's sole discretion, b) at any time the QS is unable to comply with any material obligation under this Contract for a period of thirty (30) days or more in the aggregate as a consequence of an event of Force Majeure, and c) at any time the QS fails in three consecutive months to achieve an Annual Capacity Billing Factor ("ACBF"), as defined in Appendix B, equal to or greater than 70%. The results of any such test shall be provided to FPL within seven (7) 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 deemed as the lower of the tested capacity or the Committed Capacity as set forth in Section 5.1.

5.4 Notwithstanding anything to the contrary herein, the Committed Capacity shall not exceed the amount set forth in Section 5.1 without the consent of FPL, such consent not unreasonably withheld.

5.5 The "Capacity Delivery Date" shall be defined as the first calendar day immediately following the date of the Facility's successful completion of the first Committed Capacity Test but no earlier than the commencement date for deliveries of firm capacity and energy (as such is specified in Appendix E).

5.6 The QS shall be entitled to receive capacity payments beginning on the Capacity Delivery Date, provided, the Capacity Delivery Date occurs on or before June 1, 2015 (or such later date permitted by FPL pursuant to the following sentence). If the Capacity Delivery Date does not occur on or before June 1, 2015, FPL shall be entitled to the Completion/Performance Security (as set forth in Section 9) in full, and in addition, FPL may, but shall not be obligated to, allow the QS up to an additional five (5) months

to achieve the Capacity Delivery Date. If the QS fails to achieve the Capacity Delivery Date either by (i) June 1, 2015 or (ii) such later date as permitted by FPL, FPL shall have no obligation to make any capacity payments under this Contract and FPL will be permitted to terminate this Contract, consistent with the terms herein, without further obligations, duties or liability to the QS.

## **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 QS by means of a written notice to FPL delivered at least thirty (30) days prior to the start of such period. The provisions of the foregoing sentence shall not apply to any Committed Capacity Test required by FPL under any of the provisions of this Contract. FPL shall have the right to be present onsite to monitor any Committed Capacity Test required or permitted under this Contract.

6.2 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. If the QS is a REF the Committed Capacity Test shall be conducted utilizing as the sole fuel source fuels or energy sources included in the definition in Section 366.91, Florida Statutes. The Committed Capacity Test Period shall commence at the time designated by the QS pursuant to Section 6.1 or at such other time requested by FPL pursuant to Section 5.3; provided, however, that the Committed Capacity Test Period may commence earlier than such time in the event that FPL is notified of, and consents to, such earlier time.

6.3 For the avoidance of doubt, 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. Further, the QS shall affect deliveries of any quantity and quality of contracted cogenerated steam to the steam host during the Committed Capacity Test Period.

6.4 The capacity of the Facility shall be the average net capacity (generator output minus auxiliary) measured over the Committed Capacity Test Period.

6.5 The Committed Capacity Test shall be performed according to prudent industry testing procedures satisfactory to FPL for the appropriate technology of the QS.

6.6 Except as otherwise provided herein, results of any Committed Capacity Test shall be submitted to FPL by the QS within seven (7) days of the conclusion of the Committed Capacity Test.

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

### **7.1 Energy**

FPL agrees to pay the QS for capacity and energy produced by the Facility and delivered to the Delivery Point in accordance with the rates and procedures contained in FPL's approved Rate Schedule QS-2, attached hereto as Appendix A, as it may be amended from time to time and pursuant to the election of energy payment options as specified in Appendix E. The Parties agree that this Contract shall be subject to all of the provisions contained in Rate Schedule QS-2 as approved and on file with the FPSC.

## 7.2 Capacity

FPL agrees to pay the QS for the capacity described in Section 5 in accordance with the rates and procedures contained in Rate Schedule QS-2, attached hereto as Appendix A, as it may be amended and approved from time to time by the FPSC, and pursuant to the election of a capacity payment option as specified in Appendix E. The QS understands and agrees that capacity payments will be made under the early capacity payment options only if the QS has achieved the Capacity Delivery Date and is delivering firm capacity and energy to FPL. Once elected by the QS, the capacity payment option cannot be changed during the term of this Contract.

## 7.3 Payments

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

# 8. Electricity Production and Plant Maintenance Schedule

8.1 During the term of this Contract, no later than sixty (60) days prior to the Capacity Delivery Date and prior to April 1 of each calendar year thereafter, the QS shall submit to FPL in writing a detailed plan of: (i) the amount of firm capacity and energy to be generated by the Facility and delivered to the Delivery Point for each month of the following calendar year, and (ii) the time, duration and magnitude of any scheduled maintenance period(s) and any anticipated reductions in capacity.

8.2 By October 31 of each calendar year, FPL shall notify the QS in writing whether the requested scheduled maintenance periods in the detailed plan are acceptable. If FPL objects to any of the requested scheduled maintenance periods, FPL shall advise the QS of the time period closest to the requested period(s) when the outage(s) can be scheduled. The QS shall schedule maintenance outages only during periods approved by FPL, such approval not unreasonably withheld. Once the schedule for maintenance has been established and approved by FPL, either Party may request a subsequent change in such schedule and, except when such event is due to Force Majeure, request approval for such change from the other Party, such approval not to be unreasonably withheld or delayed. Scheduled maintenance outage days shall be limited to seven (7) days per calendar year unless the manufacturer's recommendation of maintenance outage days for the technology and equipment used by the Facility exceeds such 7 day period, provided, such number of days is considered reasonable by industry standards and does not exceed

two (2) fourteen (14) day intervals, one in the Spring and one in the Fall, in any calendar year. The scheduled maintenance outage days applicable for the QS are \_\_\_\_\_ days in the Spring and \_\_\_\_\_ days in the Fall of each calendar year, provided the conditions specified in the previous sentence are met. In no event shall maintenance periods be scheduled during the following periods: June 1 through and including October 31st and December 1 through and including February 28 (or 29<sup>th</sup> as the case may be).

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

#### 8.4 Dispatch and Control

8.4.1 The power supplied by the QS hereunder shall be in the form of three-phase 60 Hertz alternating current, at a nominal operating voltage of \_\_\_\_\_,000 volts ( \_\_\_\_\_ kV) and power factor dispatchable and controllable in the range of 85% lagging to 85% leading as measured at the Delivery Point to maintain system operating parameters, as specified by FPL.

8.4.2 At all times during the term of this Contract, the QS shall operate and maintain the Facility: (i) in such a manner as to ensure compliance with its obligations hereunder, in accordance with prudent engineering and operating practices and applicable law, and (ii) with all system protective equipment in service whenever the Facility is connected to, or is operated in parallel with, FPL's system. The QS shall install at the Facility those system protection and control devices necessary to ensure safe and protected operation of all energized equipment during normal testing and repair. The QS shall have qualified personnel test and calibrate all protective equipment at regular intervals 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 the results shall be provided to FPL prior to returning the equipment to service. The specifics of the unit functional trip test will be consistent with good engineering and operating practices.

8.4.3 If the Facility is separated from the FPL system for any reason, under no circumstances shall the QS reconnect the Facility into FPL's system without first obtaining FPL's approval.

8.4.4 During the term of this Contract, the QS shall employ qualified personnel for managing, operating and maintaining the Facility and for coordinating such with FPL. If the Facility has a Committed Capacity greater than 10 MW then, the QS 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. If the Facility has a Committed Capacity equal to or less than 10 MW then the QS shall ensure that operating personnel are on duty at least eight (8) hours per day from 8 AM EST to 5 PM EST from Monday to Friday, with an operator on call at all other hours.

8.4.5 FPL shall at all times be excused from its obligation to purchase energy and capacity hereunder, and FPL shall have the ability to require the QS to curtail or reduce deliveries of energy, to the extent necessary to maintain the reliability and integrity of any part of FPL's system, or in the event that FPL determines that a failure to do so is likely to endanger life or property, or is likely to result in significant disruption of electric service to FPL's customers. FPL shall give the QS prior notice, if practicable, of its intent to refuse, curtail or reduce FPL's acceptance of energy pursuant to this Section and will act to minimize the frequency and duration of such occurrences.

8.4.6 After providing notice to the QS, FPL shall not be required to accept or purchase energy from the QS during any period in which, due to operational circumstances, acceptance or purchase of such energy would result in FPL's incurring costs greater than those which it would incur if it did not make such purchases. An example of such an occurrence would be a period during which the load being served is such that the generating units on line are base load units operating at their minimum continuous ratings and the purchase of additional energy would require taking a base load unit off the line and replacing the remaining load served by that unit with peaking-type generation. FPL shall give the QS as much prior notice as practicable of its intent not to accept energy pursuant to this Section.

8.4.7 If the Facility has a Committed Capacity less than 75 MW, control, scheduling and dispatch of capacity and energy shall be the responsibility of the QS. If the Facility has a Committed Capacity greater than or equal to 75 MW, control, scheduling and dispatch of capacity and energy shall be the responsibility of the QS, except during a "Dispatch Hour", i.e., any clock hour for which FPL requests the delivery of such capacity and energy. During any Dispatch Hour: i) control of the Facility will either be by Seller's manual control under the direction of FPL (whether orally or in writing) or by Automatic Generation Control by FPL's system control center as determined by FPL, and ii) FPL may request that the real power output be at any level up to the Committed Capacity of the Facility, provided, in no event shall FPL require the real power output of the Facility to be below the Facility's Minimum Load without decommitting the Facility. The Facility shall deliver the capacity and energy requested by FPL, within \_\_\_\_\_ minutes, taking into account the operating limitations of the generating equipment as specified by the manufacturer, provided such time period specified herein is considered reasonable by industry standards for the technology and equipment being utilized and assuming the Facility is operating at or above its Minimum Load. Start-up time from Cold Shutdown and Facility Turnaround time from Hot to Hot will be taken into consideration provided such are reasonable and consistent with good industry practices for the technology and equipment being utilized. The Facility's Operating Characteristics have been provided by the QS and are set forth in Appendix D, Section IV of Rate Schedule QS-2.

8.4.8 If the Facility has a Committed Capacity of less than 75 MW, FPL may require during certain periods, by oral, written, or electronic notification that the QS cause the Facility to reduce output to a level below the Committed Capacity but not lower than the Facility's Minimum Load. FPL shall provide as much notice as practicable, normally such notice will be of at least four (4) hours. The frequency of such

request shall not exceed eighteen (18) times per calendar year and the duration of each request shall not exceed four (4) hours.

8.4.9 FPL's exercise of its rights under this Section 8 shall not give rise to any liability on the part of FPL, including any claim for breach of contract or for breach of any covenant of good faith and fair dealing.

## **9. Completion/Performance Security**

9.1 As security for the achievement of the Capacity Delivery Date and satisfactory performance of its obligations hereunder, the QS shall provide FPL either: (a) an unconditional, irrevocable, standby letter of credit(s) with an expiration date no earlier than the end of the first (1st) anniversary of the Capacity Delivery Date (or the next business day thereafter), issued by a U.S. commercial bank or the U.S. branch of a foreign bank having a Credit Rating of A- or higher by S&P or A3 or higher by Moody's (a "Qualified Issuer"), in form and substance acceptable to FPL (including provisions (i) permitting partial and full draws and (ii) permitting FPL to draw in full if such letter of credit is not renewed or replaced as required by the terms hereof at least thirty (30) business days prior to its expiration date) ("Letter of Credit"); (b) a bond, issued by a financially sound Company and in a form and substance acceptable to FPL, ("Bond"); or (c) a cash collateral deposited with FPL ("Cash Collateral") (any of (a), (b), or (c), the "Completion/Performance Security"). Such Letter of Credit, Bond or Cash Collateral shall be provided in the amount and by the date listed below:

\$30.00 per KW (for the number of KW of Committed Capacity set forth in Section 5.1) to be delivered to FPL within thirty (30) calendar days of the execution of this Contract by the Parties hereto.

"Credit Rating" means with respect to any entity, on any date of determination, the respective ratings then assigned to such entity's unsecured, senior long-term debt or deposit obligations (not supported by third party credit enhancement) by S&P, Moody's or other specified rating agency or agencies or if such entity does not have a rating for its unsecured, senior long-term debt or deposit obligations, then the rating assigned to such entity as its "corporate credit rating" by S&P.

"Moody's" means Moody's Investors Service, Inc. or its successor.

"S&P" means Standard & Poor's Ratings Group (a division of The McGraw-Hill Companies, Inc.) or its successor.

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

- Letter of Credit.
- Bond.
- Cash Collateral.

9.3 FPL shall have the right to monitor (i) the financial condition of the issuer of a Letter of Credit in the event any Letter of Credit is provided by the QS and (ii) the insurer, in the case of any Bond. In the event the issuer of a Letter of Credit no longer qualifies as Qualified Issuer or the issuer of a Bond is no longer financially sound, FPL may require the QS to replace the Letter of Credit or the Bond, as applicable. The replacement Letter of Credit must be issued by a Qualified Issuer, within thirty (30) calendar days following written notification to the QS of the requirement to replace. Failure by the QS to comply with the requirements of this Section 9.3 shall be grounds for FPL to draw in full on the existing Letter of Credit and to exercise any other remedies it may have hereunder.

9.4 Notwithstanding the foregoing provisions of this Section 9, pursuant to FPSC Rule 25-17.091(4), F.A.C., a QS qualifying as a "Solid Waste Facility" pursuant to Section 377.709(3) or (5), F.S., respectively, may use an unsecured written commitment or promise to pay in a form reasonably acceptable to FPL, by the local government which owns the Facility or on whose behalf the QS operates the Facility, to secure its obligation to achieve on a timely basis the Capacity Delivery Date and the satisfactory performance of its obligations hereunder.

9.5 If an Event of Default under Section 12 occurs, FPL 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.

9.6 If an Event of Default under Section 12 has not occurred and the QS fails to achieve the Capacity Delivery Date on or before June 1, 2015 or such later date as permitted by FPL pursuant to Section 5.6, FPL shall be entitled immediately to receive, draw upon, or retain, as the case may be, one-hundred (100%) of the Completion/Performance Security as liquidated damages free from any claim or right of any nature whatsoever of the QS, including any equity or right of redemption by the QS. The Parties acknowledge that the injury that FPL will suffer as a result of delayed availability of Committed Capacity and energy is difficult to ascertain and that FPL 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 occurs on or before June 1, 2015 or such later date as permitted by FPL pursuant to Section 5.6, then the QS 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 of Committed Capacity set forth in Section 5.1).

9.7 In the event that FPL requires the QS to perform one or more Committed Capacity Test(s) at any time on or before the first anniversary of the Capacity Delivery Date pursuant to Section 5.3 and, in connection with any such Committed Capacity Test(s), the QS fails to demonstrate a Capacity of at least one-hundred percent (100%) of the Committed Capacity set forth in Section 5.1, FPL 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 as liquidated damages free from any claim or right of any nature whatsoever of the QS, including any equity or right of redemption by the QS. In the event that FPL does not require the QS to perform a Committed Capacity Test or if the QS successfully demonstrates (in connection with all

such Committed Capacity Tests required by FPL pursuant to Section 5.3) a Capacity of at least one-hundred percent (100%) of the Committed Capacity set forth in Section 5.1, in either case, on or before the first anniversary of the Capacity Delivery Date, then FPL shall return, as applicable, any remaining amount of the Completion/Performance Security within thirty (30) days of the first anniversary of the Capacity Delivery Date.

9.10 The QS, as the Pledgor of the Completion/Performance Security, hereby pledges to FPL, as the secured Party, as security for the achievement of the Capacity Delivery Date and satisfactory performance of its obligations hereunder, and grants to FPL a first priority continuing security interest in, lien on and right of set-off against all Completion/Performance Security transferred to or received by FPL hereunder. Upon the transfer or return by FPL to the QS of Completion/Performance Security, the security interest and lien granted hereunder on that Completion/Performance Security will be released immediately and, to the extent possible, without any further action by either party.

9.11 In lieu of any interest, dividends or other amounts paid or deemed to have been paid with respect to Cash Collateral held by FPL (all of which may be retained by FPL), FPL will transfer to the QS on a monthly basis the Interest Amount, as calculated by FPL.

“Interest Amount” means, with respect to each monthly period, the aggregate sum of the amounts of interest calculated for each day in that monthly period on the principal amount of Cash Collateral held by FPL on that day, determined by FPL for each such day as follows:

- (x) the amount of that Cash Collateral on that day; multiplied by
- (y) the Interest Rate in effect for that day; divided by
- (z) 360.

The "Interest Rate" will be: the Federal Funds Overnight rate as from time to time in effect.

“Federal Funds Overnight Rate” means, for the relevant determination date, the rate opposite the caption “Federal Funds (Effective)” as set forth for that day in the weekly statistical release designated as H.15 (519), or any successor publication, published by the Board of Governors of the Federal Reserve System. If on the determination date such rate is not yet published in H.15 (519), the rate for that date will be the rate set in Composite 3:30 P.M. Quotations for U.S. Government Securities for that day under the caption “Federal Funds/Effective Rate.” If on the determination date such rate is not yet published in either H.15 (519) or Composite 3:30 P.M. Quotations for U.S. Government Securities, the rate for that date will be determined as if the Parties had specified “USD-Federal Funds-Reference Dealers” as the applicable rate.

## **10. Termination Fee**

10.1 In the event that the QS receives capacity payments pursuant to Option B, Option C, Option D or Option E (as such options are defined in Appendix A and elected by the QS in Appendix E) or receives energy payments pursuant to the Fixed Firm Energy Payment Option (as such option is defined in Appendix A and elected by the QS in Appendix E) then, upon the termination of this Contract, the QS shall owe and be liable to FPL for a termination fee calculated in accordance with Appendix C (the "Termination Fee"). The QS's obligation to pay the Termination Fee shall survive the termination of this Contract. FPL shall provide the QS, on a monthly basis, a calculation of the Termination Fee.

10.1.1 The Termination Fee shall be secured (with the exception of governmental solid waste facilities covered by FPSC Rule 25-17.091 in which case the QS may use an unsecured written commitment or promise to pay, in a form reasonably acceptable to FPL, by the local government which owns the Facility or on whose behalf the QS operates the Facility, to secure its obligation to pay the Termination Fee) by the QS by: (i) an unconditional, irrevocable, standby letter(s) of credit issued by Qualified Issuer in form and substance acceptable to FPL (including provisions (a) permitting partial and full draws and (b) permitting FPL to draw upon such letter of credit, in full, if such letter of credit is not renewed or replaced at least thirty (30) business days prior to its expiration date, ("Termination Fee Letter of Credit"); (ii) a bond, issued by a financially sound Company and in a form and substance acceptable to FPL, ("Termination Fee Bond"); or (iii) a cash collateral deposit with FPL ("Termination Fee Cash Collateral") (any of ( i ), (ii), or (iii), the "Termination Security").

The specific security instrument selected by the QS for purposes of this Contract is:

- ( ) Termination Fee Letter of Credit
- ( ) Termination Fee Bond
- ( ) Termination Fee Cash Collateral

10.1.2 FPL shall have the right to monitor the financial condition of (i) the issuer of a Termination Fee Letter of Credit in the case of any Termination Fee Letter of Credit and (ii) the insurer(s), in the case of any Termination Fee Bond. In the event the issuer of a Termination Fee Letter of Credit is no longer a Qualified Issuer or the issuer of a Termination Fee Bond is no longer financially sound, FPL may require the QS to replace the Termination Fee Letter of Credit or the Termination Fee Bond, as applicable. In the event that FPL notifies the QS that it requires such a replacement, the replacement Termination Fee Letter of Credit or Termination Fee Bond, as applicable, must be issued by a Qualified Issuer or financially sound company within thirty (30) calendar days following such notification. Failure by the QS to comply with the requirements of this Section 10.1.2 shall be grounds for FPL to draw in full on any existing Termination Fee Letter of Credit or Termination Fee 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, the QS shall

provide to FPL within ten (10) days of the close of such calendar quarter with written assurance and documentation (the "Security Documentation"), in form and substance acceptable to FPL, that the amount of the most recently provided 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, FPL shall have the right to request, and the QS shall be obligated to deliver within five (5) days of such request, such Security Documentation. Failure by the QS to comply with the requirements of this Section 10.1.3 shall be grounds for FPL to draw in full on any existing Termination Fee Letter of Credit or Termination Fee Bond or to retain any Termination Fee Cash Collateral, and to exercise any other remedies it may have hereunder to be applied against any Termination Fee that may be due and owing to FPL or that may in the future be due and owing to FPL.

10.1.4 Upon any termination of this Contract following the Capacity Delivery Date, FPL shall be entitled to receive (and in the case of the Termination Fee Letter of Credit or Termination Fee Bond, draw upon such Termination Fee Letter of Credit or Termination Fee Bond) and retain one-hundred percent (100%) of the Termination Security to be applied against any Termination Fee that may be due and owing to FPL or that may in the future be due and owing to FPL. FPL will transfer to the QS any proceeds and Termination Security remaining after liquidation, set-off and/or application under this Article after satisfaction in full of all amounts payable by the QS with respect to any Termination Fee or other obligations due to FPL; the QS in all events will remain liable for any amounts remaining unpaid after any liquidation, set-off and/or application under this Article.

10.2 The QS, as the Pledgor of the Termination Security, hereby pledges to FPL, as the secured Party, as security for the Termination Fee, and grants to FPL a first priority continuing security interest in, lien on and right of set-off against all Termination Security transferred to or received by FPL hereunder. Upon the transfer or return by FPL to the QS of Termination Security, the security interest and lien granted hereunder on that Termination Security will be released immediately and, to the extent possible, without any further action by either party.

10.3 In lieu of any interest, dividends or other amounts paid or deemed to have been paid with respect to Termination Fee Cash Collateral held by FPL (all of which may be retained by FPL), FPL will transfer to the QS on a monthly basis the Interest Amount, as calculated by FPL.

"Interest Amount" means, with respect to each monthly period, the aggregate sum of the amounts of interest calculated for each day in that monthly period on the principal amount of Cash Collateral held by FPL on that day, determined by FPL for each such day as follows:

- (x) the amount of that Termination Fee Cash Collateral on that day; multiplied by
- (y) the Interest Rate in effect for that day; divided by
- (z) 360.

The "Interest Rate" will be: the Federal Funds Overnight rate as from time to time in effect.

"Federal Funds Overnight Rate" means, for the relevant determination date, the rate opposite the caption "Federal Funds (Effective)" as set forth for that day in the weekly statistical release designated as H.15 (519), or any successor publication, published by the Board of Governors of the Federal Reserve System. If on the determination date such rate is not yet published in H.15 (519), the rate for that date will be the rate set in Composite 3:30 P.M. Quotations for U.S. Government Securities for that day under the caption "Federal Funds/Effective Rate." If on the determination date such rate is not yet published in either H.15 (519) or Composite 3:30 P.M. Quotations for U.S. Government Securities, the rate for that date will be determined as if the Parties had specified "USD-Federal Funds-Reference Dealers" as the applicable rate.

#### **11. Performance Factor**

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

#### **12. Default**

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

(a) The QS fails to meet the applicable requirements specified in Section 1 of this Contract;

(b) The QS changes or modifies the Facility from that provided in Section 1 with respect to its type, location, technology or fuel source, without prior written approval from FPL;

(c) After the Capacity Delivery Date, the Facility fails, for twelve (12) consecutive months, to maintain an Annual Capacity Billing Factor, as described in Appendix B, of at least 70%;

(d) The QS fails to comply with any of the provisions of Section 9.0 hereof;

(e) The QS fails to comply with any of the provisions of Section 10.0 hereof;

(f) The QS 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 QS or if a receiver shall be appointed for the QS or any of its assets or properties; or if any part of the QS'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 30 days thereof; or if the QS 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 QS fails to give proper assurance acceptable to FPL of adequate performance as specified under this Contract within 30 days after FPL, with reasonable grounds for insecurity, has requested in writing such assurance;

(h) The QS materially fails to perform as specified under this Contract, including, but not limited to, the QS's obligations under any part of Sections 8, 9, 10, and 14-18;

(i) The QS fails to achieve licensing, certification, and all federal, state and local governmental environmental and licensing approvals required to initiate construction of the Facility by no later than December 1, 2014;

(j) The QS fails to comply with any of the provisions of Section 18.3 Project Management hereof;

(k) Any of the representations or warranties made by the QS in this Contract is false or misleading in any material respect as of the time made;

(l) The occurrence of an event of default by the QS under the Interconnection Agreement or any applicable Wheeling Agreement;

(m) The QS fails to satisfy its obligations under Section 18.17 of this Contract;

(n) The QS breaches any material provision of this Contract not specifically mentioned in this Section 12; or

(o) If at any time after the Capacity Delivery Date, the QS reduces the Committed Capacity due to an event of Force Majeure and fails to repair the Facility and reset the Committed Capacity to the level set forth in Section 5.1 (as such level may be reduced by Section 5.3) within twelve (12) months following the occurrence of such event of Force Majeure.

### **13. FPL's Rights in the Event of Default**

13.1 Upon the occurrence of any of the Events of Default in Section 12, FPL may:

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

(b) collect the Termination Fee pursuant to Section 10 hereof; and

(c) exercise any other remedy(ies) which may be available to FPL at law or in equity.

13.2 In the case of an Event of Default, the QS recognizes that any remedy at law may be inadequate because this Contract is unique and/or because the actual damages of FPL may be difficult to reasonably ascertain. Therefore, the QS agrees that FPL shall be entitled to pursue an action for specific performance, and the QS waives all of its rights to assert as a defense to such action that FPL's remedy at law is adequate.

13.3 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/Limits**

14.1 FPL and the QS shall each be responsible for its own facilities. FPL and the QS shall each be responsible for ensuring adequate safeguards for other FPL customers, FPL's and the QS's personnel and equipment, and for the protection of its own generating system. Subject to section 2.7 Indemnity to Company, or section 2.71 Indemnity to Company – Governmental, FPL's General Rules and Regulations of Tariff Sheet No.6.020 each party (the "Indemnifying Party") agrees, to the extent permitted by applicable law, to indemnify, pay, defend, and hold harmless the other party (the "Indemnified Party") and its officers, directors, employees, agents and contractors (hereinafter called respectively, "FPL Entities" and "QS Entities") from and against any and all claims, demands, costs, or expenses for loss, damage, or injury to persons or property of the Indemnified Party (or to third parties) caused by, arising out of, or resulting from: (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, act or incident, including the transmission and use of electricity, 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 will 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.

