Progress Energy

September 24, 2009

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COMMISSION CLERK

VIA HAND DELIVERY

Ms. Ann Cole, Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Petition for approval of amended negotiated purchase power contract with Vision / FL, LLC by Progress Energy Florida, Inc.; **Docket No. 090371-EQ**

Dear Ms. Cole:

Please find enclosed for filing on behalf of Progress Energy Florida, Inc. ("PEF") the original and five (5) copies of our responses to Staff's data request dated September 10, 2009 in the above referenced docket.

Thank you for your assistance in this matter. Please call me at (727) 820-5184 should you have any questions.

Sincerely,

John T. Burnett lms

John T. Burnett

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Attachment

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1. **Did Progress issue a Request for Proposal prior to the amendment of the contract?**

   Answer: Progress Energy Florida did not issue a Request for Proposal prior to the amendment of the Vision contract. However, since July 2007, PEF has had an open "Request for Renewables" pending where any and all providers of renewable energy can and do present proposals to PEF.

2. **Please explain why Vision seeks extensions of time of the original in-service date and the term of the contract. In your response, please address whether the project is still a viable option for the parties.**

   Answer: Because of the current state of the economy, Vision found it difficult to obtain financing in a timely manner. Vision has assured PEF they can obtain financing to accommodate the revised in-service date with the change in price structure included in this amendment.

3. **Please explain why the original contract between Progress and Vision was not terminated for failure to meet milestones outlined in the original contract.**

   Answer: PEF did not terminate the agreement with Vision because Vision approached PEF before PEF had cause to terminate the contract and communicated the unexpected difficulty Vision was having in obtaining financing for this project. In an effort to work with Vision, and thereby encourage renewable generation, PEF worked with Vision to see if a solution could be found that would be acceptable.

4. **What is the proposed drop dead date for the amended contract?**

   Answer: The Capacity Payments must begin by January 1, 2011 as seen in the table on Page 16 of the agreement.

5. **Does Progress' Ten Year Site Plan contain information about the amended agreement?**

   Answer: No, the Ten Year Site does not contain information about the amended Vision agreement. Such information would not be included until the amended agreement is approved by the Commission. At such time, the information of the amended Vision contract would be included in the subsequent Ten Year Site Plan.

6. **The original contract which was approved by the Commission in Order No. PSC-08-0707-PAA-EQ states that the contract is based on Vision constructing, owning, and operating a closed-loop biomass electric generating facility in Osceola County, Florida. Does the amended agreement indicate that location and transmission is to be determined? If so, please explain this discrepancy. Please also explain whether or not Progress could have terminated the contract for failure of Vision to construct, own, and operate a closed-loop biomass electric generating facility in Osceola County.**

   Answer: As indicated on Page 47 of the amended Vision agreement, the site location has remained the same. PEF could not have terminated the existing contract for failure to construct, own and operate a facility in Osceola County because the original in-service date of January 1, 2010 had not yet occurred.

7. **Please refer to Section 20.1 of the amended contract. Please provide all information and documents used to determine viability of the proposed modified contract.**

   Answer: The information requested in Section 20.1 of the agreement is included in the agreement on pages 47 – 59 and is confirmed in the attached correspondence provided in response to Question 21 (please see Attachment B).

   Portions of Attachment B are confidential and have been filed with the Office of Commission Clerk along with PEF's Notice of Intent to Request Confidential Classification dated September 24, 2009.

8. **Please refer to Section 20.3 of the amended contract. Did Progress request Vision's integrated project schedule? If so, please provide all supporting documentation (schedules, progress reports, reviews, etc.) of such request. If such request was not made, please explain why it was not.**

   Answer: Yes. An integrated project schedule was received in a letter from Vision to Tamara Waldmann dated January 15, 2009 (please see Attachment B).

Portions of Attachment B are confidential and have been filed with the Office of Commission Clerk along with PEF's Notice of Intent to Request Confidential Classification dated September 24, 2009.

9. **Please refer to Section 20.3 of the amended contract. Did Vision provide Progress with the final designer's / manufacturer's generator capability curves, protective relay types, proposed protective relay settings, main one-line diagrams, protective relay functional diagrams, and alternating current and direct elementary diagrams for review and inspection at Progress no later than one hundred eighty calendar days prior to the initial synchronization date? If not, please explain. If yes, please provide the back-up documentation in your response.**

   Answer: No, the data outlined in this question is not generally available until the construction is nearly complete.

10. **Please explain why Section 4 of the amended agreement has been amended to specify that Capacity Payments begin January 1, 2011.**

    Answer: In PEF's 2008 Standard Offer Contract, it states that capacity payments begin on or before June 1, 2013. Because Vision came to PEF and requested to amend their contract, Vision committed to begin capacity payments on January 1, 2011.

11. **Please refer to the chart on page 16 of the amended contract. Please explain why the April 1, 2009 expiration date was removed from the contract? If Vision did not approach Progress about this contract modification until June 2009, why didn't the contract expire in April 2009?**

    Answer: The April 1, 2009 expiration date was removed because this contract is a negotiated contract not a standard offer contract. April 1, 2009 is the date that the standard offer expires. Vision Power approached PEF in January 2009 with a request to restructure the contract due to financing issues. In an effort to work with Vision and thereby encourage renewable generation, PEF worked with Vision to see if a solution could be found that would be acceptable.

12. **Please refer to the chart on page 16 of the amended contract. Please explain why capacity payments (January 1, 2011) are scheduled to begin before all permitting obligations (June 1, 2012) are scheduled for completion?**

<u>Answer</u>: The June 1, 2012 date for completed permits should have been deleted. Section 5 (a) (ii) requires Vision to have its permits within 12 months of the execution date.