14.3 Limitation on Consequential, Incidental and Indirect Damages. TO THE FULLEST EXTENT PERMITTED BY LAW, NEITHER THE QS NOR FPL, NOR THEIR RESPECTIVE OFFICERS, DIRECTORS, AGENTS, EMPLOYEES, MEMBERS, PARENTS, SUBSIDIARIES OR AFFILIATES, SUCCESSORS OR ASSIGNS, OR THEIR RESPECTIVE OFFICERS, DIRECTORS, AGENTS, EMPLOYEES, MEMBERS, PARENTS, SUBSIDIARIES OR AFFILIATES, SUCCESSORS OR ASSIGNS, SHALL

BE LIABLE TO THE OTHER PARTY OR THEIR RESPECTIVE OFFICERS, DIRECTORS, AGENTS, EMPLOYEES, MEMBERS, PARENTS, SUBSIDIARIES OR AFFILIATES, SUCCESSORS OR ASSIGNS, FOR CLAIMS, SUITS, ACTIONS OR CAUSES OF ACTION FOR INCIDENTAL, INDIRECT, SPECIAL, PUNITIVE, MULTIPLE OR CONSEQUENTIAL DAMAGES CONNECTED WITH OR RESULTING FROM PERFORMANCE OR NON-PERFORMANCE OF THIS CONTRACT, OR ANY ACTIONS UNDERTAKEN IN CONNECTION WITH OR RELATED TO THIS CONTRACT, INCLUDING WITHOUT LIMITATION, ANY SUCH DAMAGES WHICH ARE BASED UPON CAUSES OF ACTION FOR BREACH OF CONTRACT, TORT (INCLUDING NEGLIGENCE AND MISREPRESENTATION), BREACH OF WARRANTY, STRICT LIABILITY, STATUTE, OPERATION OF LAW, UNDER ANY INDEMNITY PROVISION OR ANY OTHER THEORY OF RECOVERY. IF NO REMEDY OR MEASURE OF DAMAGES IS EXPRESSLY PROVIDED HEREIN, THE OBLIGOR'S LIABILITY SHALL BE LIMITED TO DIRECT DAMAGES ONLY, AND SUCH DIRECT DAMAGES SHALL BE THE SOLE AND EXCLUSIVE MEASURE OF DAMAGES AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED; PROVIDED, HOWEVER, THAT THIS SENTENCE SHALL NOT APPLY TO LIMIT THE LIABILITY OF A PARTY WHOSE ACTIONS GIVING RISE TO SUCH LIABILITY CONSTITUTE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT. THE PROVISIONS OF THIS SECTION SHALL APPLY REGARDLESS OF FAULT AND SHALL SURVIVE TERMINATION, CANCELLATION, SUSPENSION, COMPLETION OR EXPIRATION OF THIS CONTRACT. NOTHING CONTAINED IN THIS AGREEMENT SHALL BE DEEMED TO BE A WAIVER OF A PARTY'S RIGHT TO SEEK INJUNCTIVE RELIEF.

## **15. Insurance**

15.1 The QS 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 FPL on a standard "Insurance Services Office" commercial general liability form (such policy or policies, collectively, the "QS Insurance"). A certificate of insurance shall be delivered to FPL at least fifteen (15) calendar days prior to the start of any interconnection work. At a minimum, the QS 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 QS's equipment or by the QS's failure to maintain the Facility or the QS's equipment in satisfactory and safe operating condition. Effective at least fifteen (15) calendar days prior to the synchronization of the Facility with FPL's system, the QS Insurance shall be amended to include coverage for interruption or curtailment of power supply in accordance with industry standards. Without limiting the foregoing, the QS Insurance must be reasonably acceptable to FPL. Any premium assessment or deductible shall be for the account of the QS and not FPL.

15.2 The QS Insurance shall have a minimum limit of one million dollars (\$1,000,000) per occurrence, combined single limit, for bodily injury (including death) or property damage.

15.3 In the event that such insurance becomes totally unavailable or procurement thereof becomes commercially impracticable, such unavailability shall not constitute an Event of Default under this Contract, but FPL and the QS shall enter into negotiations to develop substitute protection which the Parties in their reasonable judgment deem adequate.

15.4 To the extent that the QS 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 FPL Entities and the QS Entities. Furthermore, to the extent the QS Insurance is on a "claims made" basis, the QS'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 QS Insurance is on an "occurrence" basis, such insurance shall be maintained in effect at all times by the QS during the term of this Contract.

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

15.6 The QS shall be designated as the named insured and FPL shall be designated as an additional named insured under the QS Insurance. The QS Insurance shall be endorsed to be primary to any coverage maintained by FPL

## **16. Force Majeure**

Force Majeure is defined as an event or circumstance that is not within the reasonable control of, or the result of the negligence of, the affected party, and which, by the exercise of due diligence, the affected party is unable to overcome, avoid, or cause to be avoided in a commercially reasonable manner. Such events or circumstances may include, but are not limited to, 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, difficulties (not caused by the failure of the affected party to comply with the terms of a collective bargaining agreement), or actions or restraints by court order or governmental authority or arbitration award. Force Majeure shall not include (i) the QS's ability to sell capacity and energy to another market at a more advantageous price; (ii) 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; (iii) ) a failure of performance of any other entity, including any entity providing electric transmission service to the QS, except to the extent that such

failure was caused by an event that would otherwise qualify as a Force Majeure event;  
(iv) failure of the QS to timely apply for or obtain permits.

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 two (2) 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 therefore 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 QS suffers an occurrence of an event of Force Majeure that reduces the generating capability of the Facility below the Committed Capacity, the QS may, upon notice to FPL, 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 FPL's receipt of the notice or such later date as may be specified by the QS. 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 QS 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, FPL 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 QS 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 provision of this Contract, upon such cessation or cure, FPL shall have the 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 FPL under this Section shall be additional to any Committed Capacity Test under Section 5.3.

16.8 During the occurrence of an event of Force Majeure and a reduction in Committed Capacity under Section 16.4, all Monthly Capacity Payments shall reflect, pro rata, the reduction in Committed Capacity, and the Monthly Capacity Payments will continue to be calculated in accordance with the pay-for-performance provisions in Appendix B.

16.9 The QS agrees to be responsible for and pay the costs necessary to reactivate the Facility and/or the interconnection with FPL's system if the same is (are) rendered inoperable due to actions of the QS, its agents, or Force Majeure events affecting the QS, the Facility or the interconnection with FPL. FPL agrees to reactivate, at its own cost, the interconnection with the Facility in circumstances where any interruptions to such interconnections are caused by FPL or its agents.

## **17. Representations, Warranties, and Covenants of QS**

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

### **17.1 Organization, Standing and Qualification**

The QS 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 QS 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 FPL.

### **17.2 Due Authorization, No Approvals, No Defaults, etc.**

Each of the execution, delivery and performance by the QS of this Contract has been duly authorized by all necessary action on the part of the QS, does not require any approval, except as has been heretofore obtained, of the \_\_\_\_\_ (shareholders, partners, or others, as applicable) of the QS or any consent of or approval from any trustee, lessor or holder of any indebtedness or other obligation of the QS, 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 QS, or any agreement, judgment, injunction, order, decree or other instrument binding upon the QS, or subject the Facility or any component part

thereof to any lien other than as contemplated or permitted by this Contract. This Contract constitutes QS's legal, valid and binding obligation, enforceable against it in accordance with the terms hereof, except as such enforceability may be limited by applicable bankruptcy laws from time to time in effect that affect creditors' rights generally or by general principles of equity (regardless of whether such enforcement is considered in equity or at law).

### 17.3 Compliance with Laws

The QS has knowledge of all laws and business practices that must be followed in performing its obligations under this Contract. The QS 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 QS or FPL.

### 17.4 Governmental Approvals

Except as expressly contemplated herein, neither the execution and delivery by the QS of this Contract, nor the consummation by the QS of any of the transactions contemplated thereby, requires the consent or approval of, the giving of notice to, the registration with, the recording or filing of any document with, or the taking of any other action in respect of governmental authority, except in respect of permits (a) which have already been obtained and are in full force and effect or (b) are not yet required (and with respect to which the QS 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 QS, 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 QS'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 QS has no knowledge of a violation or default with respect to any law which could result in any such materially adverse effect or impairment. The QS is not in breach of, in default under, or in violation of, any applicable Law, or the provisions of any authorization, or in breach of, in default under, or in violation of, or in conflict with any provision of any promissory note, indenture or any evidence of indebtedness or security therefor, lease, contract, or other agreement by which it is bound, except for any such breaches, defaults, violations or conflicts which, individually or in the aggregate, could not reasonably be expected to have a material adverse effect on the business or financial condition of Buyer or its ability to perform its obligations hereunder.

## 17.6 Environmental Matters

### 17.6.1 QS Representations

To the best of its knowledge after diligent inquiry, the QS 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.

### 17.6.2 Ownership and Offering For Sale Of Renewable Energy Attributes

The QS retains 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.

### 17.6.3 Changes in Environmental and Governmental Regulations

If new environmental and other regulatory requirements enacted during the term of the Contract change FPL’s full avoided cost of the unit on which the Contract is based, either party can elect to have the contract reopened.

### 17.7 Interconnection/Wheeling Agreement

The QS has executed an interconnection agreement with FPL, or represents or warrants that it has entered into a valid and enforceable Interconnection Agreement with the utility in whose service territory the Facility is located, pursuant to which the QS assumes contractual responsibility to make any and all transmission-related arrangements (including control area services) between the QS and the transmitting utility for delivery of the Facility’s capacity and energy to FPL.

### 17.8 Technology and Generator Capabilities

That for the term of this Contract the Technology and Generator Capabilities table set forth in Section 1 is accurate and complete.

## **18. General Provisions**

### 18.1 Project Viability

To assist FPL in assessing the QS’s financial and technical viability, the QS shall provide the information and documents requested in Appendix D or substantially similar documents, to the extent the documents apply to the type of Facility covered by this

Contract, and to the extent the documents are available. All documents to be considered by FPL must be submitted at the time this Contract is presented to FPL. Failure to provide the following such documents may result in a determination of non-viability by FPL.

## 18.2 Permits

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

## 18.3 Project Management

18.3.1 If requested by FPL, the QS shall submit to FPL its integrated project schedule for FPL's review within sixty calendar days from the execution of this Contract, and a start-up and test schedule for the Facility at least sixty 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 FPL, the QS shall submit progress reports in a form satisfactory to FPL every calendar month until the Capacity Delivery Date and shall notify FPL of any changes in such schedules within ten calendar days after such changes are determined. FPL shall have the right to monitor the construction, start-up and testing of the Facility, either on-site or off-site. FPL'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.

18.3.2 The QS shall provide FPL 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 current elementary diagrams for review and inspection at FPL no later than one hundred eighty calendar days prior to the initial synchronization date.

## 18.4 Assignment

The QS may not assign this Contract, without FPL's prior written approval, which approval may be withheld in FPL's sole discretion.

## 18.5 Disclaimer

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

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

For FPL:

Florida Power & Light Company  
Manager, Purchased Power  
P. O. Box 029100 Miami, FL 33102-9100  
or  
9250 West Flagler Street  
Miami, Fl 33174

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

Florida Power & Light Company  
9250 West Flagler Street Miami, FL 33174  
Attention: Manager, Purchased Power  
Resource Assessment and Planning Department

#### 18.7 Applicable Law

This Contract shall be construed in accordance with and governed by, and the rights of the Parties shall be construed in accordance with, the laws of the State of Florida as to all matters, including but not limited to matters of validity, construction, effect, performance and remedies, without regard to conflict of law rules thereof.

#### 18.8 Venue

The Parties hereby irrevocably submit to the exclusive jurisdiction of the United States District Court for the Southern District of Florida or, in the event that jurisdiction for any matter cannot be established in the United States District Court for the Southern District of Florida, in the state court for Palm Beach County, Florida, solely in respect of the interpretation and enforcement of the provisions of this Contract and of the documents referred to in this Contract, and in respect of the transactions contemplated hereby, and hereby waive, and agree not to assert, as a defense in any action, suit or proceeding for the interpretation or enforcement hereof or of any such document, that it is

not subject thereto or that such action, suit or proceeding may not be brought or is not maintainable in said courts or that the venue thereof may not be appropriate or that this Contract or any such document may not be enforced in or by such courts, and the Parties hereto irrevocably agree that all claims with respect to such action or proceeding shall be heard and determined in such a court. The Parties hereby consent to and grant any such court jurisdiction over the persons of such Parties solely for such purpose and over the subject matter of such dispute and agree that mailing of process or other papers in connection with any such action or proceeding in the manner provided in Section 18.8 hereof or in such other manner as may be permitted by Law shall be valid and sufficient service thereof.

18.9. Waiver of Jury Trial. EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS CONTRACT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT A PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION RESULTING FROM, ARISING OUT OF OR RELATING TO THIS CONTRACT OR THE TRANSACTIONS CONTEMPLATED HEREBY. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (i) NO REPRESENTATIVE, AGENT OR ATTORNEY OF THE OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (ii) EACH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (iii) EACH PARTY MAKES THIS WAIVER VOLUNTARILY AND (iv) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS CONTRACT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 18.9

#### 18.10 Taxation

In the event that FPL becomes liable for additional taxes, including interest and/or penalties arising from an Internal Revenue Services determination, through audit, ruling or other authority, that FPL's payments to the QS for capacity under Options B, C, D, E or for energy pursuant to the Fixed Firm Energy Payment Option D are not fully deductible when paid (additional tax liability), FPL may bill the QS 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. FPL, at its option, may offset these costs against amounts due the QS hereunder. These costs would be calculated so as to place FPL 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 FPL 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 FPL.

#### 18.11 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.

#### 18.12 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.

#### 18.13 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.

#### 18.14 Record Retention

The QS agrees to retain 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 QS Entities to retain for the same period all such records.

#### 18.15 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.

#### 18.16 Set-Off

FPL may at any time, but shall be under no obligation to, set off any and all sums due from the QS against sums due to the QS hereunder.

#### 18.17 Assistance With FPL FIN 46R

Compliance Accounting rules set forth in Financial Accounting Standards Board Interpretation No. 46 (Revised December 2003) ("FIN 46R"), as well as future amendments and interpretations of those rules, may require FPL to evaluate whether the

QS must be consolidated, as a variable interest entity (as defined in FIN 46R), in the financial statements of FPL. The QS agrees to fully cooperate with FPL and make available to FPL all financial data and other information, as deemed necessary by FPL, to perform that evaluation on a timely basis at inception of the PPA and periodically as required by FIN 46R. If the result of a the evaluation under FIN 46R indicates that the QS must be consolidated in the financial statements of FPL, the QS agrees to provide financial statements, together with other required information, as determined by FPL, for inclusion in disclosures contained in the footnotes to the financial statements and in FPL's required filings with the Securities and Exchange Commission ("SEC"). The QS shall provide this information to FPL in a timeframe consistent with FPL's earnings release and SEC filing schedules, to be determined at FPL's discretion. The QS also agrees to fully cooperate with FPL and FPL's independent auditors in completing an assessment of the QS's internal controls as required by the Sarbanes-Oxley Act of 2002 and in performing any audit procedures necessary for the independent auditors to issue their opinion on the consolidated financial statements of FPL. FPL will treat any information provided by the QS in satisfying Section 18.17 as confidential information and shall only disclose such information to the extent required by accounting and SEC rules and any applicable laws.

IN WITNESS WHEREOF, the QS and FPL executed this Contract this \_\_\_\_\_ day of \_\_\_\_\_.

WITNESS:

FLORIDA POWER & LIGHT COMPANY

\_\_\_\_\_

Date \_\_\_\_\_

WITNESS:

\_\_\_\_\_ (QS)

\_\_\_\_\_

Date \_\_\_\_\_

## Attachment B

**STANDARD OFFER CONTRACT FOR THE PURCHASE OF  
CAPACITY AND ENERGY FROM A RENEWABLE ENERGY FACILITY OR A  
QUALIFYING FACILITY WITH A DESIGN CAPACITY OF 100 KW OR LESS  
(2015 AVOIDED UNIT)**

THIS CONTRACT is made and entered this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, by and between \_\_\_\_\_ (herein after "Qualified Seller" or "QS") a corporation/limited liability company organized and existing under the laws of the State of \_\_\_\_\_ and ~~(the owner of a Renewable Energy Facility as defined in section 25-17.210 (1) F.A.C. or a Qualifying Facility with a design capacity of 100 KW or less as defined in section 25-17.250, either Facility hereinafter to be referred to as~~ Qualified Seller or "QS"), and Florida Power & Light Company (hereinafter "FPL") a corporation organized and existing under the laws of the State of Florida. The QS and FPL shall be jointly identified herein as the "Parties". This Contract contains ~~fivefour~~ Appendices; Appendix A, QS-2 Standard Rate for Purchase of Capacity and Energy; Appendix B, Pay for Performance Provisions; Appendix C, Termination Fee; Appendix D, Detailed Project Information and Appendix E, contract options to be selected by QS.

**WITNESSETH:**

WHEREAS, the QS desires to sell, and FPL desires to purchase, firm capacity and energy ~~and capacity~~ to be generated by the QS consistent with the terms of this Contract, Section 366.91, Florida Statutes, and/or Florida Public Service Commission ("FPSC") Rules 25-17.082 through 25-17.091, F.A.C. and FPSC Rules 25-17.200 through 25.17.310.F.A.C.

WHEREAS, the QS has signed an interconnection agreement with FPL (the "Interconnection Agreement"), or it has entered into valid and enforceable interconnection/transmission service agreement(s) with the utility (or those utilities) whose transmission facilities are necessary for delivering the firm capacity and energy ~~and capacity~~ to FPL (the "Wheeling Agreement(s)");

WHEREAS, the FPSC has approved the form of this Standard Offer Contract for the Purchase of Firm Capacity and Energy from a Renewable Energy Facility or a Qualifying Facility with a design capacity of 100 KW or less; and

WHEREAS, the Facility is capable of delivering firm capacity and energy to FPL for the term of this Contract in a manner consistent with the provisions of this Contract; and

WHEREAS, Section 366.91(3), Florida Statutes, provides that the "prudent and reasonable costs associated with a QS energy contract shall be recovered from the ratepayers of the contracting utility, without differentiating among customer classes, through the appropriate cost-recovery clause mechanism" administered by the FPSC.

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

**1. QS Facility**

The QS 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 an 85% lagging to 85% 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)	
Type of Facility (Hydrogen produced from sources other than fossil fuels, biomass as defined in Section 25-17.210 (2) F.A.C. , solar energy, geothermal energy, wind energy, ocean energy, hydroelectric power, waste heat from sulfuric acid manufacturing operations: or <100KW cogenerator)	
Technology	
Fuel Type and Source	
Generator Rating (KVA)	
Maximum Capability (KW)	
Minimum Load	
Peaking Capability	
Net Output (KW)	
Power Factor (%)	
Operating Voltage (kV)	
Peak Internal Load KW	

The following sections (a) through (e) are applicable to Renewable Energy Facilities ("REFs") and section (f) is only applicable to Qualifying Facilities with a design capacity of 100 KW or less:

- (a) If the QS is a REF, the QS represents and warrants that the sole source(s) of fuel or power used by the Facility to produce energy for sale to FPL during the term of this Contract shall be such sources as are defined in and provided for pursuant to Sections 366.91(2) (a) and (b), Florida Statutes, and FPSC Rules 25-17.210(1) and (2), F.A.C. Fossil fuels must be limited to the minimum quantities necessary for start-up, shut-down and for operating stability at minimum load. The REF must be capable of generating the amount of capacity pursuant to Section 5 of this Agreement without the use of fossil fuels.

- (b) The Parties agree and acknowledge that if the QS is a REF, the QS will not charge for, and FPL shall have no obligation to pay for, any electrical energy produced by the Facility from a source of fuel or power except as specifically provided for in paragraph 1(a) above.
- (c) If the QS is a REF, the QS shall, on an annual basis and within thirty (30) days after the anniversary date of this Contract, deliver to FPL a report certified by an officer of the QS: (i) stating the type and amount of each source of fuel or power used by the QS to produce energy during the twelve month period prior to the anniversary date (the "Contract Year"); and (ii) verifying that one hundred percent (100%) of all energy sold by the QS to FPL during the Contract Year complies with Sections 1(a) and (b) of this Contract.
- (e) If the QS is a REF, the QS represents and warrants that the Facility meets the renewable energy requirements of Section 366.91(2)(a) and (b), Florida Statutes, and FPSC Rules 25-17.210(1) and (2), F.A.C., and that the QS shall continue to meet such requirements throughout the term of this Contract. FPL shall have the right at all times to inspect the Facility and to examine any books, records, or other documents of the QS that FPL deems necessary to verify that the Facility meets such requirements.
- (f) The Facility (i) has been certified or has self-certified as a "qualifying facility" pursuant to the Regulations of the Federal Energy Regulatory Commission ("FERC"), or (ii) has been certified by the FPSC as a "qualifying facility" pursuant to Rule 25-17.080(1). A QS that is a qualifying facility with a design capacity of less than 100 KW shall maintain the "qualifying status" of the Facility throughout the term of this Contract. FPL shall have the right at all times to inspect the Facility and to examine any books and records or other documents of the Facility that FPL deems necessary to verify the Facility's qualifying status. On or before March 31 of each year during the term of this Contract, the QS shall provide to FPL a certificate signed by an officer of the QS certifying that the Facility has continuously maintained qualifying facility status.

## 2. Term of Contract

Except as otherwise provided herein, this Contract shall become effective immediately upon its execution by the Parties and shall have the termination date stated in Appendix E, unless terminated earlier in accordance with the provisions hereof. Notwithstanding the foregoing, if the Capacity Delivery Date (as defined in Section 5.5) of the Facility is not accomplished by the QS before June 1, 2015, or such later date as may be permitted by FPL pursuant to Section 5 of this Contract, FPL will be permitted to terminate this Contract consistent with the terms herein without further obligations, duties or liability to the QS.

## 3. Minimum Specifications

The following minimum specifications pertaining to this Contract:

1. The avoided unit (“Avoided Unit”) on which this Contract is based is a 1219 MW combined cycle unit.
2. This offer shall expire on April 1, 2008.
3. The date by which firm capacity and energy deliveries from the QS to FPL shall commence is June 1, 2015 (or such later date as may be permitted by FPL pursuant to Section 5 of this contract) unless the QS chooses a capacity payment option that provides for early capacity payments pursuant to the terms of this contract.
4. The period of time over which firm capacity and energy shall be delivered from the QS to FPL is as specified in Appendix E; provided, such period shall be no less than a minimum of ten (10) years after the in-service date of the Avoided Unit.
5. The following are the minimum performance standards for the delivery of firm capacity and energy by the QS to qualify for full capacity payments under this Contract:

	On Peak *	All Hours
Availability	97.0%	97.0%

\* QS Performance and On Peak hours shall be as measured and/or described in FPL’s Rate Schedule QS-2 attached hereto as Appendix A

#### 4. Sale of Energy and Capacity by the QS

4.1 Consistent with the terms hereof, the QS shall sell and deliver to FPL at the “Delivery Point” (defined below) and FPL shall purchase and receive from the QS all of the energy and capacity generated by the Facility. FPL shall have the sole and exclusive right to purchase all energy and capacity produced by the Facility. The purchase and sale of energy and capacity 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 QS to sell more energy and capacity than the Facility’s net output. The billing methodology may be changed at the option of the QS, subject to the provisions of FPL Rate Schedule QS-2. For purposes of this Contract, Delivery Point shall be defined as either: (i) the point of interconnection between FPL’s system and the transmission system of the final utility transmitting energy and capacity from the Facility to the FPL system, as specifically described in the applicable Wheeling Agreement, or (ii) the point of interconnection between the Facility and FPL’s transmission system, as specifically described in the Interconnection Agreement.

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

4.3 The QS shall be responsible for all costs, charges and penalties associated with the operation of the #Facility.

## 5. Committed Capacity/Capacity Delivery Date

5.1 The QS commits to sell capacity to FPL at the Delivery Point, the amount of which shall be determined in accordance with this Section 5 (the "Committed Capacity"). Subject to Section 5.3 the Committed Capacity is set at \_\_\_\_\_ KW, with an expected Capacity Delivery Date no later than June 1, 2015.

5.2 Testing of the capacity of the Facility (each such test, a "Committed Capacity Test") shall be performed in accordance with the procedures set forth in Section 6. The Demonstration Period (defined herein) for the first Committed Capacity Test shall commence no earlier than six (6) months prior to the €commencement date for deliveries of Ffirm ~~capacity and energy~~Energy and Capacity (as such is specified in Appendix E) and testing must be completed by 11:59 p.m., May 31, 2015. The first Committed Capacity Test shall be deemed successfully completed when the QS demonstrates to FPL's satisfaction that the Facility can make available capacity of at least one hundred percent (100%) of the Committed Capacity set forth in Section 5.1. Subject to Section 6.1, the QS may schedule and perform up to three (3) Committed Capacity Tests to satisfy the capacity requirements of the Contract.

5.3 FPL shall have the right to require the QS, by notice thereto, to validate the Committed Capacity of the #Facility by means of subsequent Committed Capacity Tests as follows: a) once per each Summer period and once per each Winter period at FPL's sole discretion, b) at any time the QS is unable to comply with any material obligation under this Contract for a period of thirty (30) days or more in the aggregate as a consequence of an event of Force Majeure, and c) at any time the QS fails in three consecutive months to achieve an Annual Capacity Billing Factor ("ACBF"), as defined in Appendix B,) equal to or greater than 70%. The results of any such test shall be provided to FPL within seven (7) 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 deemed as the lower of the tested €capacity or the Committed Capacity as set forth in Section 5.1.

5.4 Notwithstanding anything to the contrary herein, the Committed Capacity shall not exceed the amount set forth in Section 5.1 without the consent of FPL, such consent not unreasonably withheld.

5.5 The "Capacity Delivery Date" shall be defined as the first calendar day immediately following the date of the Facility's successful completion of the first Committed Capacity Test but no earlier than the €commencement date for deliveries of Ffirm ~~capacity and energy~~ (as such is specified in Appendix E).

5.6 The QS shall be entitled to receive capacity payments beginning on the Capacity Delivery Date, provided, the Capacity Delivery Date occurs on or before June 1, 2015 (or such later date permitted by FPL pursuant to the following sentence). If the

Capacity Delivery Date does not occur on or before June 1, 2015, FPL shall be entitled to the Completion/Performance Security (as set forth in Section 9) in full, and in addition, FPL may, but shall not be obligated to, allow the QS up to an additional five (5) months to achieve the Capacity Delivery Date. If the QS fails to achieve the Capacity Delivery Date either by (i) June 1, 2015 or (ii) such later date as permitted by FPL, FPL shall have no obligation to make any capacity payments under this Contract and FPL will be permitted to terminate this Contract, consistent with the terms herein, without further obligations, duties or liability to the QS.

## **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 QS by means of a written notice to FPL delivered at least thirty (30) days prior to the start of such period. The provisions of the foregoing sentence shall not apply to any Committed Capacity Test required by FPL under any of the provisions of this Contract. FPL shall have the right to be present onsite to monitor any Committed Capacity Test required or permitted under this Contract.

6.2 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. If the QS is a REF the Committed Capacity Test shall be conducted utilizing as the sole fuel source fuels or energy sources included in the definition in Section 366.91, Florida Statutes. The Committed Capacity Test Period shall commence at the time designated by the QS pursuant to Section 6.1 or at such other time requested by FPL pursuant to Section 5.3; provided, however, that the Committed Capacity Test Period may commence earlier than such time in the event that FPL is notified of, and consents to, such earlier time.

6.3 For the avoidance of doubt, 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. Further, the QS shall affect deliveries of any quantity and quality of contracted cogenerated steam to the steam host during the Committed Capacity Test Period.

6.4 The Capacity of the Facility (the "Capacity") shall be the average net capacity (generator output minus auxiliary) measured over the Committed Capacity Test Period.

6.5 The Committed Capacity Test shall be performed according to prudent industry testing procedures satisfactory to FPL for the appropriate technology of the QS.

6.6 Except as otherwise provided herein, results of any Committed Capacity Test shall be submitted to FPL by the QS within seven (7) days of the conclusion of the Committed Capacity Test.

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

### **7.1 Energy**

FPL agrees to pay the QS for capacity and energy produced by the Facility and delivered to the Delivery Point in accordance with the rates and procedures contained in FPL's approved Rate Schedule QS-2, attached hereto as Appendix A, as it may be amended from time to time and pursuant to the election of energy payment options as specified in Appendix E. The Parties agree that this Contract shall be subject to all of the provisions contained in Rate Schedule QS-2 as approved and on file with the FPSC.

### **7.2 Capacity**

FPL agrees to pay the QS for the capacity described in Section 5 in accordance with the rates and procedures contained in Rate Schedule QS-2, attached hereto as Appendix A, as it may be amended and approved from time to time by the FPSC, and pursuant to the election of a capacity payment option as specified in Appendix E. The QS understands and agrees that €capacity payments will be made under the early capacity payment options only if the QS has achieved the Capacity Delivery Date and is delivering firm capacity and energy to FPL. Once elected by the QS, the capacity payment option cannot be changed during the term of this Contract.

### **7.3 Payments**

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

## **8. Electricity Production and Plant Maintenance Schedule**

8.1 During the term of this Contract, no later than sixty (60) days prior to the Capacity Delivery Date and prior to April 1 of each calendar year thereafter, the QS shall submit to FPL in writing a detailed plan of: (i) the amount of firm capacity and energy to be generated by the Facility and delivered to the Delivery Point for each month of the following calendar year, and (ii) the time, duration and magnitude of any scheduled maintenance period(s) and any anticipated reductions in capacity.

8.2 By October 31 of each calendar year, FPL shall notify the QS in writing whether the requested scheduled maintenance periods in the detailed plan are acceptable. If FPL objects to any of the requested scheduled maintenance periods, FPL shall advise the QS of the time period closest to the requested period(s) when the outage(s) can be scheduled. The QS shall schedule maintenance outages only during periods approved by FPL, such approval not unreasonably withheld. Once the schedule for maintenance has

been established and approved by FPL, either Party may request a subsequent change in such schedule and, except when such event is due to Force Majeure, request approval for such change from the other Party, such approval not to be unreasonably withheld or delayed. Scheduled maintenance outage days shall be limited to seven (7) days per calendar year unless the manufacturer's recommendation of maintenance outage days for the technology and equipment used by the Facility exceeds such 7 day period, provided, such number of days is considered reasonable by industry standards and does not exceed two (2) fourteen (14) day intervals, one in the Spring and one in the Fall, in any calendar year. The scheduled maintenance outage days applicable for the QS are \_\_\_\_\_ days in the Spring and \_\_\_\_\_ days in the Fall of each calendar year, provided the conditions specified in the previous sentence are met. In no event shall maintenance periods be scheduled during the following periods: June 1 through and including October 31st and December 1 through and including February 28 (or 29<sup>th</sup> as the case may be).

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

#### 8.4 Dispatch and Control

8.4.1 The Power supplied by the QS hereunder shall be in the form of three-phase 60 Hertz alternating current, at a nominal operating voltage of \_\_\_\_\_,000 volts ( \_\_\_\_\_ kV) and power factor dispatchable and controllable in the range of 85% lagging to 85% leading as measured at the Delivery Point to maintain system operating parameters, as specified by FPL.

8.4.2 At all times during the term of this Contract, the QS shall operate and maintain the Facility: (i) in such a manner as to ensure compliance with its obligations hereunder, in accordance with prudent engineering and operating practices and applicable law, and (ii) with all system protective equipment in service whenever the Facility is connected to, or is operated in parallel with, FPL's system. The QS shall install at the Facility those system protection and control devices necessary to ensure safe and protected operation of all energized equipment during normal testing and repair. The QS shall have qualified personnel test and calibrate all protective equipment at regular intervals 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 the results shall be provided to FPL prior to returning the equipment to service. The specifics of the unit functional trip test will be consistent with good engineering and operating practices.

8.4.3 If the Facility is separated from the FPL system for any reason, under no circumstances shall the QS reconnect the Facility into FPL's system without first obtaining FPL's approval.

8.4.4 During the term of this Contract, the QS shall employ qualified personnel for managing, operating and maintaining the Facility and for coordinating such with FPL. If the Facility has a Committed Capacity greater than 10 MW then, the QS 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. If the fFacility has a Committed Capacity equal to or less than 10 MW then the QS shall ensure that operating personnel are on duty at least eight (8) hours per day from 8 AM EST to 5 PM EST from Monday to Friday, with an operator on call at all other hours.

8.4.5 FPL shall at all times be excused from its obligation to purchase energy and capacity hereunder, and FPL shall have the ability to require the QS to curtail or reduce deliveries of energy, to the extent necessary to maintain the reliability and integrity of any part of FPL's system, or in the event that FPL determines that a failure to do so is likely to endanger life or property, or is likely to result in significant disruption of electric service to FPL's customers. FPL shall give the QS prior notice, if practicable, of its intent to refuse, curtail or reduce FPL's acceptance of energy pursuant to this Section and will act to minimize the frequency and duration of such occurrences.

8.4.6 After providing notice to the QS, FPL shall not be required to accept or purchase energy from the QS during any period in which, due to operational circumstances, acceptance or purchase of such energy would result in FPL's incurring costs greater than those which it would incur if it did not make such purchases. An example of such an occurrence would be a period during which the load being served is such that the generating units on line are base load units operating at their minimum continuous ratings and the purchase of additional energy would require taking a base load unit off the line and replacing the remaining load served by that unit with peaking-type generation. FPL shall give the QS as much prior notice as practicable of its intent not to accept energy pursuant to this Section.

8.4.7 If the Facility has a Committed Capacity less than 75 MW, control, scheduling and dispatch of capacity and energy shall be the responsibility of the QS. If the Facility has a Committed Capacity greater than or equal to 75 MW, control, scheduling and dispatch of capacity and energy shall be the responsibility of the QS, except during a "Dispatch Hour", i.e., ~~(Any clock hour for which FPL requests the delivery of such capacity and energy shall be referred to herein as a "Dispatch Hour.")~~ During any Dispatch Hour,; i) control of the Facility will either be by Seller's manual control under the direction of FPL (whether orally or in writing) or by Automatic Generation Control by FPL's system control center as determined by FPL, and ii) FPL may request that the real power output be at any level up to the Committed Capacity of the Facility, provided, in no event shall FPL require the real power output of the Facility to be below the Facility's Minimum Load without decommitting the Facility. The Facility shall deliver the capacity and energy being requested by FPL, within \_\_\_\_\_ minutes, taking into account the operating limitations of the generating equipment as specified by the manufacturer, provided such time period specified herein is considered reasonable by industry standards for the technology and equipment being utilized and assuming the Facility is operating at or above its Minimum Load. Start-up time from Cold Shutdown and Facility Turnaround time from Hot to Hot will be taken into consideration provided ~~such~~they are reasonable and consistent with good industry practices for the technology and equipment being utilized. The fFacility's Operating Characteristics have been provided by the QS and are set forth in Appendix D, Section IV of Rate Schedule QS-2.

8.4.8 If the Facility has a Committed Capacity of less than 75 MW, FPL may require during certain periods, by oral, written, or electronic notification that the QS cause the Facility to reduce output to a level below the Committed Capacity but not lower than the Facility's Minimum Load. FPL shall provide as much notice as practicable, normally such notice will be of at least four (4) hours. The frequency of such request shall not exceed eighteen (18) times per calendar year and the duration of each request shall not exceed four (4) hours.

8.4.9 FPL's exercise of its rights under this Section 8 shall not give rise to any liability on the part of FPL, including any claim for breach of contract or for breach of any covenant of good faith and fair dealing.

## **9. Completion/Performance Security**

9.1 As security for the achievement of the Capacity Delivery Date and satisfactory performance of its obligations hereunder, the QS shall provide FPL either: (a) an unconditional, irrevocable, standby letter of credit(s) with an expiration date no earlier than the end of the first (1st) anniversary of the Capacity Delivery Date (or the next business day thereafter), issued by a U.S. commercial bank or the U.S. branch of a foreign bank having a Credit Rating of A- or higher by S&P or A3 or higher by Moody's (a "Qualified Issuer"), in form and substance acceptable to FPL (including provisions (i) permitting partial and full draws and (ii) permitting FPL to draw in full if such letter of credit is not renewed or replaced as required by the terms hereof at least thirty (30) business days prior to its expiration date) ("Letter of Credit"); (b) a bond, issued by a financially sound Company and in a form and substance acceptable to FPL, ("Bond"); or (c) a cash collateral deposited with FPL ("Cash Collateral") (any of (a), (b), or (c), the "Completion/Performance Security"). Such Letter of Credit, Bond or Cash Collateral shall be provided in the amount and by the date listed below:

\$30.00 per KW (for the number of KW of Committed Capacity set forth in Section 5.1) to be delivered to FPL within thirty (30) calendar days of the execution of this Contract by the Parties hereto.

"Credit Rating" means with respect to any entity, on any date of determination, the respective ratings then assigned to such entity's unsecured, senior long-term debt or deposit obligations (not supported by third party credit enhancement) by S&P, Moody's or other specified rating agency or agencies or if such entity does not have a rating for its unsecured, senior long-term debt or deposit obligations, then the rating assigned to such entity as its "corporate credit rating" by S&P.

"Moody's" means Moody's Investors Service, Inc. or its successor.

"S&P" means Standard & Poor's Ratings Group (a division of The McGraw-Hill Companies, Inc.) or its successor.

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

- ( ) Letter of Credit.
- ( ) Bond.
- ( ) Cash Collateral.

9.3 FPL shall have the right to monitor (i) the financial condition of the issuer of a Letter of Credit in the event any Letter of Credit is provided by the QS and (ii) the insurer, in the case of any Bond. In the event the issuer of a Letter of Credit no longer qualifies as Qualified Issuer or the issuer of a Bond is no longer financially sound, FPL may require the QS to replace the Letter of Credit or the Bond, as applicable. The replacement Letter of Credit must be issued by a Qualified Issuer, within thirty (30) calendar days following written notification to the QS of the requirement to replace. Failure by the QS to comply with the requirements of this Section 9.3 shall be grounds for FPL to draw in full on the existing Letter of Credit and to exercise any other remedies it may have hereunder.

9.4 Notwithstanding the foregoing provisions of this Section 9, pursuant to FPSC Rule 25-17.091(4), F.A.C., a QS qualifying as a "Solid Waste Facility" pursuant to Section 377.709(3) or (5), F.S., respectively, may use an unsecured written commitment or promise to pay in a form reasonably acceptable to FPL, by the local government which owns the Facility or on whose behalf the QS operates the Facility, to secure its obligation to achieve on a timely basis the Capacity Delivery Date and the satisfactory performance of its obligations hereunder.

9.5 If an Event of Default under Section 12 occurs, FPL 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.

9.6 If an Event of Default under Section 12 has not occurred and the QS fails to achieve the Capacity Delivery Date on or before June 1, 2015 or such later date as permitted by FPL pursuant to Section 5.6~~7~~, FPL shall be entitled immediately to receive, draw upon, or retain, as the case may be, one-hundred (100%) of the Completion/Performance Security as liquidated damages free from any claim or right of any nature whatsoever of the QS, including any equity or right of redemption by the QS. The Parties acknowledge that the injury that FPL will suffer as a result of delayed availability of Committed Capacity and energy is difficult to ascertain and that FPL 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 occurs on or before June 1, 2015 or such later date as permitted by FPL pursuant to Section 5.6, then the QS 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 of Committed Capacity set forth in Section 5.1).

9.7 In the event that FPL requires the QS to perform one or more Committed Capacity Test(s) at any time on or before the first anniversary of the Capacity Delivery Date pursuant to Section 5.3 and, in connection with any such Committed Capacity Test(s), the QS fails to demonstrate a Capacity of at least one-hundred percent (100%) of the Committed Capacity set forth in Section 5.1, FPL 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 as liquidated damages free from any claim or right of any nature whatsoever of the QS, including any equity or right of redemption by the QS. In the event that FPL does not require the QS to perform a Committed Capacity Test or if the QS successfully demonstrates (in connection with all such Committed Capacity Tests required by FPL pursuant to Section 5.3) a Capacity of at least one-hundred percent (100%) of the Committed Capacity set forth in Section 5.1, in either case, on or before the first anniversary of the Capacity Delivery Date, then FPL shall return, as applicable, any remaining amount of the Completion/Performance Security within thirty (30) days of the first anniversary of the Capacity Delivery Date.

9.10 The QS, as the Pledgor of the Completion/Performance Security, hereby pledges to FPL, as the secured Party, as security for the achievement of the Capacity Delivery Date and satisfactory performance of its obligations hereunder, and grants to FPL a first priority continuing security interest in, lien on and right of set-off against all Completion/Performance Security transferred to or received by FPL hereunder. Upon the transfer or return by FPL to the QS of Completion/Performance Security, the security interest and lien granted hereunder on that Completion/Performance Security will be released immediately and, to the extent possible, without any further action by either party.

9.11 In lieu of any interest, dividends or other amounts paid or deemed to have been paid with respect to Cash Collateral held by FPL (all of which may be retained by FPL), FPL will transfer to the QS on a monthly basis the Interest Amount, as calculated by FPL.

“Interest Amount” means, with respect to each monthly period, the aggregate sum of the amounts of interest calculated for each day in that monthly period on the principal amount of Cash Collateral held by FPL on that day, determined by FPL for each such day as follows:

- (x) the amount of that Cash Collateral on that day; multiplied by
- (y) the Interest Rate in effect for that day; divided by
- (z) 360.

The "Interest Rate" will be: the Federal Funds Overnight rate as from time to time in effect.

“Federal Funds Overnight Rate” means, for the relevant determination date, the rate opposite the caption “Federal Funds (Effective)” as set forth for that day in the weekly statistical release designated as H.15 (519), or any successor publication, published by the Board of Governors of the Federal Reserve System. If on the determination date such rate is not yet published in H.15 (519), the rate for that date will be the rate set in Composite 3:30 P.M. Quotations for U.S. Government Securities for that day under the caption “Federal Funds/Effective Rate.” If on the determination date such rate is not yet published in either H.15 (519) or Composite 3:30 P.M. Quotations for U.S. Government Securities, the

rate for that date will be determined as if the Parties had specified “USD-Federal Funds-Reference Dealers” as the applicable rate.

## 10. Termination Fee

10.1 In the event that the QS receives capacity payments pursuant to Option B, Option C, Option D or Option E (as such options are defined in Appendix A and elected by the QS in Appendix E) or receives energy payments pursuant to the Fixed Firm Energy Payment Option (as such option is defined in Appendix A and elected by the QS in Appendix E) then, upon the termination of this Contract, the QS shall owe and be liable to FPL for a termination fee calculated in accordance with Appendix C (the “Termination Fee”). The QS’s obligation to pay the Termination Fee shall survive the termination of this Contract. FPL shall provide the QS, on a monthly basis, a calculation of the Termination Fee.

10.1.1 The Termination Fee shall be secured (with the exception of governmental solid waste facilities covered by FPSC Rule 25-17.091 in which case the QS may use an unsecured written commitment or promise to pay, in a form reasonably acceptable to FPL, by the local government which owns the Facility or on whose behalf the QS operates the Facility, to secure its obligation to pay the Termination Fee) by the QS by: (i) an unconditional, irrevocable, standby letter(s) of credit issued by Qualified Issuer in form and substance acceptable to FPL (including provisions (a) permitting partial and full draws and (b) permitting FPL to draw upon such letter of credit, in full, if such letter of credit is not renewed or replaced at least thirty (30) business days prior to its expiration date, (“Termination Fee Letter of Credit”); (ii) a bond, issued by a financially sound Company and in a form and substance acceptable to FPL, (“Termination Fee Bond”); or (iii) a cash collateral deposit with FPL (“Termination Fee Cash Collateral”) (any of ( i ), (ii), or (iii), the “Termination Security”).

The specific security instrument selected by the QS for purposes of this Contract is:

- ( ) Termination Fee Letter of Credit
- ( ) Termination Fee Bond
- ( ) Termination Fee Cash Collateral

10.1.2 FPL shall have the right to monitor the financial condition of (i) the issuer of a Termination Fee Letter of Credit in the case of any Termination Fee Letter of Credit and (ii) the insurer(s), in the case of any Termination Fee Bond. In the event the issuer of a Termination Fee Letter of Credit is no longer a Qualified Issuer or the issuer of a Termination Fee Bond is no longer financially sound, FPL may require the QS to replace the Termination Fee Letter of Credit or the Termination Fee Bond, as applicable. In the event that FPL notifies the QS that it requires such a replacement, the replacement Termination Fee Letter of Credit or Termination Fee Bond, as applicable, must be issued by a Qualified Issuer or financially sound company within thirty (30) calendar days following such notification. Failure by the QS to comply with the requirements of this Section 10.1.2 shall be grounds for FPL to draw in full on any existing Termination Fee

Letter of Credit or Termination Fee 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, the QS shall provide to FPL within ten (10) days of the close of such calendar quarter with written assurance and documentation (the "Security Documentation"), in form and substance acceptable to FPL, that the amount of the most recently provided 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, FPL shall have the right to request, and the QS shall be obligated to deliver within five (5) days of such request, such Security Documentation. Failure by the QS to comply with the requirements of this Section 10.1.3 shall be grounds for FPL to draw in full on any existing Termination Fee Letter of Credit or Termination Fee Bond or to retain any Termination Fee Cash Collateral, and to exercise any other remedies it may have hereunder to be applied against any Termination Fee that may be due and owing to FPL or that may in the future be due and owing to FPL.

10.1.4 Upon any termination of this Contract following the Capacity Delivery Date, FPL shall be entitled to receive (and in the case of the Termination Fee Letter of Credit or Termination Fee Bond, draw upon such Termination Fee Letter of Credit or Termination Fee Bond) and retain one-hundred percent (100%) of the Termination Security [to be applied against any Termination Fee that may be due and owing to FPL or that may in the future be due and owing to FPL]. FPL will transfer to the QS any proceeds and Termination Security remaining after liquidation, set-off and/or application under this Article after satisfaction in full of all amounts payable by the QS with respect to any Termination Fee or other obligations due to FPL; the QS in all events will remain liable for any amounts remaining unpaid after any liquidation, set-off and/or application under this Article.

10.2 The QS, as the Pledgor of the Termination Security, hereby pledges to FPL, as the secured Party, as security for the Termination Fee, and grants to FPL a first priority continuing security interest in, lien on and right of set-off against all Termination Security transferred to or received by FPL hereunder. Upon the transfer or return by FPL to the QS of Termination Security, the security interest and lien granted hereunder on that Termination Security will be released immediately and, to the extent possible, without any further action by either party.

10.3 In lieu of any interest, dividends or other amounts paid or deemed to have been paid with respect to Termination Fee Cash Collateral held by FPL (all of which may be retained by FPL), FPL will transfer to the QS on a monthly basis the Interest Amount, as calculated by FPL.

"Interest Amount" means, with respect to each monthly period, the aggregate sum of the amounts of interest calculated for each day in that monthly period on the principal amount of Cash Collateral held by FPL on that day, determined by FPL for each such day as follows:

- (x) the amount of that Termination Fee Cash Collateral on that day; multiplied by
- (y) the Interest Rate in effect for that day; divided by
- (z) 360.

The "Interest Rate" will be: the Federal Funds Overnight rate as from time to time in effect.

"Federal Funds Overnight Rate" means, for the relevant determination date, the rate opposite the caption "Federal Funds (Effective)" as set forth for that day in the weekly statistical release designated as H.15 (519), or any successor publication, published by the Board of Governors of the Federal Reserve System. If on the determination date such rate is not yet published in H.15 (519), the rate for that date will be the rate set in Composite 3:30 P.M. Quotations for U.S. Government Securities for that day under the caption "Federal Funds/Effective Rate." If on the determination date such rate is not yet published in either H.15 (519) or Composite 3:30 P.M. Quotations for U.S. Government Securities, the rate for that date will be determined as if the Parties had specified "USD-Federal Funds-Reference Dealers" as the applicable rate.

#### **11. Performance Factor**

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

#### **12. Default**

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

(a) The QS fails to meet the applicable requirements specified in Section 1 of this Contract;

(b) The QS changes or modifies the Facility from that provided in Section 1 with respect to its type, location, technology or fuel source, without prior written approval from FPL;

(c) After the Capacity Delivery Date, the Facility fails, for twelve (12) consecutive months, to maintain an Annual Capacity Billing Factor, as described in Appendix B, of at least 70%;

(d) The QS fails to comply with any of the provisions of Section 9.0 hereof;

(e) The QS fails to comply with any of the provisions of Section 10.0 hereof;

(f) The QS 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 QS or if a receiver shall be appointed for the QS or any of its assets or properties; or if any part of the QS'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 30 days thereof; or if the QS 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 QS fails to give proper assurance acceptable to FPL of adequate performance as specified under this Contract within 30 days after FPL, with reasonable grounds for insecurity, has requested in writing such assurance;

(h) The QS materially fails to perform as specified under this Contract, including, but not limited to, the QS's obligations under any part of Sections 8, 9, 10, and 14-18;

(i) The QS fails to achieve licensing, certification, and all federal, state and local governmental environmental and licensing approvals required to initiate construction of the Facility by no later than December 1, 2014;

(j) The QS fails to comply with any of the provisions of Section 18.3 Project Management hereof;

(k) Any of the representations or warranties made by the QS in this Contract is false or misleading in any material respect as of the time made;

(l) The occurrence of an event of default by the QS under the Interconnection Agreement or any applicable Wheeling Agreement;

(m) The QS fails to satisfy its obligations under Section 18.157 of this Contract;

(n) The QS breaches any material provision of this Contract not specifically mentioned in this Section 12; or

(o) If at any time after the Capacity Delivery Date, the QS reduces the Committed Capacity due to an event of Force Majeure and fails to repair the Facility and reset the Committed Capacity to the level set forth in Section 5.1 (as such level may be reduced by Section 5.3) within twelve (12) months following the occurrence of such event of Force Majeure.

### **13. FPL's Rights in the Event of Default**

13.1 Upon the occurrence of any of the Events of Default in Section 12, FPL may:

(a) terminate this Contract, without penalty or further obligation, except as set forth in Section 13.2, by written notice to the QS, and offset against

any payment(s) due from FPL to the QS, any monies otherwise due from the QS to FPL;

~~13.1.2~~(b) collect the Termination Fee pursuant to Section 10 hereof; and

~~13.1.3~~(c) exercise any other remedy(ies) which may be available to FPL at law or in equity.

13.2 In the case of an Event of Default, the QS recognizes that any remedy at law may be inadequate because this Contract is unique and/or because the actual damages of FPL may be difficult to reasonably ascertain. Therefore, the QS agrees that FPL shall be entitled to pursue an action for specific performance, and the QS waives all of its rights to assert as a defense to such action that FPL's remedy at law is adequate.

13.3 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/Limits**

14.1 FPL and the QS shall each be responsible for its own facilities. FPL and the QS shall each be responsible for ensuring adequate safeguards for other FPL customers, FPL's and the QS's personnel and equipment, and for the protection of its own generating system. Subject to section 2.7 Indemnity to Company, or section 2.71 Indemnity to Company – Governmental, FPL's General Rules and Regulations of Tariff Sheet No.6.020 each Party (the "Indemnifying Party") agrees, to the extent permitted by applicable law, to indemnify, pay, defend, and hold harmless the other Party (the "Indemnified Party") and its officers, directors, employees, agents and contractors (hereinafter called respectively, "FPL Entities" and "QS Entities") from and against any and all claims, demands, costs, or expenses for loss, damage, or injury to persons or property of the Indemnified Party (or to third parties) caused by, arising out of, or resulting from: (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, act or incident, including the transmission and use of electricity, 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 will 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.