13. **Please refer to the chart on page 16 of the amended contract. Please explain why the January 10, 2011 Exemplary Early Capacity Payment Date was removed from the contract.**

<u>Answer</u>: The January 1, 2010 Exemplary Early Capacity Date was removed because this agreement is a negotiated agreement. Unlike a standard offer contract, there is not a need for exemplary payment schedules.

14. **Pages 61-62 of the amended contract illustrates four options (A through D) in which capacity payments can be made. For this project, has an option been chosen in which these payments are made? The petition states that a fixed rate will be used. Please clarify.**

<u>Answer</u>: The descriptions of the four options on pages 61 and 62 of the amended agreement are a remnant of the standard offer contract upon which this agreement is based. While the original agreement was considered a negotiated contract it only had minimal changes from the standard offer as was originally submitted as a negotiated contract largely because the standard offer was not approved at the time due to the protest filed in Docket No. 080501-EQ. This amended contract still uses the standard offer as its basis, but has changes which make it a negotiated contract.

15. **Please explain the rationale behind the change in Section 11.1 of extending the days from 60 to 90 for delivering collateral?**

<u>Answer</u>: Vision requested extending the delivery of collateral from 60 days to 90 days. PEF accepted this change to encourage renewable generation. The impact of this request is minimal.

16. Since this is an amended contract between Progress and Vision, is Vision required to again provide a security deposit under the amended contract?

Answer: Yes, Vision will be required to provide a security deposit under the amended agreement. PEF never collected a security deposit under the original contract (Dkt# 080512-EQ) because the deposit would have been due 60 days after the PSC issued their Consummating Order which was issued on December 5, 2008. Vision approached PEF in January 2009 to tell us that they were having trouble obtaining financing. PEF could have terminated the existing contract, but in an effort to encourage renewable generation it entered into discussions with Vision to see if the parties could agree on an amended deal.

17. What happened to the performance security/deposits pursuant to the original contract?

Answer: As explained in PEF's response to Question 16, PEF did not collect a performance security/deposit pursuant to the original contract.

18. Please refer to Section 14 in the amended contract. Please explain as to whether or not Vision has defaulted in any of the following areas in the original contract:

a.) Changes or modifications in the facility with respect to its type, location, technology or fuel source without prior approval from Progress?

Answer: There have been no changes to the facility type, location, technology or fuel source therefore PEF had no cause to place Vision in default in this area.

b.) Failure for twelve consecutive months to maintain an Annual Capacity Billing Factor as described in Appendix A. Please reconcile the seventy one percent (69%) statement mentioned in 14(b).

Answer: Vision has not become operational and therefore the need to maintain an Annual Capacity Billing Factor is not yet applicable. The amended contract should read sixty nine percent (69%), not seventy-one percent.

c.) Failure to provide and comply with the provisions of the Completion/Performance Security and Termination Fee sections in the original contract?

Answer: As explained in PEF's response to Question 16, PEF did not place Vision in default for failure to provide the Completion/Performance Security or Termination Fee. It was in the parties best interest to encourage renewable generation while attempting to find a mutually agreeable solution to Vision's financing difficulties.

19. Please see the chart marked Attachment a, attached to this request for information. Using the chart as a template, please complete the following comparison scenarios. Using the most recent fuel forecasts, provide Annual and Cumulative Present Value Revenue Requirements (CPURR) numbers comparing the proposed amended Contract between Progress and Vision to: the existing contract, the 2008 standard offer contract, and the 2009 standard offer contract at the minimum and maximum capacity factors.

Answer: Please refer to Attachment A. PEF is uncertain of the meaning of the minimum and maximum capacity factors referred to in this question. PEF has assumed that the minimum capacity factor is 69%, the capacity factor at which the capacity payments would be zero under the 2008 Standard Offer contract and the maximum capacity factor is 89%, the lowest capacity factor required to receive 100% of the capacity payment under the 2008 Standard Offer contract. Attachment A contains the following:

- Table 1 reflects the forecasted payments compared to the 2008 Standard Offer contract avoided cost, the 2008 Ten Year Site Plan fuel forecast, and the maximum capacity factor.
- Table 2 reflects the forecasted payments compared to the 2008 Standard Offer contract avoided cost, the 2008 Ten Year Site Plan fuel forecast, and the minimum capacity factor.
- Table 3 reflects the forecasted payments compared to the 2008 Standard Offer contract avoided cost, the 2009 Ten Year Site Plan fuel forecast, and the maximum capacity factor.
- Table 4 reflects the forecasted payments compared to the 2009 Standard Offer contract avoided cost, the 2009 Ten Year Site Plan fuel forecast, and the maximum capacity factor.
- Table 5 compares payments of the original Vision contract to the amended Vision contract payments.

PEF amended a few of the column headings to clarify the data contained in the columns. The columns continue with the same numbering system as the template provided with the data request.

- ➢ Column 1 is the negotiated capacity payment rate in $/kW-month.
- ➢ The group of columns labeled 2 are first the negotiated energy payment rate in $/MWh, then the negotiated delivery voltage adjustment in $/MWh and finally the sum of these two columns or the total negotiated energy payment rate in $/MWh.
- ➢ Column 3 is the capacity payment rate from the standard offer contract in $/kW-month.
- ➢ The group of columns labeled 4 are first the standard offer energy payment rate in $/MWh, then the standard offer delivery voltage adjustment in $/MWh and finally the sum of these two columns or the total standard offer energy payment rate in $/MWh.
- ➢ Column 5 is the annual negotiated capacity payment in thousands of dollars.

- Column 6 is the annual negotiated energy payment in thousands of dollars.
- Column 7 is the annual total negotiated payment in thousands of dollars and this is the sum of columns 5 and 6.
- Column 8 is the total annual negotiated payment expressed in $/MWh.
- Column 9 is the annual standard offer avoided capacity payment in thousands of dollars.
- Column 10 is the annual standard offer avoided energy payment in thousands of dollars.
- Column 11 is the annual total standard offer avoided payment in thousands of dollars and this is the sum of columns 9 and 10.
- *Column 12 is the total annual standard offer avoided payment expressed in $/MWh.*
- Column 13 is the difference between columns 7 and 11 or the difference between the total annual negotiated payment and the total annual standard offer avoided payment in thousands of dollars.