14.3 Limitation on Consequential, Incidental and Indirect Damages. TO THE FULLEST EXTENT PERMITTED BY LAW, NEITHER THE QS NOR FPL, NOR THEIR RESPECTIVE OFFICERS, DIRECTORS, AGENTS, EMPLOYEES, MEMBERS, PARENTS, SUBSIDIARIES OR AFFILIATES, SUCCESSORS OR ASSIGNS, OR THEIR RESPECTIVE OFFICERS, DIRECTORS, AGENTS, EMPLOYEES, MEMBERS, PARENTS, SUBSIDIARIES OR AFFILIATES, SUCCESSORS OR ASSIGNS, SHALL BE LIABLE TO THE OTHER PARTY OR THEIR RESPECTIVE OFFICERS, DIRECTORS, AGENTS, EMPLOYEES, MEMBERS, PARENTS, SUBSIDIARIES OR AFFILIATES, SUCCESSORS OR ASSIGNS, FOR CLAIMS, SUITS, ACTIONS OR CAUSES OF ACTION FOR INCIDENTAL, INDIRECT, SPECIAL, PUNITIVE, MULTIPLE OR CONSEQUENTIAL DAMAGES CONNECTED WITH OR RESULTING FROM PERFORMANCE OR NON-PERFORMANCE OF THIS CONTRACT, OR ANY ACTIONS UNDERTAKEN IN CONNECTION WITH OR RELATED TO THIS CONTRACT, INCLUDING WITHOUT LIMITATION, ANY SUCH DAMAGES WHICH ARE BASED UPON CAUSES OF ACTION FOR BREACH OF CONTRACT, TORT (INCLUDING NEGLIGENCE AND MISREPRESENTATION), BREACH OF WARRANTY, STRICT LIABILITY, STATUTE, OPERATION OF LAW, UNDER ANY INDEMNITY PROVISION OR ANY OTHER THEORY OF RECOVERY. IF NO REMEDY OR MEASURE OF DAMAGES IS EXPRESSLY PROVIDED HEREIN, THE OBLIGOR'S LIABILITY SHALL BE LIMITED TO DIRECT DAMAGES ONLY, AND SUCH DIRECT DAMAGES SHALL BE THE SOLE AND EXCLUSIVE MEASURE OF DAMAGES AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED; PROVIDED, HOWEVER, THAT THIS SENTENCE SHALL NOT APPLY TO LIMIT THE LIABILITY OF A PARTY WHOSE ACTIONS GIVING RISE TO SUCH LIABILITY CONSTITUTE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT. THE PROVISIONS OF THIS SECTION SHALL APPLY REGARDLESS OF FAULT AND SHALL SURVIVE TERMINATION, CANCELLATION, SUSPENSION, COMPLETION OR EXPIRATION OF THIS CONTRACT. NOTHING CONTAINED IN THIS AGREEMENT SHALL BE DEEMED TO BE A WAIVER OF A PARTY'S RIGHT TO SEEK INJUNCTIVE RELIEF.

## **15. Insurance**

15.1 The QS 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 FPL on a standard "Insurance Services Office" commercial general liability form (such policy or policies, collectively, the "QS Insurance"). A certificate of insurance shall be delivered to ~~FPL-the Delivery Point~~ at least fifteen (15) calendar days prior to the start of any interconnection work. At a minimum, the QS 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 QS's equipment or by the QS's failure to maintain the Facility or the QS's equipment in satisfactory and safe operating condition. Effective at least fifteen (15) calendar days prior to the synchronization of the Facility with FPL's system, the QS Insurance shall be amended to include coverage for interruption or curtailment of power supply in accordance with industry standards. Without limiting the foregoing, the QS Insurance must be reasonably acceptable to FPL. Any premium assessment or deductible shall be for the account of the QS and not FPL.

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

15.3 In the event that such insurance becomes totally unavailable or procurement thereof becomes commercially impracticable, such unavailability shall not constitute an Event of Default under this Contract, but FPL and the QS shall enter into negotiations to develop substitute protection which the parties in their reasonable judgment deem adequate.

15.4 To the extent that the QS 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 FPL Entities and the QS Entities. Furthermore, to the extent the QS Insurance is on a "claims made" basis, the QS'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 QS Insurance is on an "occurrence" basis, such insurance shall be maintained in effect at all times by the QS during the term of this Contract.

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

15.6 The QS shall be designated as the named insured and FPL shall be designated as an additional named insured under the QS Insurance. The QS Insurance shall be endorsed to be primary to any coverage maintained by FPL

## **16. Force Majeure**

Force Majeure is defined as an event or circumstance that is not within the reasonable control of, or the result of the negligence of, the affected party, and which, by the exercise of due diligence, the affected party is unable to overcome, avoid, or cause to be avoided in a commercially reasonable manner. Such events or circumstances may include, but are not limited to, 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, difficulties (not caused by the failure of the affected party to comply with the terms of a

collective bargaining agreement), or actions or restraints by court order or governmental authority or arbitration award. Force Majeure shall not include (i) the QS's ability to sell capacity and energy to another market at a more advantageous price; (ii) 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; (iii) ) a failure of performance of any other entity, including any entity providing electric transmission service to the QS, except to the extent that such failure was caused by an event that would otherwise qualify as a Force Majeure event; (iv) failure of the QS to timely apply for or obtain permits.

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 two (2) 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 therefore 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 QS suffers an occurrence of an event of Force Majeure that reduces the generating capability of the Facility below the Committed Capacity, the QS may, upon notice to FPL, 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 FPL's receipt of the notice or such later date as may be specified by the QS. 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 QS 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, FPL 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 QS 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 provision of this Contract, upon such cessation or cure, FPL shall have the 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 FPL under this Section shall be additional to any Committed Capacity Test under Section 5.3.

16.8 During the occurrence of an event of Force Majeure and a reduction in Committed Capacity under Section 16.4, all Monthly Capacity Payments shall reflect, pro rata, the reduction in Committed Capacity, and the Monthly Capacity Payments will continue to be calculated in accordance with the pay-for-performance provisions in Appendix B.

16.9 The QS agrees to be responsible for and pay the costs necessary to reactivate the Facility and/or the interconnection with FPL's system if the same is (are) rendered inoperable due to actions of the QS, its agents, or Force Majeure events affecting the QS, the Facility or the interconnection with FPL. FPL agrees to reactivate, at its own cost, the interconnection with the Facility in circumstances where any interruptions to such interconnections are caused by FPL or its agents.

## **17. Representations, Warranties, and Covenants of QS**

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

### **17.1 Organization, Standing and Qualification**

The QS 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 QS 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 FPL.

### **17.2 Due Authorization, No Approvals, No Defaults, etc.**

Each of the execution, delivery and performance by the QS of this Contract has been duly authorized by all necessary action on the part of the QS, does not require any approval, except as has been heretofore obtained, of the \_\_\_\_\_ (shareholders, partners, or others, as applicable) of the QS or any consent of or approval from any trustee, lessor or holder of any indebtedness or other obligation of the QS, 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 QS, or any agreement, judgment, injunction, order, decree or other instrument binding upon the QS, or subject the Facility or any component part thereof to any lien other than as contemplated or permitted by this Contract. This Contract constitutes QS's legal, valid and binding obligation, enforceable against it in accordance with the terms hereof, except as such enforceability may be limited by applicable bankruptcy laws from time to time in effect that affect creditors' rights generally or by general principles of equity (regardless of whether such enforcement is considered in equity or at law).

### 17.3 Compliance with Laws

The QS has knowledge of all laws and business practices that must be followed in performing its obligations under this Contract. The QS 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 QS or FPL.

### 17.4 Governmental Approvals

Except as expressly contemplated herein, neither the execution and delivery by the QS of this Contract, nor the consummation by the QS of any of the transactions contemplated thereby, requires the consent or approval of, the giving of notice to, the registration with, the recording or filing of any document with, or the taking of any other action in respect of governmental authority, except in respect of permits (a) which have already been obtained and are in full force and effect or (b) are not yet required (and with respect to which the QS 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 QS, 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 QS'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 QS has no knowledge of a violation or default with respect to any law which could result in any such materially adverse effect or impairment. The QS is not in breach of, in default under, or in violation of, any applicable Law, or the provisions of any authorization, or in breach of, in default under, or in violation of, or in conflict with any provision of any promissory note, indenture or any evidence of indebtedness or security therefor, lease, contract, or other agreement by

which it is bound, except for any such breaches, defaults, violations or conflicts which, individually or in the aggregate, could not reasonably be expected to have a material adverse effect on the business or financial condition of Buyer or its ability to perform its obligations hereunder.

|

## 17.6 Environmental Matters

### 17.6.1 QS Representations

To the best of its knowledge after diligent inquiry, the QS 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 fFacility as contemplated by this Contract.

### 17.6.2 Ownership and Offering For Sale Of Renewable Energy Attributes

The QS retains any and all rights to own and to sell any and all environmental attributes associated with the electric generation of the fFacility, including but not limited to, any and all renewable energy certificates, "green tags" or other tradable environmental interests (collectively "RECs"), of any description.

### 17.6.3 Changes in Environmental and Governmental Regulations

If new environmental and other regulatory requirements enacted during the term of the Contract change FPL's full avoided cost of the unit on which the Contract is based, either party can elect to have the contract reopened.

## 17.7 Interconnection/Wheeling Agreement

The QS has executed an interconnection agreement with FPL, or represents or warrants that it has entered into a valid and enforceable Interconnection Agreement with the utility in whose service territory the fFacility is located, pursuant to which the QS assumes contractual responsibility to make any and all transmission-related arrangements (including control area services) between the QS and the transmitting utility for delivery of the fFacility's capacity and energy to FPL.

## 17.8 Technology and Generator Capabilities

That for the term of this Contract the Technology and Generator Capabilities table set forth in Section 1 is accurate and complete.

## 18. General Provisions

### 18.1 Project Viability

To assist FPL in assessing the QS's financial and technical viability, the QS shall provide the information and documents requested in Appendix D or substantially similar documents, to the extent the documents apply to the type of Facility covered by this

Contract, and to the extent the documents are available. All documents to be considered by FPL must be submitted at the time this Contract is presented to FPL. Failure to provide the following such documents may result in a determination of non-viability by FPL.

## 18.2 Permits

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

## 18.3 Project Management

18.3.1 If requested by FPL, the QS shall submit to FPL its integrated project schedule for FPL's review within sixty calendar days from the execution of this Contract, and a start-up and test schedule for the Facility at least sixty 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 FPL, the QS shall submit progress reports in a form satisfactory to FPL every calendar month until the Capacity Delivery Date and shall notify FPL of any changes in such schedules within ten calendar days after such changes are determined. FPL shall have the right to monitor the construction, start-up and testing of the Facility, either on-site or off-site. FPL'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.

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

## 18.4 Assignment

The QS may not assign this Contract, without FPL's prior written approval, which approval may be withheld in FPL's sole discretion.

## 18.5 Disclaimer

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

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

For FPL:

Florida Power & Light Company  
Manager, Purchased Power  
P. O. Box 029100 Miami, FL 33102-9100  
\_\_\_\_\_  
or  
9250 West Flagler Street  
Miami, FL 33174

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

Florida Power & Light Company  
9250 West Flagler Street Miami, FL 33174  
Attention: Manager, Purchased Power  
Resource Assessment and Planning Department

#### 18.7 Applicable Law

This Contract shall be construed in accordance with and governed by, and the rights of the Parties shall be construed in accordance with, the laws of the State of Florida as to all matters, including but not limited to matters of validity, construction, effect, performance and remedies, without regard to conflict of law rules thereof.

#### 18.8 Venue

The Parties hereby irrevocably submit to the exclusive jurisdiction of the United States District Court for the Southern District of Florida or, in the event that jurisdiction for any matter cannot be established in the United States District Court for the Southern District of Florida, in the state court for Palm Beach County, Florida, solely in respect of the interpretation and enforcement of the provisions of this Contract and of the documents referred to in this Contract, and in respect of the transactions contemplated hereby, and hereby waive, and agree not to assert, as a defense in any action, suit or proceeding for the interpretation or enforcement hereof or of any such document, that it is

not subject thereto or that such action, suit or proceeding may not be brought or is not maintainable in said courts or that the venue thereof may not be appropriate or that this Contract or any such document may not be enforced in or by such courts, and the Parties hereto irrevocably agree that all claims with respect to such action or proceeding shall be heard and determined in such a court. The Parties hereby consent to and grant any such court jurisdiction over the persons of such Parties solely for such purpose and over the subject matter of such dispute and agree that mailing of process or other papers in connection with any such action or proceeding in the manner provided in Section 18.68 hereof or in such other manner as may be permitted by Law shall be valid and sufficient service thereof.

18.9. Waiver of Jury Trial. EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS CONTRACT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT A PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION RESULTING FROM, ARISING OUT OF OR RELATING TO THIS CONTRACT OR THE TRANSACTIONS CONTEMPLATED HEREBY. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (i) NO REPRESENTATIVE, AGENT OR ATTORNEY OF THE OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (ii) EACH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (iii) EACH PARTY MAKES THIS WAIVER VOLUNTARILY AND (iv) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS CONTRACT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 18.9

#### 18.910 Taxation

In the event that FPL becomes liable for additional taxes, including interest and/or penalties arising from an Internal Revenue Services determination, through audit, ruling or other authority, that FPL's payments to the QS for capacity under Options B, C, D, E or for energy pursuant to the Fixed Firm Energy Payment Option D are not fully deductible when paid (additional tax liability), FPL may bill the QS 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. FPL, at its option, may offset these costs against amounts due the QS hereunder. These costs would be calculated so as to place FPL 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 FPL 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 FPL.

#### 18.101 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.

#### 18.142 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.

#### 18.123 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.

#### 18.134 Record Retention

The QS agrees to retain 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 QS Entities to retain for the same period all such records.

#### 18.145 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.

#### 18.156 Set-Off

FPL may at any time, but shall be under no obligation to, set off any and all sums due from the QS against sums due to the QS hereunder.

#### 18.167 Assistance With FPL FIN 46R

Compliance Accounting rules set forth in Financial Accounting Standards Board Interpretation No. 46 (Revised December 2003) ("FIN 46R"), as well as future amendments and interpretations of those rules, may require FPL to evaluate whether the

QS must be consolidated, as a variable interest entity (as defined in FIN 46R), in the financial statements of FPL. The QS agrees to fully cooperate with FPL and make available to FPL all financial data and other information, as deemed necessary by FPL, to perform that evaluation on a timely basis at inception of the PPA and periodically as required by FIN 46R. If the result of a the evaluation under FIN 46R indicates that the QS must be consolidated in the financial statements of FPL, the QS agrees to provide financial statements, together with other required information, as determined by FPL, for inclusion in disclosures contained in the footnotes to the financial statements and in FPL's required filings with the Securities and Exchange Commission ("SEC"). The QS shall provide this information to FPL in a timeframe consistent with FPL's earnings release and SEC filing schedules, to be determined at FPL's discretion. The QS also agrees to fully cooperate with FPL and FPL's independent auditors in completing an assessment of the QS's internal controls as required by the Sarbanes-Oxley Act of 2002 and in performing any audit procedures necessary for the independent auditors to issue their opinion on the consolidated financial statements of FPL. FPL will treat any information provided by the QS in satisfying Section 18.167 as confidential information and shall only disclose such information to the extent required by accounting and SEC rules and any applicable laws.

IN WITNESS WHEREOF, the QS and FPL executed this Contract this \_\_\_\_\_ day of \_\_\_\_\_.

WITNESS:

FLORIDA POWER & LIGHT COMPANY

\_\_\_\_\_

Date \_\_\_\_\_

WITNESS:

\_\_\_\_\_ (QS)

\_\_\_\_\_

Date \_\_\_\_\_

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Attachment C

**RATE SCHEDULE QS-2  
APPENDIX A  
TO THE STANDARD OFFER CONTRACT  
STANDARD RATE FOR PURCHASE OF FIRM CAPACITY AND ENERGY  
FROM A RENEWABLE ENERGY FACILITY  
OR A QUALIFYING FACILITY WITH A DESIGN CAPACITY OF 100 KW OR LESS (2015 Avoided Unit)**

**SCHEDULE**

QS-2, Firm Capacity and Energy

**AVAILABLE**

The Company will, under the provisions of this Schedule and the Company's "Standard Offer Contract for the Purchase of Firm Capacity and Energy from a Renewable Energy Facility or a Qualifying Facility with a design capacity of 100 KW or less (2015 Avoided Unit)" ("Standard Offer Contract"), purchase firm capacity and energy offered by a Renewable Energy Facility specified in Section 366.91, Florida Statutes or by a Qualifying Facility with a design capacity of 100 KW or less as specified in FPSC Rule 25-17-0832(4) and which is either directly or indirectly interconnected with the Company. Both of these types of facilities shall also be referred to herein as Qualified Seller or "QS".

The Company will petition the FPSC for closure upon any of the following as related to the generating unit upon which this standard offer contract is based i.e. the Avoided Unit : (a) a request for proposals (RFP) pursuant to Rule 25-22.082, F.A.C., is issued, (b) the Company files a petition for a need determination or commences construction of the Avoided Unit when the generating unit is not subject to Rule 25-22.082, F.A.C., or (c) the generating unit upon which the standard offer contract is based is no longer part of the utility's generation plan, as evidenced by a petition to that effect filed with the Commission or by the utility's most recent Ten Year Site Plan.

**APPLICABLE**

To Renewable Energy Facilities as specified in Section 366.91, Florida Statutes producing capacity and energy from qualified renewable resources for sale to the Company on a firm basis pursuant to the terms and conditions of this schedule and the Company's "Standard Offer Contract". Firm Renewable Capacity and Renewable Energy are capacity and energy produced and sold by a QS pursuant to the Standard Offer Contract provisions addressing (among other things) quantity, time and reliability of delivery.

To Qualifying Facilities ("QF"), with a design capacity of 100 KW or less, as specified in FPSC Rule 25-17.0832(4)(a) producing capacity and energy for sale to the Company on a firm basis pursuant to the terms and conditions of this schedule and the Company's "Standard Offer Contract", Firm Capacity and Energy are described by FPSC Rule 25-17.0832, F.A.C., and are capacity and energy produced and sold by a QF pursuant to the Standard Offer Contract provisions addressing (among other things) quantity, time and reliability of delivery.

**CHARACTER OF SERVICE**

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

**LIMITATION**

Purchases under this schedule are subject to Section 366.91, Florida Statutes and/or FPSC Rules 25-17.0832 through 25-17.091, F.A.C., and 25-17.200 through 25-17.310 F.A.C and are limited to those Facilities which:

A. Commit to commence deliveries of firm capacity and energy no later than June 1, 2015, and to continue such deliveries for a period of at least 10 years up to a maximum of the life of the avoided unit;

B. Are not currently under contract with the Company or with any other entity for the Facility's output for the period specified above

**RATES FOR PURCHASES BY THE COMPANY**

Firm Capacity and Energy are purchased at a unit cost, in dollars per kilowatt per month and cents per kilowatt-hour, respectively, based on the value of deferring additional capacity required by the Company. For the purpose of this Schedule, an Avoided Unit has been designated by the Company. The Company's Avoided Unit has been identified as a 1219 MW combined cycle unit with an in-service date of June 1, 2015. Appendix I to this Schedule describes the methodology used to calculate payment schedules, applicable to the Company's Standard Offer Contract filed and approved pursuant to Section 366.91, Florida Statutes and to FPSC Rules 25-17.082 through 25-17.091, F.A.C and 25-17.200 through 25-17.310, F.A.C.

**A. Firm Capacity Rates**

Options A through E are available for payment of firm capacity which is produced by a QS and delivered to the Company. Once selected, an option shall remain in effect for the term of the Standard Offer Contract with the Company. A payment schedule, for the normal payment option as shown below, contains the monthly rate per kilowatt of Firm Capacity which the QS has contractually committed to deliver to the Company and is based on a contract term which extends ten (10) years beyond June 1, 2015. Payment schedules for other contract terms, as specified in Appendix E, will be made available to any QS upon request and may be calculated based upon the methodologies described in Appendix I. The currently approved parameters used to calculate the following schedule of payments are found in Appendix II to this Schedule.

**Adjustment to Capacity Payment**

The firm capacity rates will be adjusted to reflect the impact that the location of the QS will have on FPL system reliability due to constraints imposed on the operation of FPL transmission tie lines.

Appendix III shows, for illustration purposes, the factors that would be used to adjust the firm capacity rate for different geographical areas. The actual adjustment would be determined on a case-by-case basis. The amount of such adjustment, as well as a binding contract rate for firm capacity, shall be provided to the QS within sixty days of FPL execution of the signed Standard Offer Contract.

**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 the Company's Avoided Unit with an in-service date of June 1, 2015, as described in Appendix I. Once this option is selected, the current schedule of payments shall remain fixed and in effect throughout the term of the Standard Offer Contract.

EXAMPLE MONTHLY CAPACITY PAYMENT IN \$/KW/MONTH  
2015 COMBINED CYCLE AVOIDED UNIT (1219 MW)  
STANDARD OFFER CONTRACT AVOIDED CAPACITY PAYMENTS  
FOR A CONTRACT TERM OF 10 YEARS  
(\$/KW/MONTH)

Contract Year		Normal Payment*
From	To	Starting 06/01/2015
6/1/2015	5/31/2016	7.17
6/1/2016	5/31/2017	7.37
6/1/2017	5/31/2018	7.58
6/1/2018	5/31/2019	7.79
6/1/2019	5/31/2020	8.01
6/1/2020	5/31/2021	8.24
6/1/2021	5/31/2022	8.48
6/1/2022	5/31/2023	8.72
6/1/2023	5/31/2024	8.97
6/1/2024	5/31/2025	9.23

\* Includes the effect of an imputed debt equivalent adjustment pursuant to Rule 25-17.290

**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 the Company's Avoided Unit provided; however, that under no circumstances may payments begin before the QS is delivering firm capacity and energy to the Company pursuant to the terms of the Standard Offer Contract. When this option is selected, the capacity payments shall be made monthly commencing no earlier than the Capacity Delivery Date of the QS and calculated using the methodology shown on Appendix I.

The QS shall select the month and year in which the deliveries of firm capacity and energy to the Company are to commence and capacity payments are to start. The Company will provide the QS with a schedule of capacity payment rates based on the month and year in which the deliveries of firm capacity and energy are to commence and the term of the Standard Offer Contract as specified in Appendix E.

**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 the Company's Avoided Unit. The capital portion of capacity payments under this option shall consist of equal monthly payments over the term of the Standard Offer Contract, calculated as shown on Appendix I. The fixed operation and maintenance portion of the capacity payments shall be equal to the value of the year-by-year deferral of fixed operation and maintenance expense associated with the Company's Avoided Unit. The methodology used to calculate this option is shown in Appendix I. The Company will provide the QS with a schedule of capacity payment rates based on the month and year in which the deliveries of firm capacity and energy are to commence and the term of the Standard Offer Contract as specified in Appendix E.

**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 the Company's Avoided Unit. The capital portion of the capacity payments under this option shall consist of equal monthly payments over the term of the Standard Offer Contract, calculated as shown on Appendix I. The fixed operation and maintenance expense shall be calculated as shown in Appendix I. At the option of the QS, payments for early levelized capacity shall commence at any time before the anticipated in-service date of the Company's Avoided Unit as specified in Appendix E, provided that the QS is delivering firm capacity and energy to the Company pursuant to the terms of the Standard Offer Contract. The Company will provide the QS with a schedule of capacity payment rates based on the month and year in which the deliveries of firm capacity and energy are to commence and the term of the Standard Offer Contract as specified in Appendix E.

**Option E – Flexible Payment Option**

Payment schedules under this option are based upon a payment stream elected by the QS consisting of the capital component of the Company's avoided unit. Payments can commence at any time after the actual in-service date of the QS and before the anticipated in-service date of the utility's avoided unit, as specified in Appendix E, provided that the QS is delivering firm capacity and energy to the Company pursuant to the terms of the Standard Offer Contract. Regardless of the payment stream elected by the QS, the cumulative present value of capital cost payments made to the QS over the term of the contract shall not exceed the cumulative present value of the capital cost payments which would have been made to the QS had such payments been made pursuant to FPSC Rule 25-17.0832(4)(g)1, F.A.C. Fixed operation and maintenance expense shall be calculated in conformance with Rule 25-17.0832(6), F.A.C. The Company will provide the QS with a schedule of capacity payment rates based on the information specified in Appendix E.

**B. Energy Rates**

**(1) Payments Associated with As-Available Energy Costs prior to the In-Service Date of the Avoided Unit.**

Options A or B are available for payment of energy which is produced by the QS and delivered to the Company prior to the in-service date of the Avoided Unit. The QS shall indicate its selection in Appendix E, Once selected; an option shall remain in effect for the term of the Standard Offer Contract with the Company.

**Option A – Energy Payments based on Actual Energy Costs**

The energy rate, in cents per kilowatt-hour ( $\$/KWh$ ), shall be based on the Company's actual hourly avoided energy costs which are calculated by the Company in accordance with FPSC Rule 25-17.0825, F.A.C. Avoided energy costs include incremental fuel, identifiable operation and maintenance expenses, and an adjustment for line losses reflecting delivery voltage. The calculation of the Company's avoided energy costs reflects the delivery of energy from the

region of the Company in which the Delivery Point of the QS is located. When economy transactions take place, the incremental costs are calculated as described in FPL's Rate Schedule COG-1.

The calculation of payments to the QS 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 purchases of energy from the QS by the Company for that hour. All purchases of energy shall be adjusted for losses from the point of metering to the Delivery Point.

**Option B – Energy Payments based on the year by year projection of As-Available energy costs**

The energy rate, in cents per kilowatt-hour ( $\text{¢/KWh}$ ), shall be based on the Company's year by year projection of system incremental fuel costs, prior to hourly economy sales to other utility's, based on normal weather and fuel market conditions (annual As-Available Energy Cost Projection which are calculated by the Company in accordance with FPSC Rule 25-17.0825, F.A.C. and with FPSC Rule 25-17.250(6) (a) F.A.C.) plus a fuel market volatility risk premium mutually agreed upon by the utility and the QS. Prior to the start of each applicable calendar year, the Company and the QS shall mutually agree on the fuel market volatility risk premium for the following calendar year, normally no later than November 15. The Company will provide its projection of the applicable annual As-Available Energy Cost prior to the start of the calendar year, normally no later than November 15 of each applicable calendar year. In addition to the applicable As-Available Energy Cost projection the energy payment will include identifiable operation and maintenance expenses, an adjustment for line losses reflecting delivery voltage and a factor that reflects in the calculation of the Company's Avoided Energy Costs the delivery of energy from the region of the Company in which the Delivery Point of the QS is located.

The calculation of payments to the QS shall be based on the sum, over all hours of the billing period, of the product of each hour's applicable Projected Avoided Energy Cost times the purchases of energy from the QS by the Company for that hour. All purchases of energy shall be adjusted for losses from the point of metering to the Delivery Point.

**(2) Payments Associated with Applicable Avoided Energy Costs after the In-Service Date of the Avoided Unit.**

Option C is available for payment of energy which is produced by the QS and delivered to the Company after the in-service date of the avoided unit. In addition, Option D is available to the QS which elects to fix a portion of the firm energy payment. The QS shall indicate its selection of Option D in Appendix E, once selected, Option D shall remain in effect for the term of the Standard Offer Contract.

**Option C- Energy Payments based on Actual Energy Costs starting on June 1, 2015**

The calculation of payments to the QS for energy delivered to FPL on and after June 1, 2015 shall be the sum, over all hours of the Monthly Billing Period, of the product of (a) each hour's firm energy rate ( $\text{¢/KWh}$ ); and (b) the amount of energy (KWH) delivered to FPL from the Facility during that hour.

For any Dispatch Hour the firm energy rate shall be, on an hour-by-hour basis, the Company's Avoided Unit Energy Cost. For any other period during which energy is delivered by the QS to FPL, the firm energy rate in cents per kilowatt hour ( $\text{¢/KWh}$ ) shall be the following on an hour-by-hour basis: the lesser of (a) the as-available energy rate calculated by FPL in accordance with FPSC Rule 25-17.0825, FAC, and FPL's Rate Schedule COG-1, as they may each be amended from time to time and (b) the Company's Avoided Unit Energy Cost. The Company's Avoided Unit Energy Cost, in cents per kilowatt-hour ( $\text{¢/KWh}$ ) shall be defined as the product of: (a) the fuel price in  $\text{\$/mmBTU}$  as determined from gas prices published in Platts Inside FERC Gas Market Report, first of the month posting for Florida Gas Transmission Zone 3, plus all charges, surcharges and percentages that are in effect from time to time for service under Gulfstream Natural Gas System's Rate Schedule FTS; and (b) an average annual heat rate of 6,582 BTU per kilowatt hour; plus (c) an additional .052 $\text{¢}$  per kilowatt hour in mid 2015 dollars for variable operation and maintenance expenses which will be escalated based on the actual Producer Price Index. All energy purchases shall be adjusted for losses from the point of metering to the Delivery Point. The calculation of the Company's avoided energy cost reflects the delivery of energy from the geographical area of the Company in which the Delivery Point of the QS is located.

**Option D- Fixed Firm Energy Payments Starting as early as the In-Service Date of the QS Facility**

The calculation of payments to the QS for energy delivered to FPL may include an adjustment at the election of the QS in order to implement the provisions of Rule 25-17.250 (6) (b), F.A.C. Subsequent to the determination of full avoided cost and subject to the provisions of Rule 25-17.0832(3) (a) through (d), F.A.C., a portion of the base energy costs associated with the avoided unit, mutually agreed upon by the utility and renewable energy generator, shall be fixed and amortized on a present value basis over the term of the contract starting, at the election of the QS,

as early as the in-service date of the QS. "Base energy costs associated with the avoided unit" means the energy costs of the avoided unit to the extent the unit would have operated. The portion of the base energy costs mutually agreed to by the Company and the QS shall be specified in Appendix E. The Company will provide the QS with a schedule of "Fixed Energy Payments" over the term of the Standard Offer Contract based on the applicable information specified in Appendix E.

### **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. In addition, avoided energy cost payments will include .0024¢/KWh for variable operation and maintenance expenses.

<u>Applicable Period</u>	<u>On-Peak ¢/KWH</u>	<u>Off-Peak ¢/KWH</u>	<u>Average ¢/KWH</u>
2007	6.93	6.71	6.77
2008	7.67	7.34	7.46
2009	6.77	6.27	6.42
2010	6.41	6.04	6.15
2011	5.98	5.67	5.78
2012	6.70	6.29	6.41
2013	6.70	6.38	6.47
2014	6.51	6.18	6.28
2015	6.67	6.26	6.38

A MW block size ranging from 50 MW to 56 MW has been used to calculate the estimated As-Available energy cost.

### **ESTIMATED UNIT FUEL COST**

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

<u>\$/MMBTU</u>									
<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
7.77	8.20	8.74	9.27	9.82	10.36	10.66	10.96	11.27	11.59

### **DELIVERY VOLTAGE ADJUSTMENT**

Energy payments to a QS within the Company'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	1.0000
Primary Voltage Delivery	1.0216
Secondary Voltage Delivery	1.0476

### **PERFORMANCE CRITERIA**

Payments for Firm Capacity are conditioned on the QS'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 the Company's Avoided Unit (i.e., June 1, 2015).

#### **B. Availability and Capacity Factor**

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

### **METERING REQUIREMENTS**

A QS within the territory served by the Company shall be required to purchase from the Company hourly recording meters to measure their energy deliveries to the Company. Energy purchases from a QS outside the territory of the Company shall be measured as the quantities scheduled for interchange to the Company by the entity delivering Firm Capacity and Renewable Energy to the Company.

For the purpose of this Schedule, the on-peak hours shall be those hours occurring April 1 through October 31 Mondays through Fridays, from 12 noon to 9:00 pm. excluding Memorial Day, Independence Day and Labor Day; and November 1 through March 31 Mondays through Fridays from 6:00 a.m. to 10:00 a.m. and 6:00 p.m. to 10:00 p.m. prevailing Eastern time excluding Thanksgiving Day, Christmas Day, and New Years Day.. FPL shall have the right to change such On-Peak Hours by providing the QS a minimum of thirty calendar days' advance written notice.

**BILLING OPTIONS**

A QS, upon entering into a 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 the Company, or net sales to the Company; provided, however, that no such arrangement shall cause the QS to sell more than the Facility's net output. A decision on billing methods may only be changed: 1) when a QS selling as-available energy enters into a Standard Offer Contract for the sale of firm capacity and energy; 2) when a Standard Offer Contract expires or is lawfully terminated by either the QS or the Company; 3) when the QS 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 this Tariff or the contract between the QS and the Company.

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

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

A statement covering the charges and payments due the QS is rendered monthly, and payment normally is made by the twentieth business day following the end of the billing period.

**CHARGES TO ENERGY FACILITY**

The QS 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. Customer Charges:**

<u>Rate Schedule</u>	<u>Customer Charge (\$)</u>	<u>Rate Schedule</u>	<u>Customer Charge (\$)</u>
GS-1	8.24	CST-1	100.74
GST-1	11.27	GSLD-2	155.68
GSD-1	32.05	GSLDT-2	155.68
GSDT-1	38.00	CS-2	155.68
RS-1	5.17	CST-2	155.68
RST-1	8.20	GSLD-3	366.30
GSLD-1	37.55	CS-3	366.30
GSLDT-1	37.55	CST-3	366.30
CS-1	100.74	GSLDT-3	366.30

**B. Interconnection Charge for Non-Variable Utility Expenses**

The QS shall bear the cost required for interconnection, including the metering. The QS 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 Bond, Letter of Credit or comparable assurance of payment acceptable to the Company adequate to cover the interconnection cost estimates, (ii) payment of monthly invoices from the Company for actual costs progressively incurred by the Company 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, the Company shall assess interest at the rate then prevailing for thirty (30) day highest grade commercial paper, such rate to be specified by the Company thirty (30) days prior to the date of each installment payment by the QS.

**C. Interconnection Charge for Variable Utility Expenses**

The QS shall be billed monthly for the variable utility expenses associated with the operation and maintenance of the interconnection facilities. These include (a) the Company'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 QS if no sales to the Company were involved.

In lieu of payment for actual charges, the QS may pay a monthly charge equal to a percentage of the installed cost of the interconnection facilities. The applicable percentages are as follows:

<u>Equipment Type</u>	<u>Charge</u>
Metering Equipment	0.151%
Distribution Equipment	0.211%
Transmission Equipment	0.115%

**D. Taxes and Assessments**

In the event that FPL becomes liable for additional taxes, including interest and/or penalties arising from an Internal Revenue Service's determination, through audit, ruling or other authority, that FPL's payments to the QS for capacity under options B, C, D, E or for energy pursuant to the Fixed Firm Energy Payment Option D are not fully deductible when paid (additional tax liability), FPL may bill the QS 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. FPL, at its option, may offset these costs against amounts due the QS hereunder. These costs would be calculated so as to place FPL in the same economic position in which it would have been if the entire early, levelized or early levelized capacity payments or the Fixed Firm Energy Payment had been deductible in the period in which the payments were made. If FPL 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 FPL.

**TERMS OF SERVICE**

- (1) It shall be the QS's responsibility to inform the Company of any change in its electric generation capability.
- (2) Any electric service delivered by the Company to a QS located in the Company's service area shall be subject to the following terms and conditions:
  - (a) A QS shall be metered separately and billed under the applicable retail rate schedule(s), whose terms and conditions shall pertain.
  - (b) 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 QS's projected purchases from the Company exceed, by the greatest amount, the Company's estimated purchases from the QS. 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 QS and the Company 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 QS exceed the actual sales to the Company in that month.
  - (c) The Company shall specify the point of interconnection and voltage level.
  - (d) The QS must enter into an interconnection agreement with the Company which will, among other things, specify safety and reliability standards for the interconnection to the Company's system. In most instances, the Company's filed Interconnection Agreement for Qualifying Facilities will be used; however, special features of the QS or its interconnection to the Company's facilities may require modifications to this Interconnection Agreement or the safety and reliability standards contained therein.

- (3) Service under this rate schedule is subject to the rules and regulations of the Company and the Florida Public Service Commission.

**SPECIAL PROVISIONS**

- (1) Special contracts deviating from the above standard rate schedule are allowable provided the Company agrees to them and they are approved by the Florida Public Service Commission.

**APPENDIX I  
TO RATE SCHEDULE QS-2  
CALCULATION OF VALUE OF DEFERRAL PAYMENTS**

**APPLICABILITY**

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

**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 QS pursuant to the Company's Standard Offer Contract shall be defined as the year-by-year value of deferral of the Company's Avoided Unit. The year-by-year value of deferral shall be the difference in revenue requirements associated with deferring the Company's Avoided Unit one year, and shall be calculated as follows:

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

Where, for a one year deferral:

$VAC_m$  = utility's monthly value of avoided capacity and O & M, 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;

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

$I_n$  = total direct and indirect cost, in mid-year dollars per kilowatt including AFUDC but excluding CWIP, of the Company's Avoided Unit with an in-service date of year n, including all identifiable and quantifiable costs relating to the construction of the Company'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 the Company's Avoided Unit;

$i_p$  = annual escalation rate associated with the plant cost of the Company's Avoided Unit(s);

$i_o$  = annual escalation rate associated with the operation and maintenance expense of the Company's Avoided Unit(s);

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

$L$  = expected life of the Company's Avoided Unit(s); and

$n$  = year for which the Company's Avoided Unit(s) is (are) deferred starting with its (their) original anticipated in-service date(s) and ending with the termination of the Company's Standard Offer Contract.

**CALCULATION OF FIXED VALUE OF DEFERRAL PAYMENTS – EARLY CAPACITY–OPTION B**

Normally, payments for firm capacity shall not commence until the in-service date of the Company's Avoided Unit(s). At the option of the QS, however, the Company may begin making payments for early capacity consisting of the capital cost component of the value of a year-by-year deferral of the Company's Avoided Unit starting as early as the in-service date of the QS facility. When such payments for early 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 QS, and shall be calculated as follows:

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

Where:

- $A_m$  = monthly payments to be made to the QS for each month of the contract year n, in dollars per kilowatt per month in which QS delivers capacity pursuant to the early capacity option;
- $i_p$  = annual escalation rate associated with the plant cost of the Company's Avoided Unit(s);
- $i_o$  = annual escalation rate associated with the operation and maintenance expense of the Company's Avoided Unit(s);
- $m$  = year for which the fixed value of deferral payments under the early capacity option are made to a QS, starting in year one and ending in the year t;
- $t$  = the term, in years, of the 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 the Company's Avoided Unit(s);
- $R$  =  $(1 + ip) / (1 + r)$
- $r$  = annual discount rate, defined as the Company's incremental after-tax cost of capital; and

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

Where:

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

The currently approved parameters applicable to the formulas above are found in Appendix II.

**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:

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

Where:

- P<sub>L</sub> = the monthly levelized capacity payment, starting on or prior to the in-service date of the Company'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 the Company's incremental after-tax cost of capital;
- t = the term, in years, of the 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.

**APPENDIX II  
TO RATE SCHEDULE QS-2  
CAPACITY OPTION PARAMETERS**

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

Where, for a one year deferral:		<u>Value</u>
VAC <sub>m</sub>	= Company's value of avoided capacity and O&M, in dollars per kilowatt per month, during month m;	\$ 7.17
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;	1.4131
I <sub>n</sub>	= total direct and indirect cost, in mid-year dollars per kilowatt including AFUDC but excluding CWIP, of the Company's Avoided Unit with an in-service date of yearn;	\$746.34
O <sub>n</sub>	= total fixed operation and maintenance expense, for the year n, in mid-year dollars per kilowatt per year, of the Company's Avoided Unit;	\$11.10
i <sub>p</sub>	= annual escalation rate associated with the plant cost of the Company's Avoided Unit;	3.0%
i <sub>o</sub>	= annual escalation rate associated with the operation and maintenance expense of the Company's Avoided Unit;	1.81%
r	= annual discount rate, defined as the Company's incremental after-tax cost of capital;	(for generation costs) 8.93% (for all other costs) 8.82%
L	= expected life of the Company's Avoided Unit;	25
n	= year for which the Company's Avoided Unit is deferred starting with its original anticipated in-service date and ending with the termination of the Standard Offer Contract.	2015

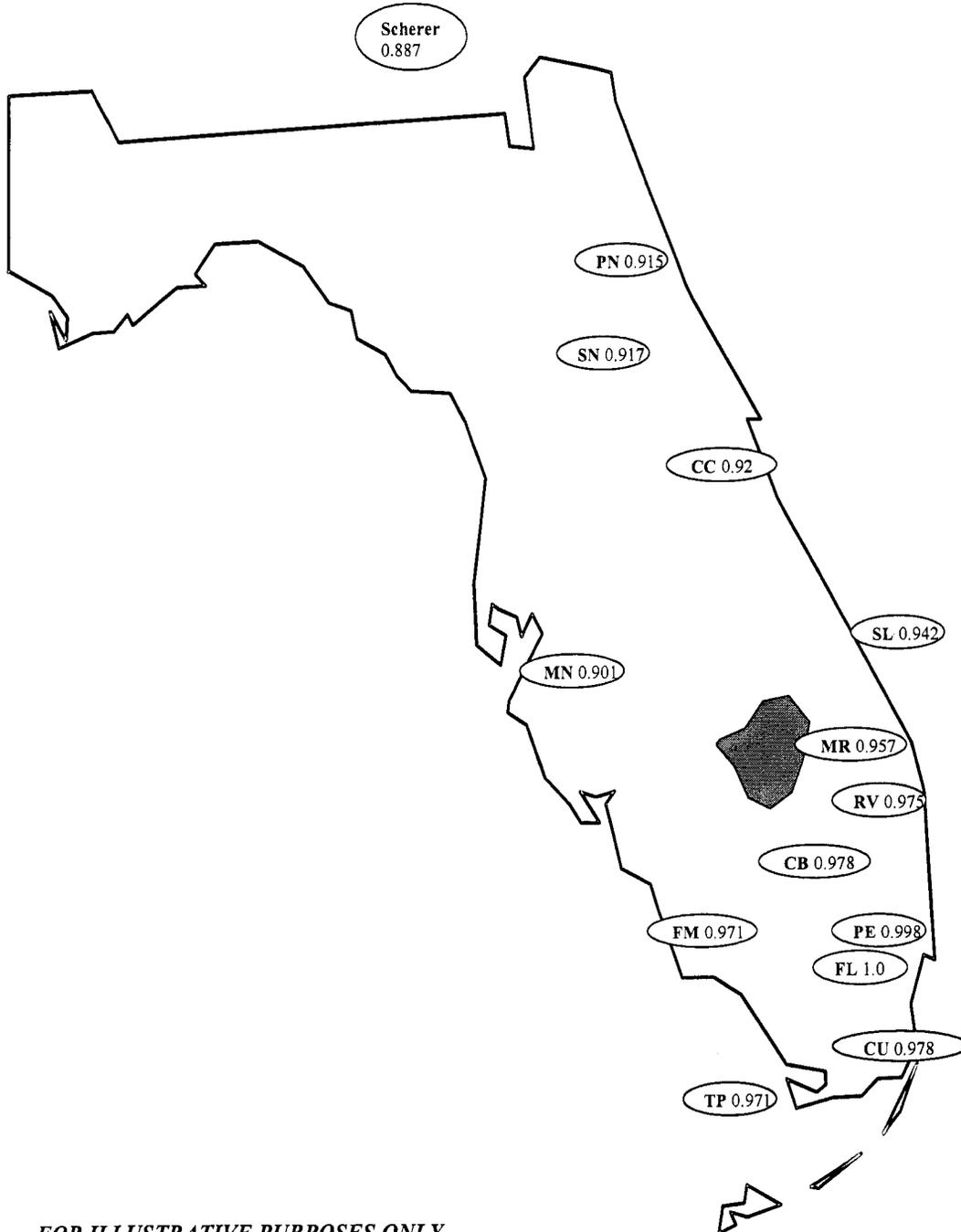
**FIXED VALUE OF DEFERRAL PAYMENTS - EARLY CAPACITY OPTION PARAMETERS**

A <sub>m</sub>	= monthly capacity payments to be made to the QS starting on the year the QS elects to start receiving early capacity payments, in dollars per kilowatt per month;	*
i <sub>p</sub>	= annual escalation rate associated with the plant cost of the Company's Avoided Unit;	3.0%
i <sub>o</sub>	= annual escalation rate associated with the operation and maintenance expense of the Company's Avoided Unit;	1.81%
n	= year for which early capacity payments to a QS are to begin; (at the election of the QS early capacity payments may commence anytime after the actual in-service date of the QS facility and before the anticipated in-service date of the Company's avoided unit)	*
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 the Company's Avoided Unit and continued for a period of 10 years;	\$590.06
r	= annual discount rate, defined as the Company's incremental after-tax cost of capital;	(for generation costs) 8.93% (for all other costs) 8.82%
t	= the term, in years, of the Standard Offer Contract for the purchase of firm capacity commencing in the year the QS elects to start receiving early capacity payments prior to the in-service date of the Company's Avoided Unit;	*
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 the Company's Avoided Unit and continued for a period of 10 years.	\$83.13

\*From Appendix E

APPENDIX III TO RATE SCHEDULE QS - 2

VALUE OF CAPACITY LOCATION



**APPENDIX B  
TO THE STANDARD OFFER CONTRACT  
FOR THE PURCHASE OF FIRM CAPACITY AND ENERGY  
FROM RENEWABLE ENERGY FACILITIES  
OR QUALIFYING FACILITIES WITH A DESIGN CAPACITY OF 100 KW OR LESS  
PAY FOR PERFORMANCE PROVISIONS MONTHLY CAPACITY PAYMENT CALCULATION**

1. Monthly Capacity Payments (MCP) for each Monthly Billing Period shall be computed according to the following:
- A. In the event that the Annual Capacity Billing Factor ("ACBF"), as defined below, is less than 80%, then no Monthly Capacity Payment shall be due. That is:  

$$\text{MCP} = 0$$
- B. In the event that the ACBF is equal to or greater than 80% but less than 97%, then the Monthly Capacity Payment shall be calculated by using the following formula:  

$$\text{MCP} = \text{BCP} \times [.04 \times (\text{ACBF} - 72)] \times \text{CC}$$
- C. In the event that the ACBF is equal to or greater than 97%, then the Monthly Capacity Payment shall be calculated by using the following formula:  

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

Where:

- MCP = Monthly Capacity Payment in dollars.
- BCP = Base Capacity Payment in \$/KW/Month as specified in FPL's Rate Schedule QS-2.
- CC = Committed Capacity in KW.
- ACBF = Annual Capacity Billing Factor. This factor is calculated using the 12 months rolling average of the Monthly Capacity Factor. This 12 month rolling average shall be defined as the sum of the 12 consecutive Monthly Capacity Factors preceding the date of calculation, divided by 12. 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 the 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 dividing the sum of the Monthly Capacity Factors during the first year's Monthly Billing Periods in which Capacity payments are to be made by the number of Monthly Billing Periods which have elapsed. 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. Periods during which the Facility has temporarily set its Committed Capacity equal to 0 KW due to a Force Majeure event pursuant to Section 16 shall be excluded from the applicable capacity factor calculation.
- MCF = Monthly Capacity Factor. The sum of (i) the Hourly Factors of the Non-Dispatch Hours plus (ii) the Hourly Factors of the Dispatch Hours or the hourly factors of the hours when FPL requested reduced deliveries pursuant to Section 8.4.8 (Reduced Delivery Hour); divided by the number of hours in the Monthly Billing Period.
- HFNDH = Hourly Factor of a Non-Dispatch Hour. The energy received during the hour divided by the Committed Capacity. For purposes of calculating the Hourly Factor of a Non-Dispatch Hour the energy received shall not exceed the Committed Capacity.
- HFDH = Hourly Factor of a Dispatch Hour or a Reduced Delivery Hour. The scheduled energy received divided by the scheduled energy requested. For purposes of calculating the Hourly Factor of a Dispatch Hour or the Hourly Factor of a Reduced Delivery Hour the scheduled energy received shall not exceed the scheduled energy requested.
- On-Peak Hours = Those hours occurring April 1 through October 31 Mondays through Fridays, from 12 noon to 9:00 p.m. excluding Memorial Day, Independence Day and Labor Day; and November 1 through

March 31 Mondays through Fridays from 6:00 a.m. to 10:00 a.m. and 6:00 p.m. to 10:00 p.m. prevailing Eastern time excluding Thanksgiving Day, Christmas Day and New Year's Day. FPL shall have the right to change such On- Peak Hours by providing the QS a minimum of thirty calendar days' advance notice.

Monthly Billing = 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 Period Date and ending with  
the last calendar day of such month.

Scheduled Energy and Dispatch Hours are as defined in Section 8.4.7 of the Standard Offer Contract.

**APPENDIX C  
TO THE 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:

**Termination Fee = Termination Fee applicable to Capacity Payment Option plus Termination Fee applicable to Fixed Firm Energy Option**

**Termination Fee applicable to Capacity Payment Options B, C, D and E**

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

with:  $MCPC_i = 0$  for all periods prior to the in-service date of the Company's Avoided Unit;

where:

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

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

- a. In the event that in the applicable Monthly Billing Period the Annual Capacity Billing Factor (ACBF), as defined in Appendix B is less than 80%, then the Initial Reduction Value shall be adjusted to equal zero (Reduction Value = 0), and the Capacity Payment Termination Fee shall not be reduced for the applicable Monthly Billing Period.
- b. In the event that in the applicable Monthly Billing Period the Annual Capacity Billing Factor (ACBF), as defined in Appendix B, is equal to or greater than 80% but less than 97%, then the Reduction Value shall be determined as follows:

$$\text{Reduction Value} = \text{Initial Reduction Value} \times [0.04 \times (\text{ACBF} - 72)]$$

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

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

**Termination Fee applicable to the Fixed Firm Energy Payment Option D**

Prior to in-service date of avoided unit:

The Termination Fee for the Fixed Firm Energy Option shall be equal to the cumulative sum of the Fixed Firm Energy Payments made to the QS pursuant to Option D, starting with the in-service date of the QS facility, for each billing cycle. Such number shall reach the maximum amount on the billing cycle immediately preceding the billing cycle associated with the in-service date of the Avoided Unit.

After in-service date of avoided unit:

The Termination Fee shall be decreased each billing cycle following the in-service date of the avoided unit by an amount equal to the difference between the projected Fixed Energy Cost that was used in the calculation to determine the base energy cost to be fixed and amortized pursuant to Option D for such billing cycle and the amortized Fixed Firm Energy Payment in cents/KWH times the energy delivered by the QS not to exceed the MWH block specified in Appendix E.

**APPENDIX D  
TO THE STANDARD OFFER CONTRACT  
DETAILED PROJECT INFORMATION**

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

**I. FACILITY DESCRIPTION**

- Project Name
- Project Location
  - ◆ Street Address
  - ◆ Site Plot Plan
  - ◆ Legal Description of Site
  
- Generating Technology
- Facility Classification ( include types from statute)
- Primary Fuel
- Alternate Fuel (if applicable)
- Committed Capacity
- Expected In-Service Date
- Steam Host (for cogeneration facilities)
  - ◆ Street Address
  - ◆ Legal Description of Steam Host
  - ◆ Host's annual steam requirements (lbs/yr)
  
- Contact Person
  - ◆ Individual's Name and Title
  - ◆ Company Name
  - ◆ Address
  - ◆ Telephone Number
  - ◆ Telecopy 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 generation facilities which are currently under construction or operational which were developed by the QS.
  
- 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 the requirements pursuant to Section 366.91, Florida Statutes, and the 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 ARFR in each year of the proposed operating life of the Facility. Use the categories below to describe the current arrangement for securing the AFR.

Category	Description of Fuel Supply Arrangement
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 the fuel supply exists between developer(s) and fuel supplier(s)
REF =	renewable energy 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 delivery 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 Energy 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 Energy 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)

- 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 transportation price mechanism of the arrangement.
- 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.

#### 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 (AGC, 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 emissions, water use, wastewater discharge, wetlands, endangered species, protected properties, solid waste, surrounding land use, zoning for the Facility, associated linear facilities, and support of and opposition to the Facility.
- List the emission/effluent discharge limits the Facility will meet, and describe in detail the pollution control equipment to be used to meet these limits.