Nominal sums and NPVs have been provided on columns 6, 7, 9, 10, 11, and 13. The discount rate and discount date are provided on the top of the sheet.

20. Are the fuel prices used in the amended contract current with Progress' current Ten Year Site Plan?

Answer: No, the fuel prices used in the amended contract were from the 2008 Ten Year Site Plan.

21. Please provide all non-privileged correspondence between Vision and Progress regarding the original and amended contract. If not evident, please include a timeline for the correspondence.

Answer: Please see Attachment B which contains correspondence and a letter received form Vision.

Portions of Attachment B are confidential and have been filed with the Office of Commission Clerk along with PEF's Notice of Intent to Request Confidential Classification dated September 24, 2009.

REDACTED

Table 1

Comparison of Projected Payments

Vision Power Systems Revised Contract vs. 2008 Standard Offer Contract As Filed

Discount Rate	8.48%
Discount Date	6/30/2009
Capacity	40
Capacity Factor	89%

	(1)	(2)			(3)	(4)			(5)	(6)	(7) (5) + (6)	(8)	(9)	(10)	(11) (9) + (10)	(12)	(13) (7)-(11)
Year	Negotiated Capacity Payments $/kW-mo.	Negotiated Energy Payments $/MWh	Delivery Voltage Adj. $/MWh	Total Negotiated Energy Payments $/MWh	SOC Capacity Payments $/kW-mo.	SOC Energy Payments $/MWh	Delivery Voltage Adj. $/MWh	Total SOC Energy Payments $/MWh	Negotiated Capacity Payments $000	Negotiated Energy Payments $000	Negotiated Total Payments $000	Negotiated Total Payment $/MWh	SOC Capacity Payments $000	SOC Energy Payments $000	SOC Total Payments $000	SOC Total Payment $/MWh	Difference Between Negotiated and SOC
2009	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
2010	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
2011	[redacted]		$ 1.21	$ 58.53	$ -	$ 66.59	$ 1.41	$ 68.00	$ 3,996	$ 18,250	$ 22,246	$ 71.34	$ -	$ 21,205	$ 21,205	$ 68.00	$ 1,041
2012	[redacted]		$ 1.21	$ 58.53	$ -	$ 63.38	$ 1.34	$ 64.72	$ 4,152	$ 18,300	$ 22,452	$ 71.80	$ -	$ 20,237	$ 20,237	$ 64.72	$ 2,215
2013	[redacted]		$ 1.21	$ 58.53	$ 10.70	$ 60.48	$ 1.28	$ 61.75	$ 4,320	$ 18,250	$ 22,570	$ 72.37	$ 2,996	$ 19,258	$ 22,254	$ 71.36	$ 316
2014	[redacted]		$ 1.21	$ 58.53	$ 11.10	$ 63.24	$ 1.33	$ 64.58	$ 4,500	$ 18,250	$ 22,750	$ 72.95	$ 5,328	$ 20,139	$ 25,467	$ 81.66	$ (2,717)
2015	[redacted]		$ 1.21	$ 58.53	$ 11.55	$ 66.23	$ 1.40	$ 67.63	$ 4,680	$ 18,250	$ 22,930	$ 73.53	$ 5,544	$ 21,091	$ 26,635	$ 85.41	$ (3,705)
2016	[redacted]		$ 1.21	$ 58.53	$ 12.00	$ 62.98	$ 1.33	$ 64.30	$ 4,872	$ 18,300	$ 23,172	$ 74.10	$ 5,760	$ 20,109	$ 25,869	$ 82.72	$ (2,697)
2017	[redacted]		$ 1.21	$ 58.53	$ 12.48	$ 59.24	$ 1.25	$ 60.49	$ 5,064	$ 18,250	$ 23,314	$ 74.76	$ 5,988	$ 18,864	$ 24,852	$ 79.69	$ (1,538)