## 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, EPC 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.
- [NOTE: add any requirements related to demonstrating that the facility meets the requirements under the statute or applicable rules]

## VII. FINANCIAL

- Provide FPL with assurances that the proposed QS project is financially viable consistent 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)
    - Steam Revenues (\$ and %/lb.)
    - Tipping Fees (\$ and \$/ton)
    - Interest Income
    - Other Revenues
    - Variable O&M Escalation (%/yr)

- Energy Escalation (%/yr)
  - Steam Escalation (%/yr)
  - Tipping Fee Escalation (%/yr)
- ◆ Annual Project Expenses
    - 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 Energy Facility (\$ and \$/KW)
    - Committed Capacity (KW)
    - Average Heat Rate - HHV (MBTU/KWh)
    - Federal Income Tax Rate (%)
    - Facility Capacity Factor (%)
    - Energy Sold to FPL (MWH)
- ◆ Permanent Financing
    - Permanent Financing Term (yrs)
    - 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 E  
TO THE STANDARD OFFER CONTRACT  
CONTRACT OPTIONS TO BE SELECTED BY QS**

**Term of Contract**

Execution date \_\_\_\_\_  
Termination date \_\_\_\_\_

**Firm Capacity Rates**

Commencement date for deliveries of Firm Energy and Capacity \_\_\_\_\_

Capacity Payment Option Selected (from available Options A through E) \_\_\_\_\_

If Option E is selected proposed payment stream:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Schedule of Capacity Payments to be provided by the Company based on applicable parameters follows:

<u>Year</u>	<u>\$/KW/Month</u>
-------------	--------------------

**Energy Rates**

Energy payment Options selected applicable to energy produced by the QS and delivered to the Company (from available Option A or B **and** D)

Select from Option A or B \_\_\_\_\_

**And**

Select D \_\_\_\_\_

If Option D is selected by the QS; the Company and the QS mutually agree on fixing and amortizing the following portion of the Base Energy Costs associated with the Avoided Unit

\_\_\_\_\_ % which yields \_\_\_\_\_ MWH

Projected Energy Cost of Energy Produced by Avoided Unit (provided by the Company):

<u>Year</u>	<u>Projected Fixed Energy Cost (in Cents/KWH or in Dollars)</u>
-------------	---

Based on the projections of Energy Costs Produced by the Avoided Unit and the mutually agreed upon Portion of the Base Energy Costs associated with the Avoided Unit the Fixed Energy Payment shall be

\_\_\_\_\_ \$/MWH or \$ \_\_\_\_\_ (as applicable).

## Attachment D

RATE SCHEDULE QS-2  
APPENDIX A  
TO THE STANDARD OFFER CONTRACT  
STANDARD RATE FOR PURCHASE OF FIRM CAPACITY AND ENERGY  
FROM A RENEWABLE ENERGY FACILITY  
OR A QUALIFYING FACILITY WITH A DESIGN CAPACITY OF 100 KW OR LESS (2015 Avoided Unit)

**SCHEDULE**

QS-2, Firm Capacity and Energy

**AVAILABLE**

The Company will, under the provisions of this Schedule and the Company's "Standard Offer Contract for the Purchase of Firm Capacity and Energy from a Renewable Energy Facility or a Qualifying Facility with a design capacity of 100 KW or less (2015 Avoided Unit)" ("Standard Offer Contract"), purchase firm capacity and energy offered by a Renewable Energy Facility specified in Section 366.91, Florida Statutes or by a Qualifying Facility with a design capacity of 100 KW or less as specified in FPSC Rule 25-17-0832(4) and which is either directly or indirectly interconnected with the Company. Both of these types of facilities shall also be referred to herein as Qualified Seller or "QS".

The Company will petition the FPSC for closure upon any of the following as related to the generating unit upon which this standard offer contract is based i.e. the Avoided Unit : (a) a request for proposals (RFP) pursuant to Rule 25-22.082, F.A.C., is issued, (b) the Company files a petition for a need determination or commences construction of the Avoided Unit when the generating unit is not subject to Rule 25-22.082, F.A.C., or (c) the generating unit upon which the standard offer contract is based is no longer part of the utility's generation plan, as evidenced by a petition to that effect filed with the Commission or by the utility's most recent Ten Year Site Plan.

**APPLICABLE**

To Renewable Energy Facilities as specified in Section 366.91, Florida Statutes producing capacity and energy from qualified renewable resources for sale to the Company on a firm basis pursuant to the terms and conditions of this schedule and the Company's "Standard Offer Contract". Firm Renewable Capacity and Renewable Energy are capacity and energy produced and sold by a QS pursuant to the Standard Offer Contract provisions addressing (among other things) quantity, time and reliability of delivery.

To Qualifying Facilities ("QF"), with a design capacity of 100 KW or less, as specified in FPSC Rule 25-17.0832(4)(a) producing capacity and energy for sale to the Company on a firm basis pursuant to the terms and conditions of this schedule and the Company's "Standard Offer Contract", Firm Capacity and Energy are described by FPSC Rule 25-17.0832, F.A.C., and are capacity and energy produced and sold by a QF pursuant to the Standard Offer Contract provisions addressing (among other things) quantity, time and reliability of delivery.

**CHARACTER OF SERVICE**

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

**LIMITATION**

Purchases under this schedule are subject to Section 366.91, Florida Statutes and/or FPSC Rules 25-17.0832 through 25-17.091, F.A.C., and 25-17.200 through 25-17.310 F.A.C and are limited to those Facilities which:

- A. Commit to commence deliveries of firm capacity and energy no later than June 1, 2015, and to continue such deliveries for a period of at least 10 years up to a maximum of the life of the avoided unit;
- B. Are not currently under contract with the Company or with any other entity for the Facility's output for the period specified above

**RATES FOR PURCHASES BY THE COMPANY**

Firm Capacity and Energy are purchased at a unit cost, in dollars per kilowatt per month and cents per kilowatt-hour, respectively, based on the value of deferring additional capacity required by the Company. For the purpose of this Schedule, an Avoided Unit has been designated by the Company. The Company's Avoided Unit has been identified as a 1219 MW combined cycle unit with an in-service date of June 1, 2015. Appendix I to this Schedule describes the methodology used to calculate payment schedules, general terms, and conditions applicable to the Company's Standard Offer Contract filed and approved pursuant to Section 366.91, Florida Statutes and to FPSC Rules 25-17.082 through 25-17.091, F.A.C and 25-17.200 through 25-17.310, F.A.C.

**A. Firm Capacity Rates**

Options A through E are available for payment of firm capacity which is produced by a QS and delivered to the Company. Once selected, an option shall remain in effect for the term of the Standard Offer Contract with the Company. A payment schedule, for the normal payment option as shown below, contains the monthly rate per kilowatt of Firm Capacity which the QS has contractually committed to deliver to the Company and is based on a contract term which extends ten (10) years beyond June 1, 2015. Payment schedules for other contract terms, as specified in Appendix E, will be made available to any QS upon request and may be calculated based upon the methodologies described in Appendix I. The currently approved parameters used to calculate the following schedule of payments are found in Appendix II to this Schedule.

**Adjustment to Capacity Payment**

The firm capacity rates will be adjusted to reflect the impact that the location of the QS will have on FPL system reliability due to constraints imposed on the operation of FPL transmission tie lines.

Appendix III shows, for illustration purposes, the factors that would be used to adjust the firm capacity rate for different geographical areas. The actual adjustment would be determined on a case-by-case basis. The amount of such adjustment, as well as a binding contract rate for firm capacity, shall be provided to the QS within sixty days of FPL execution of the signed Standard Offer Contract.

**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 the Company's Avoided Unit with an in-service date of June 1, 2015, as described in Appendix I. Once this option is selected, the current schedule of payments shall remain fixed and in effect throughout the term of the Standard Offer Contract.

EXAMPLE MONTHLY CAPACITY PAYMENT IN \$/KW/MONTH  
2015 COMBINED CYCLE AVOIDED UNIT (1219 MW)  
STANDARD OFFER CONTRACT AVOIDED CAPACITY PAYMENTS  
FOR A CONTRACT TERM OF 10 YEARS  
(\$/KW/MONTH)

Contract Year		Normal Payment*
From	To	Starting 06/01/2015
6/1/2015	5/31/2016	7.17
6/1/2016	5/31/2017	7.37
6/1/2017	5/31/2018	7.58
6/1/2018	5/31/2019	7.79
6/1/2019	5/31/2020	8.01
6/1/2020	5/31/2021	8.24
6/1/2021	5/31/2022	8.48
6/1/2022	5/31/2023	8.72
6/1/2023	5/31/2024	8.97
6/1/2024	5/31/2025	9.23

\* Includes the effect of an imputed debt equivalent adjustment pursuant to Rule 25-17.290

**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 the Company's Avoided Unit provided; however, that under no circumstances may payments begin before the QS is delivering firm capacity and energy to the Company pursuant to the terms of the Standard Offer Contract. When this option is selected, the capacity payments shall be made monthly commencing no earlier than the Capacity Delivery Date of the QS and calculated using the methodology shown on Appendix I.

The QS shall select the month and year in which the deliveries of firm capacity and energy to the Company are to commence and capacity payments are to start. The Company will provide the QS with a schedule of capacity payment rates based on the month and year in which the deliveries of firm capacity and energy are to commence and the term of the Standard Offer Contract as specified in Appendix E.

**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 the Company's Avoided Unit. The capital portion of capacity payments under this option shall consist of equal monthly payments over the term of the Standard Offer Contract, calculated as shown on Appendix I. The fixed operation and maintenance portion of the capacity payments shall be equal to the value of the year-by-year deferral of fixed operation and maintenance expense associated with the Company's Avoided Unit. The methodology used to calculate this option is shown in Appendix I. The Company will provide the QS with a schedule of capacity payment rates based on the month and year in which the deliveries of firm capacity and energy are to commence and the term of the Standard Offer Contract as specified in Appendix E.

**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 the Company's Avoided Unit. The capital portion of the capacity payments under this option shall consist of equal monthly payments over the term of the Standard Offer Contract, calculated as shown on Appendix I. The fixed operation and maintenance expense shall be calculated as shown in Appendix I. At the option of the QS, payments for early levelized capacity shall commence at any time before the anticipated in-service date of the Company's Avoided Unit as specified in Appendix E, provided that the QS is delivering firm capacity and energy to the Company pursuant to the terms of the Standard Offer Contract. The Company will provide the QS with a schedule of capacity payment rates based on the month and year in which the deliveries of firm capacity and energy are to commence and the term of the Standard Offer Contract as specified in Appendix E.

**Option E – Flexible Payment Option**

Payment schedules under this option are based upon a payment stream elected by the QS consisting of the capital component of the Company's avoided unit. Payments can commence at any time after the actual in-service date of the QS and before the anticipated in-service date of the utility's avoided unit, as specified in Appendix E, provided that the QS is delivering firm capacity and energy to the Company pursuant to the terms of the Standard Offer Contract. Regardless of the payment stream elected by the QS, the cumulative present value of capital cost payments made to the QS over the term of the contract shall not exceed the cumulative present value of the capital cost payments which would have been made to the QS had such payments been made pursuant to FPSC Rule 25-17.0832(4)(g)1, F.A.C. Fixed operation and maintenance expense shall be calculated in conformance with Rule 25-17.0832(6), F.A.C. The Company will provide the QS with a schedule of capacity payment rates based on the information specified in Appendix E.

**B. Energy Rates**

**(1) Payments Associated with As-Available Energy Costs prior to the In-Service Date of the Avoided Unit.**

Options A or B are available for payment of energy which is produced by the QS and delivered to the Company prior to the in-service date of the Avoided Unit. The QS shall indicate its selection in Appendix E. Once selected; an option shall remain in effect for the term of the Standard Offer Contract with the Company.

**Option A – Energy Payments based on Actual Energy Costs**

The energy rate, in cents per kilowatt-hour (¢/KWh), shall be based on the Company's actual hourly avoided energy costs which are calculated by the Company in accordance with FPSC Rule 25-17.0825, F.A.C. Avoided energy costs include incremental fuel, identifiable operation and maintenance expenses, and an adjustment for line losses reflecting delivery voltage. The calculation of the Company's avoided energy costs reflects the delivery of energy from the

region of the Company in which the Delivery Point of the QS is located. Energy payments to a QS located outside the Company's service area shall reflect the region in which the interchange point for the delivery of energy is located. When economy transactions take place, the incremental costs are calculated as described in FPL's Rate Schedule COG-1.

The calculation of payments to the QS 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 purchases of energy from the QS by the Company for that hour. All purchases of energy shall be adjusted for losses from the point of metering to the ~~point of interconnection~~ Delivery Point.

Option B – Energy Payments based on the year by year projection of As-Available energy costs

The energy rate, in cents per kilowatt-hour ( $\text{¢/KWh}$ ), shall be based on the Company's year by year projection of system incremental fuel costs, prior to hourly economy sales to other utility's, based on normal weather and fuel market conditions (annual As-Available Energy Cost Projection which are calculated by the Company in accordance with FPSC Rule 25-17.0825, F.A.C. and with FPSC Rule 25-17.250(6) (a) F.A.C.) plus a fuel market volatility risk premium mutually agreed upon by the utility and the QS. Prior to the start of each applicable calendar year, the Company and the QS shall mutually agree on the fuel market volatility risk premium for the following calendar year, normally no later than November 15. The Company will provide its projection of the applicable annual As-Available Energy Cost prior to the start of the calendar year, normally no later than November 15 of each applicable calendar year. In addition to the applicable As-Available Energy Cost projection the energy payment will include identifiable operation and maintenance expenses, an adjustment for line losses reflecting delivery voltage and a factor that reflects in the calculation of the Company's Avoided Energy Costs the delivery of energy from the region of the Company in which the Delivery Point of the QS is located. Energy payments to a QS located outside the Company's service area shall reflect the factor for the region in which the interchange point for the delivery of energy is located.

The calculation of payments to the QS shall be based on the sum, over all hours of the billing period, of the product of each hour's applicable Projected Avoided Energy Cost times the purchases of energy from the QS by the Company for that hour. All purchases of energy shall be adjusted for losses from the point of metering to the ~~point of interconnection~~ Delivery Point.

**(2) Payments Associated with Applicable Avoided Energy Costs after the In-Service Date of the Avoided Unit.**

Option C is available for payment of energy which is produced by the QS and delivered to the Company after the in-service date of the avoided unit. In addition, Option D is available to the QS which elects to fix a portion of the firm energy payment. The QS shall indicate its selection of Option D in Appendix E, once selected, Option D shall remain in effect for the term of the Standard Offer Contract.

Option C- Energy Payments based on Actual Energy Costs starting on June 1, 2015

The calculation of payments to the QS for energy delivered to FPL on and after June 1, 2015 shall be the sum, over all hours of the Monthly Billing Period, of the product of (a) each hour's firm energy rate ( $\text{¢/KWh}$ ); and (b) the amount of energy (KWH) delivered to FPL from the Facility during that hour.

For any Dispatch Hour the firm energy rate shall be, on an hour-by-hour basis, the Company's Avoided Unit Energy Cost. For any other period during which energy is delivered by the QS to FPL, the firm energy rate in cents per kilowatt hour ( $\text{¢/KWh}$ ) shall be the following on an hour-by-hour basis: the lesser of (a) the as-available energy rate calculated by FPL in accordance with FPSC Rule 25-17.0825, FAC, and FPL's Rate Schedule COG-1, as they may each be amended from time to time and (b) the Company's Avoided Unit Energy Cost. The Company's Avoided Unit Energy Cost, in cents per kilowatt-hour ( $\text{¢/KWh}$ ) shall be defined as the product of: (a) the fuel price in  $\text{\$/mmBTU}$  as determined from gas prices published in Platts Inside FERC Gas Market Report, first of the month posting for Florida Gas Transmission Zone 3, plus all charges, surcharges and percentages that are in effect from time to time for service under Gulfstream Natural Gas System's Rate Schedule FTS; and (b) an average annual heat rate of 6,582 BTU per kilowatt hour; plus (c) an additional .052¢ per kilowatt hour in mid 2015 dollars for variable operation and maintenance expenses which will be escalated based on the actual Producer Price Index. All energy purchases shall be adjusted for losses from the point of metering to the Delivery Point ~~point of interconnection~~. The calculation of the Company's avoided energy cost reflects the delivery of energy from the geographical area of the Company in which the Delivery Point of the QS is located. ~~Energy payments to a QS~~

located outside the Company's service territory reflect the region in which the interchange point for the delivery of energy is located.

**Option D- Fixed Firm Energy Payments Starting as early as the In-Service Date of the QS Facility**

The calculation of payments to the QS for energy delivered to FPL may include an adjustment at the election of the QS in order to implement the provisions of Rule 25-17.250 (6) (b), F.A.C. Subsequent to the determination of full avoided cost and subject to the provisions of Rule 25-17.0832(3) (a) through (d), F.A.C., a portion of the base energy costs associated with the avoided unit, mutually agreed upon by the utility and renewable energy generator, shall be fixed and amortized on a present value basis over the term of the contract starting, at the election of the QS, as early as the in-service date of the QS. "Base energy costs associated with the avoided unit" means the energy costs of the avoided unit to the extent the unit would have operated. The portion of the base energy costs mutually agreed to by the Company and the QS shall be specified in Appendix E. The Company will provide the QS with a schedule of "Fixed Energy Payments" over the term of the Standard Offer Contract based on the applicable information specified in Appendix E.

**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. In addition, avoided energy cost payments will include .0024¢/KWh for variable operation and maintenance expenses.

<u>Applicable Period</u>	<u>On-Peak ¢/KWH</u>	<u>Off-Peak ¢/KWH</u>	<u>Average ¢/KWH</u>
2007	6.93	6.71	6.77
2008	7.67	7.34	7.46
2009	6.77	6.27	6.42
2010	6.41	6.04	6.15
2011	5.98	5.67	5.78
2012	6.70	6.29	6.41
2013	6.70	6.38	6.47
2014	6.51	6.18	6.28
2015	6.67	6.26	6.38

A MW block size ranging from 50 MW to 56 MW has been used to calculate the estimated As-Available energy cost.

**ESTIMATED UNIT FUEL COST**

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

<u>\$/MMBTU</u>									
<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
7.77	8.20	8.74	9.27	9.82	10.36	10.66	10.96	11.27	11.59

**DELIVERY VOLTAGE ADJUSTMENT**

Energy payments to a QS within the Company'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	1.0000
Primary Voltage Delivery	1.0216
Secondary Voltage Delivery	1.0476

**PERFORMANCE CRITERIA**

Payments for Firm Capacity are conditioned on the QS'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 the Company's Avoided Unit (i.e., June 1, 2015).

**B. Availability and Capacity Factor**

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

**METERING REQUIREMENTS**

A QS within the territory served by the Company shall be required to purchase from the Company hourly recording meters to measure their energy deliveries to the Company. Energy purchases from a QS outside the territory of the Company shall be measured as the quantities scheduled for interchange to the Company by the entity delivering Firm Capacity and Renewable Energy to the Company.

For the purpose of this Schedule, the on-peak hours shall be those hours occurring April 1 through October 31 Mondays through Fridays, from 12 noon to 9:00 pm. excluding Memorial Day, Independence Day and Labor Day; and November 1 through March 31 Mondays through Fridays from 6:00 a.m. to 10:00 a.m. and 6:00 p.m. to 10:00 p.m. prevailing Eastern time excluding Thanksgiving Day, Christmas Day, and New Years Day.. FPL shall have the right to change such On-Peak Hours by providing the QS a minimum of thirty calendar days' advance written notice.

**BILLING OPTIONS**

A QS, upon entering into a 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 the Company, or net sales to the Company; provided, however, that no such arrangement shall cause the QS to sell more than the Facility's net output. A decision on billing methods may only be changed: 1) when a QS selling as-available energy enters into a Standard Offer Contract for the sale of firm capacity and energy; 2) when a Standard Offer Contract expires or is lawfully terminated by either the QS or the Company; 3) when the QS 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 this Tariff or the contract between the QS and the Company.

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

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

A statement covering the charges and payments due the QS is rendered monthly, and payment normally is made by the twentieth business day following the end of the billing period.

**CHARGES TO ENERGY FACILITY**

The QS 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. Customer Charges:**

<u>Rate Schedule</u>	<u>Customer Charge (\$)</u>	<u>Rate Schedule</u>	<u>Customer Charge (\$)</u>
GS-1	8.24	CST-1	100.74
GST-1	11.27	GSLD-2	155.68
GSD-1	32.05	GSLDT-2	155.68
GSDT-1	38.00	CS-2	155.68
RS-1	5.17	CST-2	155.68
RST-1	8.20	GSLD-3	366.30
GSLD-1	37.55	CS-3	366.30
GSLDT-1	37.55	CST-3	366.30

**B. Interconnection Charge for Non-Variable Utility Expenses**

The QS shall bear the cost required for interconnection, including the metering. The QS 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 the Company adequate to cover the interconnection cost estimates, (ii) payment of monthly invoices from the Company for actual costs progressively incurred by the Company 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, the Company shall assess interest at the rate then prevailing for thirty (30) day highest grade commercial paper, such rate to be specified by the Company thirty (30) days prior to the date of each installment payment by the QS.

**C. Interconnection Charge for Variable Utility Expenses**

The QS shall be billed monthly for the variable utility expenses associated with the operation and maintenance of the interconnection facilities. These include (a) the Company'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 QS if no sales to the Company were involved.

In lieu of payment for actual charges, the QS may pay a monthly charge equal to a percentage of the installed cost of the interconnection facilities. The applicable percentages are as follows:

<u>Equipment Type</u>	<u>Charge</u>
Metering Equipment	0.151%
Distribution Equipment	0.211%
Transmission Equipment	0.115%

**D. Taxes and Assessments**

In the event that FPL becomes liable for additional taxes, including interest and/or penalties arising from an Internal Revenue Service's determination, through audit, ruling or other authority, that FPL's payments to the QS for capacity under options B, C, D, E or for energy pursuant to the Fixed Firm Energy Payment Option D are not fully deductible when paid (additional tax liability), FPL may bill the QS 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. FPL, at its option, may offset these costs against amounts due the QS hereunder. These costs would be calculated so as to place FPL in the same economic position in which it would have been if the entire early, levelized or early levelized capacity payments or the Fixed Firm Energy Payment had been deductible in the period in which the payments were made. If FPL 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 FPL.

**TERMS OF SERVICE**

- (1) It shall be the QS's responsibility to inform the Company of any change in its electric generation capability.
- (2) Any electric service delivered by the Company to a QS located in the Company's service area shall be subject to the following terms and conditions:
  - (a) A QS shall be metered separately and billed under the applicable retail rate schedule(s), whose terms and conditions shall pertain.
  - (b) 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 QS's projected purchases from the Company exceed, by the greatest amount, the Company's estimated purchases from the QS. 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 QS and the Company 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 QS exceed the actual sales to the Company in that month.

- (c) The Company shall specify the point of interconnection and voltage level.
  - (d) The QS must enter into an interconnection agreement with the Company which will, among other things, specify safety and reliability standards for the interconnection to the Company's system. In most instances, the Company's filed Interconnection Agreement for Qualifying Facilities will be used; however, special features of the QS or its interconnection to the Company's facilities may require modifications to this Interconnection Agreement or the safety and reliability standards contained therein.
- (3) Service under this rate schedule is subject to the rules and regulations of the Company and the Florida Public Service Commission.

**SPECIAL PROVISIONS**

- (1) Special contracts deviating from the above standard rate schedule are allowable provided the Company agrees to them and they are approved by the Florida Public Service Commission.

**APPENDIX I  
TO RATE SCHEDULE QS-2  
CALCULATION OF VALUE OF DEFERRAL PAYMENTS**

**APPLICABILITY**

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

~~Also contained in Appendix I is the discussion of the types and forms of surety bond requirements or equivalent assurance for payment of the Termination Fee acceptable to the Company in the event of contractual default by a QS.~~

**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 QS pursuant to the Company's Standard Offer Contract shall be defined as the year-by-year value of deferral of the Company's Avoided Unit. The year-by-year value of deferral shall be the difference in revenue requirements associated with deferring the Company's Avoided Unit one year, and shall be calculated as follows:

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

Where, for a one year deferral:

- VAC<sub>m</sub> = utility's monthly value of avoided capacity and O & M, 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 + ip) / (1 + r);
- I<sub>n</sub> = total direct and indirect cost, in mid-year dollars per kilowatt including AFUDC but excluding CWIP, of the Company's Avoided Unit with an in-service date of year n, including all identifiable and quantifiable costs relating to the construction of the Company's Avoided Unit which would have been paid had the Unit been constructed;
- O<sub>n</sub> = total fixed operation and maintenance expense for the year n, in mid-year dollars per kilowatt per year, of the Company's Avoided Unit;
- i<sub>p</sub> = annual escalation rate associated with the plant cost of the Company's Avoided Unit(s);
- i<sub>o</sub> = annual escalation rate associated with the operation and maintenance expense of the Company's Avoided Unit(s);
- r = annual discount rate, defined as the utility's incremental after-tax cost of capital;
- L = expected life of the Company's Avoided Unit(s); and

n = year for which the Company's Avoided Unit(s) is (are) deferred starting with its (their) original anticipated in-service date(s) and ending with the termination of the Company's Standard Offer Contract.

**CALCULATION OF FIXED VALUE OF DEFERRAL PAYMENTS – EARLY CAPACITY–OPTION B**

Normally, payments for firm capacity shall not commence until the in-service date of the Company's Avoided Unit(s). At the option of the QS, however, the Company may begin making payments for early capacity consisting of the capital cost component of the value of a year-by-year deferral of the Company's Avoided Unit starting as early as the in-service date of the QS facility. When such payments for early 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 QS, and shall be calculated as follows:

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

Where:

- A<sub>m</sub> = monthly payments to be made to the QS for each month of the contract year n, in dollars per kilowatt per month in which QS delivers capacity pursuant to the early capacity option;
- i<sub>p</sub> = annual escalation rate associated with the plant cost of the Company's Avoided Unit(s);
- i<sub>o</sub> = annual escalation rate associated with the operation and maintenance expense of the Company's Avoided Unit(s);
- m = year for which the fixed value of deferral payments under the early capacity option are made to a QS, starting in year one and ending in the year t;
- t = the term, in years, of the 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 the Company's Avoided Unit(s);
- R = (1 + i<sub>p</sub>) / (1 + r)
- r = annual discount rate, defined as the Company's incremental after-tax cost of capital; and

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

Where:

- G = The cumulative present value, in the year that the contractual payments will begin, of the avoided fixed operation and maintenance expense component of capacity payments which would have been made had capacity payments commenced with the anticipated in-service date of the Company's Avoided Unit(s).
- R = (1 + i<sub>o</sub>) / (1 + r)

The currently approved parameters applicable to the formulas above are found in Appendix II.

**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:

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

Where:

- P<sub>L</sub> = the monthly levelized capacity payment, starting on or prior to the in-service date of the Company'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 the Company's incremental after-tax cost of capital;
- t = the term, in years, of the 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**

When fixed value of deferral payments—early capacity, levelized capacity, early-levelized capacity, the flexible capacity payment option or the Fixed Firm Energy Option are elected, the QS must provide a surety bond or equivalent assurance of securing the payment of a Termination Fee in the event the QS is unable to meet the terms and conditions of its Standard Offer Contract. The QS would also be required to provide similar security guarantees if it elects energy payments based on projections of As-Available cost or partially fixed energy payments. Depending on the nature of the QS's operation, financial health and solvency, and its ability to meet the terms and conditions of the Company's Standard Offer Contract, one of the following may constitute an equivalent assurance of payment:

- \_\_\_\_\_ (1) Bond;
- \_\_\_\_\_ (2) Cash deposit(s) with FPL;
- \_\_\_\_\_ (3) Unconditional, irrevocable, direct pay letter of credit. Issuer to provide Company notice 30 days prior to its intention not to renew letter of credit;
- \_\_\_\_\_ (4) Unsecured promise by a municipal, county or state government to repay payments 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 QS 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 QS, parent Company, and/or subsidiary companies allowing the Company to levy a surcharge on the electric bills of the owner(s), 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 guarantee acceptable to the Company.

The Company will cooperate with each QS 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 QS. The Company will endeavor to accommodate an equivalent assurance of repayment which is in the best interests of both the QS and the Company's ratepayers.

**APPENDIX II  
TO RATE SCHEDULE QS-2  
CAPACITY OPTION PARAMETERS**

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

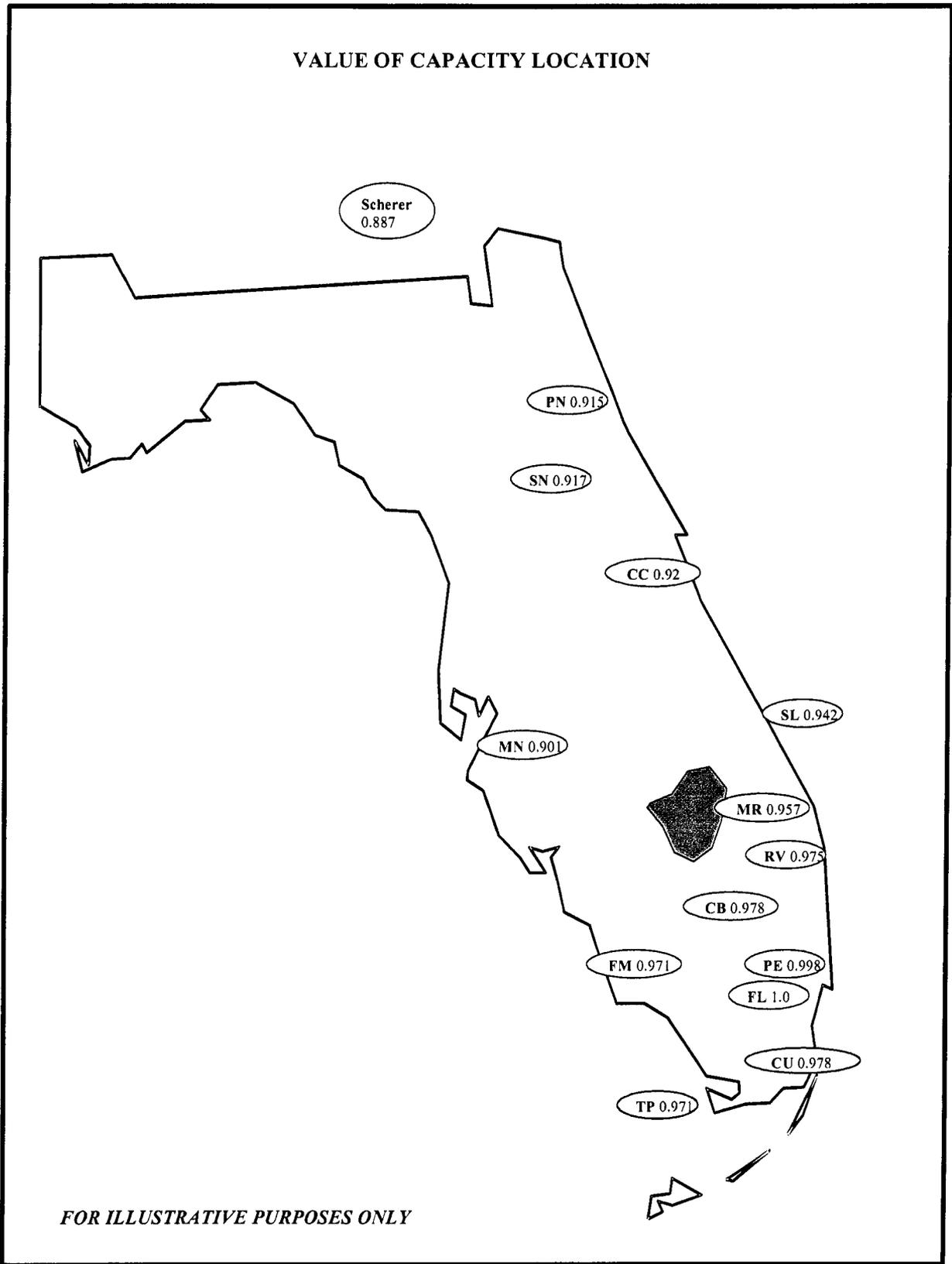
Where, for a one year deferral:		<u>Value</u>
$VAC_m$	= Company's value of avoided capacity and O&M, in dollars per kilowatt per month, during month m;	\$ 7.17
$K$	= present value of carrying charges for one dollar of investment over L years with carrying charges computed using average annual rate base and assumed to be paid at the middle of each year and present valued to the middle of the first year;	1.4131
$I_n$	= total direct and indirect cost, in mid-year dollars per kilowatt including AFUDC but excluding CWIP, of the Company's Avoided Unit with an in-service date of year n;	\$746.34
$O_n$	= total fixed operation and maintenance expense, for the year n, in mid-year dollars per kilowatt per year, of the Company's Avoided Unit;	\$11.10
$i_p$	= annual escalation rate associated with the plant cost of the Company's Avoided Unit;	3.0%
$i_o$	= annual escalation rate associated with the operation and maintenance expense of the Company's Avoided Unit;	1.81%
$r$	= annual discount rate, defined as the Company's incremental after-tax cost of capital;	(for generation costs) 8.93% (for all other costs) 8.82%
$L$	= expected life of the Company's Avoided Unit;	25
$n$	= year for which the Company's Avoided Unit is deferred starting with its original anticipated in-service date and ending with the termination of the Standard Offer Contract.	2015

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

$A_m$	= monthly capacity payments to be made to the QS starting on the year the QS elects to start receiving early capacity payments, in dollars per kilowatt per month;	*
$i_p$	= annual escalation rate associated with the plant cost of the Company's Avoided Unit;	3.0%
$i_o$	= annual escalation rate associated with the operation and maintenance expense of the Company's Avoided Unit;	1.81%
$n$	= year for which early capacity payments to a QS are to begin; (at the election of the QS early capacity payments may commence anytime after the actual in-service date of the QS facility and before the anticipated in-service date of the Company's avoided unit)	*
$F$	= 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 the Company's Avoided Unit and continued for a period of 10 years;	\$590.06
$r$	= annual discount rate, defined as the Company's incremental after-tax cost of capital;	(for generation costs) 8.93% (for all other costs) 8.82%
$t$	= the term, in years, of the Standard Offer Contract for the purchase of firm capacity commencing in the year the QS elects to start receiving early capacity payments prior to the in-service date of the Company's Avoided Unit;	*
$G$	= 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 the Company's Avoided Unit and continued for a period of 10 years.	\$83.13

\*From Appendix E

APPENDIX III TO RATE SCHEDULE QS - 2



**APPENDIX B  
TO THE STANDARD OFFER CONTRACT  
FOR THE PURCHASE OF FIRM CAPACITY AND ENERGY  
FROM RENEWABLE ENERGY FACILITIES  
OR QUALIFYING FACILITIES WITH A DESIGN CAPACITY OF 100 KW OR LESS  
PAY FOR PERFORMANCE PROVISIONS MONTHLY CAPACITY PAYMENT CALCULATION**

1. Monthly Capacity Payments (MCP) for each Monthly Billing Period shall be computed according to the following:
  - A. In the event that the Annual Capacity Billing Factor ("ACBF"), as defined below, is less than 80%, then no Monthly Capacity Payment shall be due. That is:  

$$MCP = 0$$
  - B. In the event that the ACBF is equal to or greater than 80% but less than 97%, then the Monthly Capacity Payment shall be calculated by using the following formula:  

$$MCP = BCP \times [.04 \times (ACBF - 72)] \times CC$$
  - C. In the event that the ACBF is equal to or greater than 97%, then the Monthly Capacity Payment shall be calculated by using the following formula:  

$$MCP = BCP \times CC$$

Where:

- MCP = Monthly Capacity Payment in dollars.
- BCP = Base Capacity Payment in \$/KW/Month as specified in FPL's Rate Schedule QS-2.
- CC = Committed Capacity in KW.
- ACBF = Annual Capacity Billing Factor. This factor is calculated using the 12 months rolling average of the Monthly Capacity Factor. This 12 month rolling average shall be defined as the sum of the 12 consecutive Monthly Capacity Factors preceding the date of calculation, divided by 12. 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 the 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 dividing the sum of the Monthly Capacity Factors during the first year's Monthly Billing Periods in which Capacity payments are to be made by the number of Monthly Billing Periods which have elapsed. 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. Periods during which the Facility has temporarily set its Committed Capacity equal to 0 KW due to a Force Majeure event pursuant to Section 16 shall be excluded from the applicable capacity factor calculation.
- MCF = Monthly Capacity Factor. The sum of (i) the Hourly Factors of the Non-Dispatch Hours plus (ii) the Hourly Factors of the Dispatch Hours or the hourly factors of the hours when FPL requested reduced deliveries pursuant to Section 8.4.8 (Reduced Delivery Hour); divided by the number of hours in the Monthly Billing Period.
- HFNDH = Hourly Factor of a Non-Dispatch Hour. The energy received during the hour divided by the Committed Capacity. For purposes of calculating the Hourly Factor of a Non-Dispatch Hour the energy received shall not exceed the Committed Capacity.
- HFDH = Hourly Factor of a Dispatch Hour or a Reduced Delivery Hour. The scheduled energy received divided by the scheduled energy requested. For purposes of calculating the Hourly Factor of a Dispatch Hour or the Hourly Factor of a Reduced Delivery Hour the scheduled energy received shall not exceed the scheduled energy requested.
- On-Peak Hours = Those hours occurring April 1 through October 31 Mondays through Fridays, from 12 noon to 9:00 p.m. excluding Memorial Day, Independence Day and Labor Day; and November 1 through

March 31 Mondays through Fridays from 6:00 a.m. to 10:00 a.m. and 6:00 p.m. to 10:00 p.m. prevailing Eastern time excluding Thanksgiving Day, Christmas Day and New Year's Day. FPL shall have the right to change such On- Peak Hours by providing the QS a minimum of thirty calendar days' advance notice.

Monthly Billing = 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 Period Date and ending with  
the last calendar day of such month.

Scheduled Energy and Dispatch Hours are as defined in Section 8.4.7 of the Standard Offer Contract.

**APPENDIX C  
TO THE 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:

**Termination Fee = Termination Fee applicable to Capacity Payment Option plus Termination Fee applicable to Fixed Firm Energy Option**

**Termination Fee applicable to Capacity Payment Options B, C, D and E**

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

with:  $MCPC_i = 0$  for all periods prior to the in-service date of the Company's Avoided Unit;

where:

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

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

- a. In the event that in the applicable Monthly Billing Period the Annual Capacity Billing Factor (ACBF), as defined in Appendix B is less than 80%, then the Initial Reduction Value shall be adjusted to equal zero (Reduction Value = 0), and the Capacity Payment Termination Fee shall not be reduced for the applicable Monthly Billing Period.
- b. In the event that in the applicable Monthly Billing Period the Annual Capacity Billing Factor (ACBF), as defined in Appendix B, is equal to or greater than 80% but less than 97%, then the Reduction Value shall be determined as follows:

$$\text{Reduction Value} = \text{Initial Reduction Value} \times [0.04 \times (\text{ACBF} - 72)]$$

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

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

**Termination Fee applicable to the Fixed Firm Energy Payment Option D**

Prior to in-service date of avoided unit:

The Termination Fee for the Fixed Firm Energy Option shall be equal to the cumulative sum of the Fixed Firm Energy Payments made to the QS pursuant to Option D, starting with the in-service date of the QS facility, for each billing cycle. Such number shall reach the maximum amount on the billing cycle immediately preceding the billing cycle associated with the in-service date of the Avoided Unit.

After in-service date of avoided unit:

The Termination Fee shall be decreased each billing cycle following the in-service date of the avoided unit by an amount equal to the difference between the projected Fixed Energy Cost that was used in the calculation to determine the base energy cost to be fixed and amortized pursuant to Option D for such billing cycle and the amortized Fixed Firm Energy Payment in cents/KWH times the energy delivered by the QS not to exceed the MWH block specified in Appendix E.

**APPENDIX D  
TO THE STANDARD OFFER CONTRACT  
DETAILED PROJECT INFORMATION**

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

**I. FACILITY DESCRIPTION**

- Project Name
- Project Location
  - ◆ Street Address
  - ◆ Site Plot Plan
  - ◆ Legal Description of Site
  
- Generating Technology
- Facility Classification ( include types from statute)
- Primary Fuel
- Alternate Fuel (if applicable)
- Committed Capacity
- Expected In-Service Date
- Steam Host (for cogeneration facilities)
  - ◆ Street Address
  - ◆ Legal Description of Steam Host
  - ◆ Host's annual steam requirements (lbs/yr)
  
- Contact Person
  - ◆ Individual's Name and Title
  - ◆ Company Name
  - ◆ Address
  - ◆ Telephone Number
  - ◆ Telecopy 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 generation facilities which are currently under construction or operational which were developed by the QS.
  
- 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 the requirements pursuant to Section 366.91, Florida Statutes, and the 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 ARFR in each year of the proposed operating life of the Facility. Use the categories below to describe the current arrangement for securing the AFR.

Category	Description of Fuel Supply Arrangement
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 the fuel supply exists between developer(s) and fuel supplier(s)
REF =	renewable energy 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 delivery 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 Energy 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 Energy 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)

- 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 transportation price mechanism of the arrangement.
- 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.

#### 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 (AGC, 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 emissions, water use, wastewater discharge, wetlands, endangered species, protected properties, solid waste, surrounding land use, zoning for the Facility, associated linear facilities, and support of and opposition to the Facility.
- List the emission/effluent discharge limits the Facility will meet, and describe in detail the pollution control equipment to be used to meet these limits.

## 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, EPC 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.
- [NOTE: add any requirements related to demonstrating that the facility meets the requirements under the statute or applicable rules]

## VII. FINANCIAL

- Provide FPL with assurances that the proposed QS project is financially viable consistent 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)
    - Steam Revenues (\$ and %/lb.)
    - Tipping Fees (\$ and \$/ton)
    - Interest Income
    - Other Revenues
    - Variable O&M Escalation (%/yr)

- Energy Escalation (%/yr)
  - Steam Escalation (%/yr)
  - Tipping Fee Escalation (%/yr)
- ◆ Annual Project Expenses
    - 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 Energy Facility (\$ and \$/KW)
    - Committed Capacity (KW)
    - Average Heat Rate - HHV (MBTU/KWh)
    - Federal Income Tax Rate (%)
    - Facility Capacity Factor (%)
    - Energy Sold to FPL (MWh<sub>hrs</sub>)
- ◆ Permanent Financing
    - Permanent Financing Term (yrs)
    - 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 E  
TO THE STANDARD OFFER CONTRACT  
CONTRACT OPTIONS TO BE SELECTED BY QS**

**Term of Contract**

Execution date \_\_\_\_\_  
Termination date \_\_\_\_\_

**Firm Capacity Rates**

Commencement date for deliveries of Firm Energy and Capacity \_\_\_\_\_

Capacity Payment Option Selected (from available Options A through E) \_\_\_\_\_

If Option E is selected proposed payment stream:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Schedule of Capacity Payments to be provided by the Company based on applicable parameters follows:

<u>Year</u>	<u>\$/KW/Month</u>
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**Energy Rates**

Energy payment Options selected applicable to energy produced by the QS and delivered to the Company (from available Option A or B and D)

Select from Option A or B \_\_\_\_\_

And

Select D \_\_\_\_\_

If Option D is selected by the QS; the Company and the QS mutually agree on fixing and amortizing the following portion of the Base Energy Costs associated with the Avoided Unit

\_\_\_\_\_ % which yields \_\_\_\_\_ MWH

Projected Energy Cost of Energy Produced by Avoided Unit (provided by the Company):

<u>Year</u>	<u>Projected Fixed Energy Cost (in Cents/KWH or in Dollars)</u>
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Based on the projections of Energy Costs Produced by the Avoided Unit and the mutually agreed upon Portion of the Base Energy Costs associated with the Avoided Unit the Fixed Energy Payment shall be \_\_\_\_\_ \$/MWH or \$ \_\_\_\_\_ (as applicable).

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Attachment E

Attachment B

The Economic and Financial Assumptions associated with the Standard Offer Contract are included in the pages that follow.

Florida Power & Light Company  
Standard Offer Contract

Economic Assumptions

AFUDC RATE (%)

<u>2010</u>	<u>2011</u>	<u>2012 and beyond</u>
8.23	8.38	8.50

CAPITALIZATION RATIOS

Debt	44.2%
Preferred	0%
Equity	55.8%

DISCOUNT RATE

8.93% for generation costs
8.82% for all other costs

RATE OF RETURN

Debt	7.20%
Preferred	0%
Equity	12.30%

BOOK DEPRECIATION LIFE

25 Years for Combined Cycle Unit
40 years for Transmission Facilities

INCOME TAX RATE

State	5.5%
Federal	35.0%

TAX DEPRECIATION LIFE

20 Years for Combined Cycle Unit
15 Years for Transmission Facilities

Effective	35.100% for generation facilities
Effective	38.575% for transmission facilities

OTHER TAXES AND INSURANCE

2.48%

Florida Power & Light Company  
Standard Offer ContractEconomic Escalation Assumptions  
(Averages 2015-2024)

<u>Year</u>	<u>Plant Construction Cost Percentage</u>	<u>O&amp;M and Capital Replacement Cost Percentage</u>	<u>Fixed Variable O&amp;M Cost Percentage</u>
Inflation	3.0%	1.81%	.73%

Florida Power & Light Company  
Standard Offer Contract

## Unit Information

Plant Name (Type): Combined Cycle  
Net Capacity (MW): 1219 MW  
Book Life (Years): 25

## Installed Cost (In-Service Year 2015)

Total Installed Cost (\$/kW)	746.00
Direct Construction Cost (\$/kW-00)	658.00
AFUDC Amount (\$/kW)	88.00
Fixed O&M (\$/kW-Yr.) (In-Service Year)	3.81
Capital Replacement	7.29
Variable O&M (cents/kWH)	.052
Average Capacity Factor of Avoided Unit for first 10 years of operation	90
K Factor	1.4131

Florida Power & Light Company  
Standard Offer Contract

Financial Assumptions  
For the Development of K Factor

CAPITALIZATION RATIOS

Debt	44.2%
Preferred	0%
Equity	55.8%

CONSTRUCTION SPENDING CURVE

<u>Year</u>	<u>% Construction Expenditures*</u>
2011	.27%
2012	8.31%
2013	61.31%
2014	25.07%
2015	5.04%

RATE OF RETURN

Debt	7.2%
Preferred	0%
Equity	12.30%

Tax Rate	35.100%	for generation facilities
	38.575%	for transmission facilities

AFUDC RATE (%)	<u>2010</u>	<u>2011</u>	<u>2012 and beyond</u>
	8.23	8.38	8.50

Discount Rate	8.93%	for generation costs
	8.82%	for all other costs

Book Life	25 years	for Combined Cycle unit
	40 years	for Transmission facilities

In-Service Year	2015
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\*To be applied to direct construction costs.

**Florida Power & Light Company**  
Fixed Charge Calculations For Development of K Factor  
Unit Type: 1219 MW Combined Cycle  
(Thousands of Dollars)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	
Year	Calendar Year	Electric Plant In-Service	Debt	Preferred	Equity	Taxes	Taxes	Deferred & Taxes	Preferred Equity	Straight Line Depreciation	Property Taxes & Insurance	Total Fixed Charges	Present Worth Fixed Charges	Cumulative Present Worth Fixed Charges
1	2015	\$889,348	\$16,857	\$0	\$36,355	\$15,672	\$5,280	\$74,164	\$20,437	\$13,162	\$107,762	\$107,762	\$107,762	
2	2016	\$854,314	\$27,748	\$0	\$59,843	\$23,043	\$11,513	\$122,146	\$35,034	\$22,173	\$179,353	\$164,668	\$272,430	
3	2017	\$819,279	\$26,295	\$0	\$56,709	\$23,112	\$9,722	\$115,838	\$35,034	\$21,493	\$172,365	\$145,295	\$417,724	
4	2018	\$784,245	\$24,897	\$0	\$53,694	\$23,100	\$8,078	\$109,769	\$35,034	\$20,813	\$165,616	\$128,175	\$545,899	
5	2019	\$749,211	\$23,549	\$0	\$50,787	\$23,023	\$6,559	\$103,919	\$35,034	\$20,133	\$159,086	\$113,040	\$658,939	
6	2020	\$714,177	\$22,247	\$0	\$47,981	\$22,881	\$5,161	\$98,271	\$35,034	\$19,452	\$152,757	\$99,655	\$758,595	
7	2021	\$679,143	\$20,987	\$0	\$45,263	\$22,581	\$3,971	\$92,801	\$35,034	\$18,772	\$146,608	\$87,813	\$846,407	
8	2022	\$644,108	\$19,762	\$0	\$42,620	\$22,128	\$2,973	\$87,483	\$35,034	\$18,093	\$140,611	\$77,325	\$923,732	
9	2023	\$609,074	\$18,555	\$0	\$40,017	\$20,860	\$2,813	\$82,245	\$35,034	\$17,415	\$134,694	\$68,006	\$991,739	
10	2024	\$574,040	\$17,350	\$0	\$37,419	\$19,441	\$2,807	\$77,018	\$35,034	\$16,737	\$128,788	\$59,701	\$1,051,440	
11	2025	\$539,006	\$16,146	\$0	\$34,822	\$18,009	\$2,813	\$71,790	\$35,034	\$16,058	\$122,883	\$52,300	\$1,103,739	
12	2026	\$503,972	\$14,942	\$0	\$32,224	\$16,590	\$2,807	\$66,563	\$35,034	\$15,380	\$116,978	\$45,710	\$1,149,449	
13	2027	\$468,937	\$13,737	\$0	\$29,627	\$15,159	\$2,813	\$61,336	\$35,034	\$14,703	\$111,074	\$39,850	\$1,189,299	
14	2028	\$433,903	\$12,533	\$0	\$27,030	\$13,739	\$2,807	\$56,109	\$35,034	\$14,026	\$105,169	\$34,642	\$1,223,941	
15	2029	\$398,869	\$11,329	\$0	\$24,432	\$12,308	\$2,813	\$50,882	\$35,034	\$13,349	\$99,265	\$30,020	\$1,253,961	
16	2030	\$363,835	\$10,140	\$0	\$21,868	\$11,885	\$1,832	\$45,725	\$35,034	\$12,674	\$93,432	\$25,943	\$1,279,905	
17	2031	\$328,801	\$8,982	\$0	\$19,371	\$11,496	\$859	\$40,708	\$35,034	\$12,002	\$87,744	\$22,370	\$1,302,275	
18	2032	\$293,767	\$7,840	\$0	\$16,908	\$10,157	\$856	\$35,761	\$35,034	\$11,333	\$82,128	\$19,226	\$1,321,501	
19	2033	\$258,732	\$6,698	\$0	\$14,445	\$8,813	\$859	\$30,814	\$35,034	\$10,663	\$76,512	\$16,446	\$1,337,946	
20	2034	\$223,698	\$5,555	\$0	\$11,981	\$7,475	\$856	\$25,867	\$35,034	\$9,996	\$70,898	\$13,993	\$1,351,939	
21	2035	\$188,664	\$4,510	\$0	\$9,727	\$12,323	(\$5,220)	\$21,339	\$35,034	\$9,330	\$65,703	\$11,907	\$1,363,847	
22	2036	\$153,630	\$3,658	\$0	\$7,889	\$17,399	(\$11,299)	\$17,646	\$35,034	\$8,665	\$61,345	\$10,209	\$1,374,056	
23	2037	\$118,596	\$2,903	\$0	\$6,260	\$16,509	(\$11,299)	\$14,372	\$35,034	\$8,000	\$57,406	\$8,772	\$1,382,828	
24	2038	\$83,561	\$2,147	\$0	\$4,631	\$15,619	(\$11,299)	\$11,098	\$35,034	\$7,335	\$53,467	\$7,502	\$1,390,330	
25	2039	\$48,527	\$1,392	\$0	\$3,002	\$14,729	(\$11,299)	\$7,824	\$35,034	\$6,671	\$49,528	\$6,382	\$1,396,712	
26	2040	\$32,610	\$757	\$0	\$1,633	\$6,953	(\$5,173)	\$4,170	\$15,917	\$3,202	\$23,289	\$2,766	\$1,399,478	
27	2041	\$849,653	\$649	\$0	\$1,400	\$1,799	(\$797)	\$3,051	\$2,262	\$1,157	\$6,470	\$719	\$1,400,196	
28	2042	\$847,391	\$602	\$0	\$1,299	\$1,736	(\$797)	\$2,841	\$2,262	\$1,115	\$6,218	\$635	\$1,400,831	
29	2043	\$845,129	\$556	\$0	\$1,198	\$1,673	(\$797)	\$2,630	\$2,262	\$1,074	\$5,966	\$560	\$1,401,391	
30	2044	\$842,868	\$509	\$0	\$1,098	\$1,610	(\$797)	\$2,420	\$2,262	\$1,032	\$5,714	\$493	\$1,401,884	
31	2045	\$840,606	\$462	\$0	\$997	\$1,547	(\$797)	\$2,210	\$2,262	\$991	\$5,462	\$433	\$1,402,317	
32	2046	\$838,344	\$416	\$0	\$897	\$1,483	(\$797)	\$1,999	\$2,262	\$949	\$5,211	\$379	\$1,402,696	
33	2047	\$836,082	\$369	\$0	\$796	\$1,420	(\$797)	\$1,789	\$2,262	\$908	\$4,959	\$332	\$1,403,028	
34	2048	\$833,820	\$323	\$0	\$696	\$1,357	(\$797)	\$1,579	\$2,262	\$866	\$4,707	\$289	\$1,403,317	
35	2049	\$831,558	\$276	\$0	\$595	\$1,294	(\$797)	\$1,368	\$2,262	\$825	\$4,455	\$252	\$1,403,569	
36	2050	\$829,296	\$229	\$0	\$494	\$1,231	(\$797)	\$1,158	\$2,262	\$784	\$4,204	\$218	\$1,403,788	
37	2051	\$827,034	\$183	\$0	\$394	\$1,168	(\$797)	\$948	\$2,262	\$742	\$3,952	\$189	\$1,403,976	
38	2052	\$824,772	\$136	\$0	\$293	\$1,104	(\$797)	\$737	\$2,262	\$701	\$3,700	\$162	\$1,404,138	
39	2053	\$822,510	\$89	\$0	\$193	\$1,041	(\$797)	\$527	\$2,262	\$660	\$3,449	\$139	\$1,404,277	
40	2054	\$820,248	\$43	\$0	\$92	\$978	(\$797)	\$316	\$2,262	\$619	\$3,197	\$118	\$1,404,396	
41	2055	\$819,305	\$4	\$0	\$9	\$389	(\$332)	\$70	\$942	\$241	\$1,253	\$43	\$1,404,439	

In-Service Cost	\$909,784
Present Worth of Fixed Charges	\$1,404,439
Less Equity Adjustment	\$118,821
Adjusted Present Worth of Fixed Charges	<u>\$1,285,618</u>
Value of K	<u>1.4131</u>

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Attachment F

## Attachment B

The Economic and Financial Assumptions associated with the Standard Offer Contract are included in the pages that follow.