2018	[redacted]		$ 1.21	$ 58.53	$ 12.95	$ 60.57	$ 1.28	$ 61.84	$ 5,268	$ 18,250	$ 23,518	$ 75.41	$ 6,216	$ 19,287	$ 25,503	$ 81.78	$ (1,985)
2019	[redacted]		$ 1.21	$ 58.53	$ 13.45	$ 61.94	$ 1.31	$ 63.24	$ 5,484	$ 18,250	$ 23,734	$ 76.11	$ 6,456	$ 19,722	$ 26,178	$ 83.95	$ (2,444)
2020	[redacted]		$ 1.21	$ 58.53	$ 13.98	$ 63.32	$ 1.34	$ 64.66	$ 5,700	$ 18,300	$ 24,000	$ 76.75	$ 6,708	$ 20,220	$ 26,928	$ 86.11	$ (2,928)
2021	[redacted]		$ 1.21	$ 58.53	$ 14.53	$ 64.75	$ 1.37	$ 66.12	$ 5,940	$ 18,250	$ 24,190	$ 77.57	$ 6,972	$ 20,620	$ 27,592	$ 88.48	$ (3,402)
2022	[redacted]		$ 1.21	$ 58.53	$ 15.10	$ 66.20	$ 1.40	$ 67.60	$ 6,180	$ 18,250	$ 24,430	$ 78.34	$ 7,248	$ 21,082	$ 28,330	$ 90.84	$ (3,900)
2023	[redacted]		$ 1.21	$ 58.53	$ 15.70	$ 67.70	$ 1.43	$ 69.13	$ 6,420	$ 18,250	$ 24,670	$ 79.11	$ 7,536	$ 21,558	$ 29,094	$ 93.30	$ (4,424)
2024	[redacted]		$ 1.21	$ 58.53	$ 16.30	$ 69.22	$ 1.46	$ 70.68	$ 6,684	$ 18,300	$ 24,984	$ 79.90	$ 7,824	$ 22,103	$ 29,927	$ 95.70	$ (4,943)
2025	[redacted]		$ 1.21	$ 58.53	$ 16.95	$ 70.78	$ 1.49	$ 72.27	$ 6,948	$ 18,250	$ 25,198	$ 80.80	$ 8,136	$ 22,537	$ 30,673	$ 98.36	$ (5,475)
2026	[redacted]		$ 1.21	$ 58.53	$ 17.60	$ 72.37	$ 1.53	$ 73.90	$ 7,224	$ 18,250	$ 25,474	$ 81.69	$ 8,448	$ 23,046	$ 31,494	$ 100.99	$ (6,020)
2027	[redacted]		$ 1.21	$ 58.53	$ 18.30	$ 74.00	$ 1.56	$ 75.56	$ 7,524	$ 18,250	$ 25,774	$ 82.65	$ 8,784	$ 23,565	$ 32,349	$ 103.73	$ (6,575)
2028	[redacted]		$ 1.21	$ 58.53	$ 19.03	$ 75.66	$ 1.60	$ 77.26	$ 7,824	$ 18,300	$ 26,124	$ 83.54	$ 9,132	$ 24,160	$ 33,292	$ 106.46	$ (7,168)
2029	[redacted]		$ 1.21	$ 58.53	$ 19.78	$ 77.37	$ 1.63	$ 79.00	$ 8,136	$ 18,250	$ 26,386	$ 84.61	$ 9,492	$ 24,637	$ 34,129	$ 109.44	$ (7,743)
2030	[redacted]		$ 1.21	$ 58.53	$ 20.55	$ 79.12	$ 1.67	$ 80.79	$ 8,460	$ 18,250	$ 26,710	$ 85.65	$ 9,864	$ 25,194	$ 35,058	$ 112.42	$ (8,348)
2031	[redacted]		$ 1.21	$ 58.53	$ 21.35	$ 80.90	$ 1.71	$ 82.60	$ 8,796	$ 18,250	$ 27,046	$ 86.73	$ 10,248	$ 25,760	$ 36,008	$ 115.47	$ (8,962)
2032	[redacted]		$ 1.21	$ 58.53	$ 22.18	$ 82.71	$ 1.75	$ 84.46	$ 9,156	$ 18,300	$ 27,456	$ 87.80	$ 10,644	$ 26,411	$ 37,055	$ 118.50	$ (9,599)
2033	[redacted]		$ 1.21	$ 58.53	$ 23.05	$ 84.58	$ 1.78	$ 86.36	$ 9,516	$ 18,250	$ 27,766	$ 89.04	$ 11,064	$ 26,932	$ 37,996	$ 121.84	$ (10,230)
2034	[redacted]		$ 1.21	$ 58.53	$ 23.98	$ 86.48	$ 1.82	$ 88.30	$ 9,900	$ 18,250	$ 28,150	$ 90.27	$ 11,508	$ 27,537	$ 39,045	$ 125.20	$ (10,895)
2035	[redacted]		$ 1.21	$ 58.53	$ 24.90	$ 88.42	$ 1.87	$ 90.29	$ 10,296	$ 18,250	$ 28,546	$ 91.54	$ 11,952	$ 28,157	$ 40,109	$ 128.61	$ (11,563)
Total									$ 167,040	$ 456,553	$623,593		$183,848	$563,431	$747,279		$(123,686)
NPV									$ 53,686	$ 172,486	$226,172		$ 53,713	$201,047	$254,760		$ (28,588)

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Table 2

Comparison of Projected Payments
Vision Power Systems Revised Contract vs. 2008 Standard Offer Contract at 69% Capacity Factor

Discount Rate	8.48%
Discount Date	6/30/2009
Capacity	40
Capacity Factor	69%

	(1)	(2)			(3)	(4)			(5)	(6)	(7) (5) + (6)	(8)	(9)	(10)	(11) (9) + (10)	(12)	(13) (7)-(11)
Year	Negotiated Capacity Payments $/kW-mo.	Negotiated Energy Payments $/MWh	Delivery Voltage Adj. $/MWh	Total Negotiated Energy Payments $/MWh	SOC Capacity Payments $/kW-mo.	SOC Energy Payments $/MWh	Delivery Voltage Adj. $/MWh	Total SOC Energy Payments $/MWh	Negotiated Capacity Payments $000	Negotiated Energy Payments $000	Negotiated Total Payments $000	Negotiated Total Payment $/MWh	SOC Capacity Payments $000	SOC Energy Payments $000	SOC Total Payments $000	SOC Total Payment $/MWh	Difference Between Negotiated and SOC
2009	$ -	$ -	$ -	$ -	$ -			$ -		$ -	$ -		$ -		$ -		$ -
2010	$ -	$ -	$ -	$ -	$ -			$ -		$ -	$ -		$ -		$ -		$ -
2011	[redacted]	[redacted]	$ 1.21	$ 58.53	$ -	$ 66.59	$ 1.41	$ 68.00		$ 14,150	$ 14,150	$ 58.53	$ -	$ 16,440	$ 16,440	$ 68.00	$ (2,289)
2012	[redacted]	[redacted]	$ 1.21	$ 58.53	$ -	$ 63.37	$ 1.34	$ 64.71		$ 14,189	$ 14,189	$ 58.53	$ -	$ 15,687	$ 15,687	$ 64.71	$ (1,498)
2013	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 10.70	$ 60.47	$ 1.28	$ 61.75		$ 14,150	$ 14,150	$ 58.53	$ 2,996	$ 14,930	$ 17,926	$ 74.14	$ (3,775)
2014	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 11.10	$ 63.24	$ 1.33	$ 64.57		$ 14,150	$ 14,150	$ 58.53	$ 5,328	$ 15,612	$ 20,940	$ 86.61	$ (6,789)
2015	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 11.55	$ 66.22	$ 1.40	$ 67.62		$ 14,150	$ 14,150	$ 58.53	$ 5,544	$ 16,349	$ 21,893	$ 90.55	$ (7,742)
2016	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 12.00	$ 62.97	$ 1.33	$ 64.30		$ 14,189	$ 14,189	$ 58.53	$ 5,760	$ 15,588	$ 21,348	$ 88.06	$ (7,159)
2017	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 12.48	$ 59.24	$ 1.25	$ 60.49		$ 14,150	$ 14,150	$ 58.53	$ 5,988	$ 14,625	$ 20,613	$ 85.26	$ (6,463)
2018	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 12.95	$ 60.58	$ 1.28	$ 61.86		$ 14,150	$ 14,150	$ 58.53	$ 6,216	$ 14,955	$ 21,171	$ 87.57	$ (7,021)
2019	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 13.45	$ 61.94	$ 1.31	$ 63.25		$ 14,150	$ 14,150	$ 58.53	$ 6,456	$ 15,291	$ 21,747	$ 89.95	$ (7,597)
2020	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 13.98	$ 63.33	$ 1.34	$ 64.67		$ 14,189	$ 14,189	$ 58.53	$ 6,708	$ 15,678	$ 22,386	$ 92.34	$ (8,197)
2021	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 14.53	$ 64.75	$ 1.37	$ 66.12		$ 14,150	$ 14,150	$ 58.53	$ 6,972	$ 15,986	$ 22,958	$ 94.96	$ (8,808)
2022	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 15.10	$ 66.22	$ 1.40	$ 67.62		$ 14,150	$ 14,150	$ 58.53	$ 7,248	$ 16,348	$ 23,596	$ 97.59	$ (9,445)
2023	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 15.70	$ 67.70	$ 1.43	$ 69.13		$ 14,150	$ 14,150	$ 58.53	$ 7,536	$ 16,713	$ 24,249	$ 100.30	$ (10,099)
2024	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 16.30	$ 69.22	$ 1.46	$ 70.68		$ 14,189	$ 14,189	$ 58.53	$ 7,824	$ 17,136	$ 24,960	$ 102.96	$ (10,771)
2025	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 16.95	$ 70.78	$ 1.49	$ 72.27		$ 14,150	$ 14,150	$ 58.53	$ 8,136	$ 17,474	$ 25,610	$ 105.93	$ (11,460)
2026	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 17.60	$ 72.37	$ 1.53	$ 73.90		$ 14,150	$ 14,150	$ 58.53	$ 8,448	$ 17,866	$ 26,314	$ 108.84	$ (12,164)
2027	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 18.30	$ 74.00	$ 1.56	$ 75.56		$ 14,150	$ 14,150	$ 58.53	$ 8,784	$ 18,267	$ 27,051	$ 111.89	$ (12,901)
2028	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 19.03	$ 75.68	$ 1.60	$ 77.27		$ 14,189	$ 14,189	$ 58.53	$ 9,132	$ 18,734	$ 27,866	$ 114.94	$ (13,677)
2029	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 19.78	$ 77.37	$ 1.63	$ 79.00		$ 14,150	$ 14,150	$ 58.53	$ 9,492	$ 19,100	$ 28,592	$ 118.26	$ (14,441)
2030	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 20.55	$ 79.12	$ 1.67	$ 80.78		$ 14,150	$ 14,150	$ 58.53	$ 9,864	$ 19,532	$ 29,396	$ 121.58	$ (15,245)
2031	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 21.35	$ 80.89	$ 1.71	$ 82.60		$ 14,150	$ 14,150	$ 58.53	$ 10,248	$ 19,970	$ 30,218	$ 124.98	$ (16,067)
2032	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 22.18	$ 82.71	$ 1.75	$ 84.46		$ 14,189	$ 14,189	$ 58.53	$ 10,644	$ 20,476	$ 31,120	$ 128.36	$ (16,931)
2033	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 23.05	$ 84.58	$ 1.78	$ 86.36		$ 14,150	$ 14,150	$ 58.53	$ 11,064	$ 20,879	$ 31,943	$ 132.12	$ (17,793)
2034	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 23.98	$ 86.49	$ 1.82	$ 88.31		$ 14,150	$ 14,150	$ 58.53	$ 11,508	$ 21,351	$ 32,859	$ 135.91	$ (18,709)
2035	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 24.90	$ 88.42	$ 1.87	$ 90.29		$ 14,150	$ 14,150	$ 58.53	$ 11,952	$ 21,829	$ 33,781	$ 139.72	$ (19,631)
Total									$ -	$ 353,993	$353,993		$183,848	$436,816	$620,664		$(266,671)
NPV									$ -	$ 133,739	$133,739		$ 53,713	$155,865	$209,578		$ (75,839)

REDACTED

Table 3

Comparison of Projected Payments

Vision Power Systems revised Contract vs. 2008 Standard Offer Contract and 2009 SOC Fuel Forecast