Florida Power & Light Company  
Standard Offer Contract

Economic Assumptions

AFUDC RATE (%)

<u>2010</u>	<u>2011</u>	<u>2012 and beyond</u>
8.23	8.38	8.50

CAPITALIZATION RATIOS

Debt	44.2%
Preferred	0%
Equity	55.8%

DISCOUNT RATE

8.93% for generation costs
8.82% for all other costs

RATE OF RETURN

Debt	7.20%
Preferred	0%
Equity	12.30%

BOOK DEPRECIATION LIFE

25 Years for Combined Cycle Unit
40 years for Transmission Facilities

INCOME TAX RATE

State	5.5%
Federal	35.0%

TAX DEPRECIATION LIFE

20 Years for Combined Cycle Unit
15 Years for Transmission Facilities

Effective	35.100% for generation facilities
Effective	38.575% for transmission facilities

OTHER TAXES AND INSURANCE

2.48%

Florida Power & Light Company  
Standard Offer ContractEconomic Escalation Assumptions  
(Averages 2015-2024)

<u>Year</u>	<u>Plant Construction Cost Percentage</u>	<u>O&amp;M and Capital Replacement Cost Percentage</u>	<u>Fixed Variable O&amp;M Cost Percentage</u>
Inflation	3.0%	1.81%	.73%

Florida Power & Light Company  
Standard Offer Contract

Unit Information

Plant Name (Type): Combined Cycle  
 Net Capacity (MW): 1219 MW  
 Book Life (Years): 25

Installed Cost (In-Service Year 2015)

Total Installed Cost (\$/kW)	746.00
Direct Construction Cost (\$/kW-00)	658.00
AFUDC Amount (\$/kW)	88.00
Fixed O&M (\$/kW-Yr.) (In-Service Year)	3.81
Capital Replacement	7.29
Variable O&M (cents/kWH)	.052
<u>Average assumed Capacity Factor of Avoided Unit for first</u>	<u>907</u>
<u>10 years of operation</u>	
K Factor	1.4131

Florida Power & Light Company  
Standard Offer Contract

Financial Assumptions  
For the Development of K Factor

CAPITALIZATION RATIOS

Debt	44.2%
Preferred	0%
Equity	55.8%

CONSTRUCTION SPENDING CURVE

<u>Year</u>	<u>% Construction Expenditures*</u>
2011	.27%
2012	8.31%
2013	61.31%
2014	25.07%
2015	5.04%

RATE OF RETURN

Debt	7.2%
Preferred	0%
Equity	12.30%

Tax Rate	35.100%	for generation facilities
	38.575%	for transmission facilities

AFUDC RATE (%)	<u>2010</u>	<u>2011</u>	<u>2012 and beyond</u>
	8.23	8.38	8.50

Discount Rate	8.93%	for generation costs
	8.82%	for all other costs

Book Life	25 years	for Combined Cycle unit
	40 years	for Transmission facilities

In-Service Year	2015
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\*To be applied to direct construction costs.

**Florida Power & Light Company**  
Fixed Charge Calculations For Development of K Factor  
Unit Type: 1219 MW Combined Cycle  
(Thousands of Dollars)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	
Year	Calendar Year	Electric Plant In-Service	Debt	Preferred	Equity	Taxes	Taxes	Deferred & Taxes	Preferred Equity	Straight Line Depreciation	Property Taxes & Insurance	Total Fixed Charges	Present Worth Fixed Charges	Cumulative Present Worth Fixed Charges
1	2015	\$889,348	\$16,857	\$0	\$36,355	\$15,672	\$5,280	\$74,164	\$20,437	\$13,162	\$107,762	\$107,762	\$107,762	
2	2016	\$854,314	\$27,748	\$0	\$59,843	\$23,043	\$11,513	\$122,146	\$35,034	\$22,173	\$179,353	\$164,668	\$272,430	
3	2017	\$819,279	\$26,295	\$0	\$56,709	\$23,112	\$9,722	\$115,838	\$35,034	\$21,493	\$172,365	\$145,295	\$417,724	
4	2018	\$784,245	\$24,897	\$0	\$53,694	\$23,100	\$8,078	\$109,769	\$35,034	\$20,813	\$165,616	\$128,175	\$545,899	
5	2019	\$749,211	\$23,549	\$0	\$50,787	\$23,023	\$6,559	\$103,919	\$35,034	\$20,133	\$159,086	\$113,040	\$658,939	
6	2020	\$714,177	\$22,247	\$0	\$47,981	\$22,881	\$5,161	\$98,271	\$35,034	\$19,452	\$152,757	\$99,655	\$758,595	
7	2021	\$679,143	\$20,987	\$0	\$45,263	\$22,581	\$3,971	\$92,801	\$35,034	\$18,772	\$146,608	\$87,813	\$846,407	
8	2022	\$644,108	\$19,762	\$0	\$42,620	\$22,128	\$2,973	\$87,483	\$35,034	\$18,093	\$140,611	\$77,325	\$923,732	
9	2023	\$609,074	\$18,555	\$0	\$40,017	\$20,860	\$2,813	\$82,245	\$35,034	\$17,415	\$134,694	\$68,006	\$991,739	
10	2024	\$574,040	\$17,350	\$0	\$37,419	\$19,441	\$2,807	\$77,018	\$35,034	\$16,737	\$128,788	\$59,701	\$1,051,440	
11	2025	\$539,006	\$16,146	\$0	\$34,822	\$18,009	\$2,813	\$71,790	\$35,034	\$16,058	\$122,883	\$52,300	\$1,103,739	
12	2026	\$503,972	\$14,942	\$0	\$32,224	\$16,590	\$2,807	\$66,563	\$35,034	\$15,380	\$116,978	\$45,710	\$1,149,449	
13	2027	\$468,937	\$13,737	\$0	\$29,627	\$15,159	\$2,813	\$61,336	\$35,034	\$14,703	\$111,074	\$39,850	\$1,189,299	
14	2028	\$433,903	\$12,533	\$0	\$27,030	\$13,739	\$2,807	\$56,109	\$35,034	\$14,026	\$105,169	\$34,642	\$1,223,941	
15	2029	\$398,869	\$11,329	\$0	\$24,432	\$12,308	\$2,813	\$50,882	\$35,034	\$13,349	\$99,265	\$30,020	\$1,253,961	
16	2030	\$363,835	\$10,140	\$0	\$21,868	\$11,885	\$1,832	\$45,725	\$35,034	\$12,674	\$93,432	\$25,943	\$1,279,905	
17	2031	\$328,801	\$8,982	\$0	\$19,371	\$11,496	\$859	\$40,708	\$35,034	\$12,002	\$87,744	\$22,370	\$1,302,275	
18	2032	\$293,767	\$7,840	\$0	\$16,908	\$10,157	\$856	\$35,761	\$35,034	\$11,333	\$82,128	\$19,226	\$1,321,501	
19	2033	\$258,732	\$6,698	\$0	\$14,445	\$8,813	\$859	\$30,814	\$35,034	\$10,663	\$76,512	\$16,446	\$1,337,946	
20	2034	\$223,698	\$5,555	\$0	\$11,981	\$7,475	\$856	\$25,867	\$35,034	\$9,996	\$70,898	\$13,993	\$1,351,939	
21	2035	\$188,664	\$4,510	\$0	\$9,727	\$12,323	(\$5,220)	\$21,339	\$35,034	\$9,330	\$65,703	\$11,907	\$1,363,847	
22	2036	\$153,630	\$3,658	\$0	\$7,889	\$17,399	(\$11,299)	\$17,646	\$35,034	\$8,665	\$61,345	\$10,209	\$1,374,056	
23	2037	\$118,596	\$2,903	\$0	\$6,260	\$16,509	(\$11,299)	\$14,372	\$35,034	\$8,000	\$57,406	\$8,772	\$1,382,828	
24	2038	\$83,561	\$2,147	\$0	\$4,631	\$15,619	(\$11,299)	\$11,098	\$35,034	\$7,335	\$53,467	\$7,502	\$1,390,330	
25	2039	\$48,527	\$1,392	\$0	\$3,002	\$14,729	(\$11,299)	\$7,824	\$35,034	\$6,671	\$49,528	\$6,382	\$1,396,712	
26	2040	\$32,610	\$757	\$0	\$1,633	\$6,953	(\$5,173)	\$4,170	\$15,917	\$3,202	\$23,289	\$2,766	\$1,399,478	
27	2041	\$849,653	\$649	\$0	\$1,400	\$1,799	(\$797)	\$3,051	\$2,262	\$1,157	\$6,470	\$719	\$1,400,196	
28	2042	\$847,391	\$602	\$0	\$1,299	\$1,736	(\$797)	\$2,841	\$2,262	\$1,115	\$6,218	\$635	\$1,400,831	
29	2043	\$845,129	\$556	\$0	\$1,198	\$1,673	(\$797)	\$2,630	\$2,262	\$1,074	\$5,966	\$560	\$1,401,391	
30	2044	\$842,868	\$509	\$0	\$1,098	\$1,610	(\$797)	\$2,420	\$2,262	\$1,032	\$5,714	\$493	\$1,401,884	
31	2045	\$840,606	\$462	\$0	\$997	\$1,547	(\$797)	\$2,210	\$2,262	\$991	\$5,462	\$433	\$1,402,317	
32	2046	\$838,344	\$416	\$0	\$897	\$1,483	(\$797)	\$1,999	\$2,262	\$949	\$5,211	\$379	\$1,402,696	
33	2047	\$836,082	\$369	\$0	\$796	\$1,420	(\$797)	\$1,789	\$2,262	\$908	\$4,959	\$332	\$1,403,028	
34	2048	\$833,820	\$323	\$0	\$696	\$1,357	(\$797)	\$1,579	\$2,262	\$866	\$4,707	\$289	\$1,403,317	
35	2049	\$831,558	\$276	\$0	\$595	\$1,294	(\$797)	\$1,368	\$2,262	\$825	\$4,455	\$252	\$1,403,569	
36	2050	\$829,296	\$229	\$0	\$494	\$1,231	(\$797)	\$1,158	\$2,262	\$784	\$4,204	\$218	\$1,403,788	
37	2051	\$827,034	\$183	\$0	\$394	\$1,168	(\$797)	\$948	\$2,262	\$742	\$3,952	\$189	\$1,403,976	
38	2052	\$824,772	\$136	\$0	\$293	\$1,104	(\$797)	\$737	\$2,262	\$701	\$3,700	\$162	\$1,404,138	
39	2053	\$822,510	\$89	\$0	\$193	\$1,041	(\$797)	\$527	\$2,262	\$660	\$3,449	\$139	\$1,404,277	
40	2054	\$820,248	\$43	\$0	\$92	\$978	(\$797)	\$316	\$2,262	\$619	\$3,197	\$118	\$1,404,396	
41	2055	\$819,305	\$4	\$0	\$9	\$389	(\$332)	\$70	\$942	\$241	\$1,253	\$43	\$1,404,439	
In-Service Cost					\$909,784									
Present Worth of Fixed Charges					\$1,404,439									
Less Equity Adjustment					\$118,821									
Adjusted Present Worth of Fixed Charges					<u>\$1,285,618</u>									
Value of K					<u>1.4131</u>									

## Attachment G

**RATE SCHEDULE QS-2  
THE STANDARD OFFER CONTRACT  
STANDARD RATE FOR PURCHASE OF FIRM CAPACITY AND ENERGY  
FROM A RENEWABLE ENERGY FACILITY  
OR A QUALIFYING FACILITY WITH A DESIGN CAPACITY OF 100 KW OR LESS (2015 Avoided Unit)**

**SCHEDULE**

The "Contracts and Agreements" section of this tariff includes, by reference all of the rates, terms and provisions of the Company's "Standard Offer Contract for the Purchase of Firm Capacity and Energy from a Renewable Energy Facility or a Qualifying Facility with a design capacity of 100 KW or less (2015 Avoided Unit)" ("Standard Offer Contract"). The Standard Offer Contract is on file with the Florida Public Service Commission and is available upon request.

Attachment H

**STANDARD  
& POOR'S****RATINGS DIRECT**

RESEARCH

## Request For Comments: Imputing Debt To Purchased Power Obligations

**Publication date:** 01-Nov-2006  
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Standard & Poor's Ratings Services is requesting comments from market participants about one specific element of its refined methodology for imputing debt to purchased power obligations involving utility companies.

### Proposal Summary

Standard & Poor's is abandoning its practice of not imputing debt for purchased power agreements (PPA) with terms of three years or less. In addition, where there is a high probability that the utility will have an ongoing obligation to serve load beyond the nominal tenor of short-term contracts, which is almost always the case, Standard & Poor's is contemplating providing evergreen treatment to PPA obligations to reflect the long-term load serving obligations borne by utilities. Unless an electric utility faces a declining population or real prospects of customer migration to other suppliers, both of which are rare, any near-term or intermediate power supply contracts will need to be renewed or replaced with contracted or self-built capacity to continue to meet load obligations.

We acknowledge that the process of providing evergreen treatment to outstanding contracts is imprecise. Uncertainties surround the level of capacity prices that should be assumed and the duration for which contracts should be extended to reflect the load-serving obligation. Therefore, we welcome input on evergreen-related issues as we refine these aspects of the criteria.

### Response Deadline

Please submit your comments on this proposal through Dec. 15, 2006, to [criteriacomments@standardandpoors.com](mailto:criteriacomments@standardandpoors.com)

### Imputation Is Important For Credit Analysis

Standard & Poor's has for many years considered PPAs as financial obligations that electric utilities incur when they elect to purchase rather than build their own capacity, and this obligation has affected our view of utilities' creditworthiness. Standard & Poor's has historically applied a "risk factor" of 0% to 100% to the net present value (NPV) of the PPA capacity payments, and capitalized this amount. The risk factor's role is to calibrate the stringencies of debt imputation relative to our evaluation of the certainty of recovery of power purchase costs by virtue of regulatory and legislative protections. The imputation of debt and debt service is important to our credit analysis because the resulting financial adjustments affect several key credit metrics used when we assess credit quality.

The risk factor acts as a proxy for the proportion of risk borne by the utility. At 100%, all risk related to

contractual obligations rests on the company with no mitigating regulatory or legislative support. Conversely, a 0% risk factor indicates that the burden of the contractual payments rests solely with ratepayers.

## Reviewing Existing Criteria--And A Few Refinements

From time to time, Standard & Poor's has revisited the methodology employed for making the financial adjustments that incorporate the obligations created by PPAs in its credit evaluations. This article discusses the most recent refinements. It also includes a discussion of additional areas that are under consideration as potential future refinements to our ratings methodology. While we expect very modest, if any, rating changes to result from these modifications, the proposed modifications are being disseminated in this article in the interest of ensuring the ongoing transparency of our rating methodology.

Standard & Poor's published its original PPA criteria in 1991, and provided updates in 1993 and 2003. During this time, the industry has established a very strong track record of demonstrating the viability and effectiveness of the various recovery mechanisms that state regulators have established for costs associated with contracted generation capacity. Recovery mechanisms have largely performed as intended, and related write-offs have proven to be very low. These results justify the continued application of risk factors that serve to temper, often substantially, the amount of debt imputation. Ensuring meaningful comparability in the financial commitments among utilities that are building and those that are purchasing capacity to satisfy load obligations is the rationale for our imputation of debt and debt service for PPAs. PPAs essentially represent substitutes for direct, debt-financed, capital investments. In a sense, a utility that has entered into a PPA has contracted with a supplier to make the financial investment on its behalf. The analytical goal of our financial adjustments for PPAs is to reflect the fixed obligation in a way that depicts any credit exposure that is added by the presence of PPAs. That said, a PPA also shifts various risks to the supplier, such as construction risk and most of the operating risk. As a result, the principal risk borne by a utility that relies on PPAs is the recovery of the financial obligation in rates. While it is the utility that must of course make these payments, however, to the extent that regulators and, in certain cases, legislatures, have structured recovery to assign the burden to ratepayers, the utilities' risk diminishes.

## Refinements To The Methodology

With only modest liberalization of the treatment of PPAs, we are perpetuating the current ratings criteria. Current guidelines for utilities whose capacity payments are recovered in base rates provides for the application of a 50% risk factor to the NPV of the capacity payments. This approach will continue. The NPV is calculated using the utility's average cost of debt (excluding securitization debt), rather than the standardized 10% discount rate used previously. For purposes of adjusting cash flow measures, implied interest expense is calculated on the imputed debt amount. This is accomplished by applying the average cost of debt to the relevant year's imputed debt level.

To date, where PPA capacity costs were recovered through a fuel adjustment clause (FAC), as compared with base rate recovery, a risk factor of 30% has been generally used in lieu of the 50% risk factor. We view the recovery of the capacity component of a PPA through a FAC as providing greater certainty and timeliness than recovery through a base rate mechanism. (The base rate mechanism generally has greater potential for under-recovery due to variations in volume sales and fluctuations in fuel prices over time.) Based on the effectiveness of FAC mechanisms, we will adjust modestly the risk factor of 30% down to 25%.

We recognize that there are certain jurisdictions that have true-up mechanisms that are more favorable and frequent than the review of base rates, but still do not amount to pure FACs. Some of these mechanisms are triggered when certain financial thresholds are met or after prescribed periods of time have passed. In these instances, a risk factor between the revised 25% FAC risk factor and the 50% risk factor will be employed in calculating adjusted ratios.

In those instances where recovery of PPA-related capacity costs is guaranteed by a legislative mechanism, the level of the risk factor will be determined by the timeliness provided by the legislative true-up mechanism. The strength of the mechanism can result in risk factors as low as 0% because legislatively prescribed recovery mechanisms are viewed as providing utilities with a greater level of protection than that provided by regulatory orders.

There are a number of utilities to which Standard & Poor's does not impute any PPA-related debt. Specifically, Standard & Poor's does not impute debt for supply arrangements if a utility acts merely as a conduit for the delivery of power (e.g., because it has been transformed into a pure transmission and distribution utility by regulators or legislation that has directed the divestiture of all generation assets). For example, in New Jersey, the vertically integrated utility companies were transformed into pure transmission and distribution utilities. The state commission, or an appointed proxy, leads an annual auction in which suppliers bid to serve the state's retail customers, and the utilities are protected from supplier default. In New Jersey, the power supply function of the state's utilities has essentially been reduced to the delivery of power and the collection of revenues from retail customers on behalf of the suppliers. Therefore, while Standard & Poor's has continued to impute debt to New Jersey's utilities for qualifying facility and exempt wholesale generator contracts to which the utilities are parties, we do not do so for other electricity supply contracts where the utilities merely act as conduits between the winners of the regulator's supply auction and the end-user, retail customers.

Finally, Standard & Poor's is abandoning the practice of not imputing debt for contracts with terms of three years or less. In addition to abandoning our historical three-year rule, we are contemplating applying an evergreen mechanism for short-term contracts. Because expiring contracts must be replaced with either debt-financed capacity additions or replacement PPAs for regulated utilities to meet load serving obligations, Standard & Poor's must look beyond the termination of near-term and intermediate-term contracts to approximate the fixed obligations that will succeed the current contracts in evaluating a utility's financial profile.

The process of providing evergreen treatment to outstanding contracts is imprecise. Uncertainties surround the level of capacity prices that should be assumed and the duration for which contracts should be extended to reflect the load-serving obligation. Therefore, we welcome input on evergreen-related issues as we refine these aspects of the criteria over the next 45 days.

## Adjusting Financial Ratios

Standard & Poor's determines the debt equivalence that it will add to a utility's balance sheet as a result of being a party to a PPA by calculating the NPV of the annual capacity payments over the life of the contract because it is the capacity payment that represents the vehicle that funds the recovery of the supplier's investment in the generation asset.

Where the PPA contract price is stated as a single, all-in energy price, Standard & Poor's will use a proxy capacity charge, stated in dollars per kilowatt-year, and multiply that figure by the number of kilowatts under contract. This number will be updated from time to time to reflect prevailing costs for the development and financing of the marginal unit, a combustion turbine. This is a departure from the historical practice of simply halving all-in energy payments and assuming a one-to-one ratio of energy to capacity payments. This new element of the rating methodology will also be applied to generation with extremely low variable costs whose price is stated as an all-in energy price, such as nuclear and wind generation.

The discount rate used in calculating an NPV, imputed debt, and imputed interest expense is the utility's average interest rate on its outstanding debt (excluding securitization related debt). Standard & Poor's multiplies the NPV of the stream of capacity payments by the appropriate risk factor, which will generally be 25% for capacity payments that are recovered through fuel adjustment clauses and 50% for capacity payments that are recovered in base rates. This amount is added to a utility's reported debt to calculate adjusted debt. Similarly, Standard & Poor's imputes an associated interest expense by multiplying a given year's NPV of PPA-related capacity payments by the risk factor and the company's average interest rate on outstanding debt. The resulting number is added to reported interest expense to calculate adjusted interest coverage ratios.

Key ratios affected include:

- Balance sheet debt is increased by the calculated NPV of the stream of capacity payments, after the application of the risk factor, which is added to the numerator and denominator in calculating an adjusted debt-to-capitalization ratio;
- The implied interest expense derived from applying the average interest rate to the NPV figure is

simultaneously treated as a reduction in power purchase expenses and added to interest expense for the calculation of the adjusted funds from operations (FFO) to interest ratio; and

- The FFO to total debt ratio is adjusted by adding the NPV of capacity payments, after the application of the risk factor, to debt in the denominator and an implied depreciation expense is added to FFO.

The depreciation expense adjustment, the last element of the principal financial adjustments cited above, represents a new element within the context of financial adjustments for PPAs (though it has been a long-standing component of the analytical adjustments for leases). Adding an implied depreciation expense to FFO is another element that aligns the analytical treatment of PPAs with the concept of purchased power as a substitute for self-build. The depreciation expense adjustment is a vehicle for capturing the ownership-like attributes of the contracted asset and has the effect of mitigating some of the ratio impact of debt imputation.

The mechanics of these adjustments are illustrated in the table.

#### Adjustments To Ratios

(Mil. \$)	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter
Funds from operations	2,500					
Interest expense	650					
Directly issued debt	10,000					
Shareholders' equity	9,000					
Fixed capacity commitments	500	500	500	500	500	4,000
<b>NPV of fixed capacity commitments</b>						
Using a 6.5% discount rate	4,079					
Applying a 25% risk factor	1,020					
<b>Unadjusted ratios</b>						
FFO/interest (x)	4.9					
FFO/total debt (%)	25					
Debt/capitalization (%)	53					
<b>Ratios adjusted for debt imputation</b>						
FFO/interest (x)*	4.6					
FFO/total debt (%)†	23					
Debt/capitalization (%)‡	55					

\*Adds implied interest to the numerator and denominator. Also adds implied depreciation to the numerator. †Adds implied depreciation to the numerator and adds implied debt to total debt. ‡Adds implied debt to both the numerator and the denominator.

Clearly, the higher the risk factor, the greater the effect on adjusted financial ratios. The NPV of the PPA will typically decrease as the maturity of the contract approaches, but on a portfolio basis, the overall NPV may remain somewhat static as old contracts roll off and new ones are executed.

## Conclusion

Absent legislative assurance of recovery, or an obligation that is little more than a fiduciary role for a transmission and distribution utility, PPAs constitute a financial risk by adding fixed obligations, though history is clearly on the side of full recovery. There is ample evidence that utility regulators and commissions have intended these costs to be for the account of the ratepayer, which justifies the continued use of risk factors. The modest revisions to our methodology seek to perpetuate our use of financial adjustments that reflect the legislative and regulatory protections that mitigate regulated utilities' exposure to the fixed obligations created by PPAs.

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