Discount rate	8.48%
Discount Date	6/30/2009
Capacity	40
Capacity Factor	89%

	(1)	(2)			(3)	(4)			(5)	(6)	(7) (5) + (6)	(8)	(9)	(10)	(11) (9) + (10)	(12)	(13) (7)-(11)
Year	Negotiated Capacity *Payments* $/kW-mo.	Negotiated Energy *Payments* $/MWh	Delivery Voltage *Adj.* $/MWh	Total Negotiated Energy *Payments* $/MWh	SOC Capacity *Payments* $/kW-mo.	SOC Energy Payments $/MWh	Delivery Voltage Adj. $/MWh	Total SOC Energy Payments $/MWh	Negotiated Capacity Payments $000	Negotiated Energy Payments $000	Negotiated Total Payments $000	Negotiated Total Payment $/MWh	SOC Capacity Payments $000	SOC Energy Payments $000	SOC Total Payments $000	SOC Total Payment $/MWh	Difference Between Negotiated and SOC
2009	$ -	$ -	$ -	$ -	$ -			$ -	$ -	$ -	$ -	$ -	$ -		$ -		$ -
2010	$ -	$ -	$ -	$ -	$ -			$ -	$ -	$ -	$ -	$ -	$ -		$ -		$ -
2011	[redacted]	[redacted]	$ 1.21	$ 58.53	$ -	$ 85.25	$ 1.80	$ 87.04	$ 3,996	$ 18,250	$ 22,246	$ 71.34	$ -	$ 27,145	$ 27,145	$ 87.04	$ (4,899)
2012	[redacted]	[redacted]	$ 1.21	$ 58.53	$ -	$ 77.34	$ 1.63	$ 78.98	$ 4,152	$ 18,300	$ 22,452	$ 71.80	$ -	$ 24,696	$ 24,696	$ 78.98	$ (2,244)
2013	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 10.70	$ 80.78	$ 1.70	$ 82.49	$ 4,320	$ 18,250	$ 22,570	$ 72.37	$ 2,996	$ 25,724	$ 28,720	$ 92.09	$ (6,149)
2014	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 11.10	$ 79.76	$ 1.68	$ 81.44	$ 4,500	$ 18,250	$ 22,750	$ 72.95	$ 5,328	$ 25,399	$ 30,727	$ 98.53	$ (7,977)
2015	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 11.55	$ 81.59	$ 1.72	$ 83.31	$ 4,680	$ 18,250	$ 22,930	$ 73.53	$ 5,544	$ 25,981	$ 31,525	$ 101.09	$ (8,595)
2016	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 12.00	$ 79.32	$ 1.67	$ 80.99	$ 4,872	$ 18,300	$ 23,172	$ 74.10	$ 5,760	$ 25,327	$ 31,087	$ 99.41	$ (7,915)
2017	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 12.48	$ 72.09	$ 1.52	$ 73.61	$ 5,064	$ 18,250	$ 23,314	$ 74.76	$ 5,988	$ 22,956	$ 28,944	$ 92.81	$ (5,630)
2018	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 12.95	$ 72.33	$ 1.53	$ 73.86	$ 5,268	$ 18,250	$ 23,518	$ 75.41	$ 6,216	$ 23,032	$ 29,248	$ 93.79	$ (5,730)
2019	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 13.45	$ 73.40	$ 1.55	$ 74.95	$ 5,484	$ 18,250	$ 23,734	$ 76.11	$ 6,456	$ 23,372	$ 29,828	$ 95.65	$ (6,094)
2020	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 13.98	$ 74.98	$ 1.58	$ 76.56	$ 5,700	$ 18,300	$ 24,000	$ 76.75	$ 6,708	$ 23,941	$ 30,649	$ 98.01	$ (6,649)
2021	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 14.53	$ 79.07	$ 1.67	$ 80.74	$ 5,940	$ 18,250	$ 24,190	$ 77.57	$ 6,972	$ 25,179	$ 32,151	$ 103.10	$ (7,961)
2022	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 15.10	$ 81.75	$ 1.72	$ 83.48	$ 6,180	$ 18,250	$ 24,430	$ 78.34	$ 7,248	$ 26,033	$ 33,281	$ 106.72	$ (8,851)
2023	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 15.70	$ 85.55	$ 1.81	$ 87.35	$ 6,420	$ 18,250	$ 24,670	$ 79.11	$ 7,536	$ 27,241	$ 34,777	$ 111.52	$ (10,107)
2024	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 16.30	$ 83.55	$ 1.76	$ 85.32	$ 6,684	$ 18,300	$ 24,984	$ 79.90	$ 7,824	$ 26,679	$ 34,503	$ 110.34	$ (9,519)
2025	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 16.95	$ 88.44	$ 1.87	$ 90.31	$ 6,948	$ 18,250	$ 25,198	$ 80.80	$ 8,136	$ 28,163	$ 36,299	$ 116.40	$ (11,101)
2026	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 17.60	$ 91.62	$ 1.93	$ 93.55	$ 7,224	$ 18,250	$ 25,474	$ 81.69	$ 8,448	$ 29,175	$ 37,623	$ 120.64	$ (12,149)
2027	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 18.30	$ 97.29	$ 2.05	$ 99.34	$ 7,524	$ 18,250	$ 25,774	$ 82.65	$ 8,784	$ 30,980	$ 39,764	$ 127.51	$ (13,990)
2028	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 19.03	$ 97.31	$ 2.05	$ 99.36	$ 7,824	$ 18,300	$ 26,124	$ 83.54	$ 9,132	$ 31,072	$ 40,204	$ 128.57	$ (14,080)
2029	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 19.78	$ 99.54	$ 2.10	$ 101.64	$ 8,136	$ 18,250	$ 26,386	$ 84.61	$ 9,492	$ 31,696	$ 41,188	$ 132.07	$ (14,802)
2030	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 20.55	$ 101.77	$ 2.15	$ 103.92	$ 8,460	$ 18,250	$ 26,710	$ 85.65	$ 9,864	$ 32,408	$ 42,272	$ 135.55	$ (15,562)
2031	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 21.35	$ 104.07	$ 2.20	$ 106.26	$ 8,796	$ 18,250	$ 27,046	$ 86.73	$ 10,248	$ 33,138	$ 43,386	$ 139.12	$ (16,340)
2032	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 22.18	$ 106.37	$ 2.24	$ 108.62	$ 9,156	$ 18,300	$ 27,456	$ 87.80	$ 10,644	$ 33,966	$ 44,610	$ 142.66	$ (17,154)
2033	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 23.05	$ 108.80	$ 2.30	$ 111.09	$ 9,516	$ 18,250	$ 27,766	$ 89.04	$ 11,064	$ 34,645	$ 45,709	$ 146.57	$ (17,943)
2034	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 23.98	$ 111.25	$ 2.35	$ 113.60	$ 9,900	$ 18,250	$ 28,150	$ 90.27	$ 11,508	$ 35,425	$ 46,933	$ 150.50	$ (18,783)
2035	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 24.90	$ 113.75	$ 2.40	$ 116.15	$ 10,296	$ 18,250	$ 28,546	$ 91.54	$ 11,952	$ 36,223	$ 48,175	$ 154.48	$ (19,628)
Total									$ 167,040	$ 456,553	$623,593		$183,848	$709,595	$893,443		$(269,850)
NPV									$ 53,686	$ 172,486	$226,172		$ 53,713	$251,786	$305,500		$ (79,327)

REDACTED

Table 4

Comparison of Projected Payments

Vision Power Systems Revised Contract vs. 2009 Standard Offer Contract

Discount rate	8.48%
Discount Date	6/30/2009
Capacity	40
Capacity Factor	89%

	(1)	(2)			(3)	(4)			(5)	(6)	(7) (5) + (6)	(8)	(9)	(10)	(11) (9) + (10)	(12)	(13) (7)-(11)
Year	Negotiated Capacity Payments $/kW-mo.	Negotiated Energy Payments $/MWh	Delivery Voltage Adj. $/MWh	Total Negotiated Energy Payments $/MWh	SOC Capacity Payments $/kW-mo.	SOC Energy Payments $/MWh	Delivery Voltage Adj. $/MWh	Total SOC Energy Payments $/MWh	Negotiated Capacity Payments $000	Negotiated Energy Payments $000	Negotiated Total Payments $000	Negotiated Total Payment $/MWh	SOC Capacity Payments $000	SOC Energy Payments $000	SOC Total Payments $000	SOC Total Payment $/MWh	Difference Between Negotiated and SOC
2009	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		$ -
2010	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		$ -
2011	[redacted]	[redacted]	$ 1.21	$ 58.53	$ -	$ 85.25	$ 1.80	$ 87.04	$ 3,996	$ 18,250	$ 22,246	$ 71.34	$ -	$ 27,145	$ 27,145	$ 87.04	$ (4,899)
2012	[redacted]	[redacted]	$ 1.21	$ 58.53	$ -	$ 77.34	$ 1.63	$ 78.98	$ 4,152	$ 18,300	$ 22,452	$ 71.80	$ -	$ 24,696	$ 24,696	$ 78.98	$ (2,244)
2013	[redacted]	[redacted]	$ 1.21	$ 58.53	$ -	$ 83.63	$ 1.76	$ 85.39	$ 4,320	$ 18,250	$ 22,570	$ 72.37	$ -	$ 26,629	$ 26,629	$ 85.39	$ (4,059)
2014	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 9.55	$ 82.12	$ 1.73	$ 83.85	$ 4,500	$ 18,250	$ 22,750	$ 72.95	$ 2,674	$ 26,148	$ 28,822	$ 92.42	$ (6,072)
2015	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 9.90	$ 85.17	$ 1.80	$ 86.97	$ 4,680	$ 18,250	$ 22,930	$ 73.53	$ 4,752	$ 27,122	$ 31,874	$ 102.21	$ (8,944)
2016	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 10.30	$ 79.32	$ 1.67	$ 80.99	$ 4,872	$ 18,300	$ 23,172	$ 74.10	$ 4,944	$ 25,327	$ 30,271	$ 96.80	$ (7,099)
2017	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 10.68	$ 72.09	$ 1.52	$ 73.61	$ 5,064	$ 18,250	$ 23,314	$ 74.76	$ 5,124	$ 22,956	$ 28,080	$ 90.04	$ (4,766)
2018	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 11.10	$ 72.33	$ 1.53	$ 73.86	$ 5,268	$ 18,250	$ 23,518	$ 75.41	$ 5,328	$ 23,032	$ 28,360	$ 90.94	$ (4,842)
2019	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 11.53	$ 73.40	$ 1.55	$ 74.95	$ 5,484	$ 18,250	$ 23,734	$ 76.11	$ 5,532	$ 23,372	$ 28,904	$ 92.68	$ (5,170)
2020	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 11.95	$ 74.98	$ 1.58	$ 76.56	$ 5,700	$ 18,300	$ 24,000	$ 76.75	$ 5,736	$ 23,941	$ 29,677	$ 94.90	$ (5,677)
2021	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 12.43	$ 79.07	$ 1.67	$ 80.74	$ 5,940	$ 18,250	$ 24,190	$ 77.57	$ 5,964	$ 25,179	$ 31,143	$ 99.87	$ (6,953)
2022	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 12.90	$ 81.75	$ 1.72	$ 83.48	$ 6,180	$ 18,250	$ 24,430	$ 78.34	$ 6,192	$ 26,033	$ 32,225	$ 103.33	$ (7,795)
2023	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 13.40	$ 85.55	$ 1.81	$ 87.35	$ 6,420	$ 18,250	$ 24,670	$ 79.11	$ 6,432	$ 27,241	$ 33,673	$ 107.98	$ (9,003)
2024	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 13.90	$ 83.55	$ 1.76	$ 85.32	$ 6,684	$ 18,300	$ 24,984	$ 79.90	$ 6,672	$ 26,679	$ 33,351	$ 106.65	$ (8,367)
2025	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 14.45	$ 88.44	$ 1.87	$ 90.31	$ 6,948	$ 18,250	$ 25,198	$ 80.80	$ 6,936	$ 28,163	$ 35,099	$ 112.55	$ (9,901)
2026	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 15.00	$ 91.62	$ 1.93	$ 93.55	$ 7,224	$ 18,250	$ 25,474	$ 81.69	$ 7,200	$ 29,175	$ 36,375	$ 116.64	$ (10,901)
2027	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 15.58	$ 97.35	$ 2.05	$ 99.40	$ 7,524	$ 18,250	$ 25,774	$ 82.65	$ 7,476	$ 30,999	$ 38,475	$ 123.37	$ (12,700)
2028	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 16.18	$ 97.31	$ 2.05	$ 99.36	$ 7,824	$ 18,300	$ 26,124	$ 83.54	$ 7,764	$ 31,072	$ 38,836	$ 124.19	$ (12,712)
2029	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 16.80	$ 99.54	$ 2.10	$ 101.64	$ 8,136	$ 18,250	$ 26,386	$ 84.61	$ 8,064	$ 31,696	$ 39,760	$ 127.50	$ (13,374)
2030	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 17.45	$ 101.77	$ 2.15	$ 103.92	$ 8,460	$ 18,250	$ 26,710	$ 85.65	$ 8,376	$ 32,408	$ 40,784	$ 130.78	$ (14,074)
2031	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 18.13	$ 104.07	$ 2.20	$ 106.26	$ 8,796	$ 18,250	$ 27,046	$ 86.73	$ 8,700	$ 33,138	$ 41,838	$ 134.16	$ (14,792)
2032	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 18.83	$ 106.37	$ 2.24	$ 108.62	$ 9,156	$ 18,300	$ 27,456	$ 87.80	$ 9,036	$ 33,966	$ 43,002	$ 137.51	$ (15,546)
2033	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 19.58	$ 108.80	$ 2.30	$ 111.09	$ 9,516	$ 18,250	$ 27,766	$ 89.04	$ 9,396	$ 34,645	$ 44,041	$ 141.22	$ (16,275)
2034	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 20.33	$ 111.25	$ 2.35	$ 113.60	$ 9,900	$ 18,250	$ 28,150	$ 90.27	$ 9,756	$ 35,425	$ 45,181	$ 144.88	$ (17,031)
2035	[redacted]	[redacted]	$ 1.21	$ 58.53	$ 21.10	$ 113.75	$ 2.40	$ 116.15	$ 10,296	$ 18,250	$ 28,546	$ 91.54	$ 10,128	$ 36,223	$ 46,351	$ 148.63	$ (17,804)
Total									$167,040	$ 456,553	$623,593		$152,182	$712,410	$864,592		$(240,999)
NPV									$ 53,686	$ 172,486	$226,172		$ 42,746	$253,644	$296,390		$ (70,218)

REDACTED

Table 5

Comparison of Projected Payments

Vision Power Systems Revised Contract vs. Original Contract

Discount rate	8.48%
Discount Date	6/30/2009
Capacity	40
Capacity Factor	89%

	(1)	(2)			(3)	(4)			(5)	(6)	(7) (5) + (6)	(8)	(9)	(10)	(11) (9) + (10)	(12)	(13) (7)-(11)
Year	Revised Capacity Payments $/kW-mo.	Revised Energy Payments $/MWh	Revised Delivery Voltage Adj. $/MWh	Total *Revised* Energy Payments $/MWh	*Original* Capacity Payments $/kW-mo.	*Original* Energy Payments $/MWh	Original Delivery Voltage Adj. $/MWh	Total *Original* Energy Payments $/MWh	Revised Capacity Payments $000	Revised Energy Payments $000	Revised Total Payments $000	Revised Total Payment $/MWh	Original Capacity Payments $000	Original Energy Payments $000	Original Total Payments $000	Original Total Payment $/MWh	Difference Between Revised and Original
2009	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
2010	$ -	$ -	$ -	$ -	$ 7.50	$ 69.95	$ -	$ 69.95	$ -	$ -	$ -	$ -	$ 3,600	$ 21,815	$ 25,415	$ 81.50	$ (25,415)
2011	[redacted]		$ 1.21	$ 58.53	$ 7.80	$ 66.59	$ -	$ 66.59	$ 3,996	$ 18,250	$ 22,246	$ 71.34	$ 3,744	$ 20,767	$ 24,511	$ 78.60	$ (2,265)
2012	[redacted]		$ 1.21	$ 58.53	$ 8.10	$ 63.38	$ -	$ 63.38	$ 4,152	$ 18,300	$ 22,452	$ 71.80	$ 3,888	$ 19,819	$ 23,707	$ 75.81	$ (1,255)
2013	[redacted]		$ 1.21	$ 58.53	$ 8.43	$ 60.48	$ -	$ 60.48	$ 4,320	$ 18,250	$ 22,570	$ 72.37	$ 4,044	$ 18,860	$ 22,904	$ 73.44	$ (334)
2014	[redacted]		$ 1.21	$ 58.53	$ 8.78	$ 63.24	$ -	$ 63.24	$ 4,500	$ 18,250	$ 22,750	$ 72.95	$ 4,212	$ 19,723	$ 23,935	$ 76.75	$ (1,185)
2015	[redacted]		$ 1.21	$ 58.53	$ 9.13	$ 66.23	$ -	$ 66.23	$ 4,680	$ 18,250	$ 22,930	$ 73.53	$ 4,380	$ 20,655	$ 25,035	$ 80.28	$ (2,105)
2016	[redacted]		$ 1.21	$ 58.53	$ 9.48	$ 62.98	$ -	$ 62.98	$ 4,872	$ 18,300	$ 23,172	$ 74.10	$ 4,548	$ 19,693	$ 24,241	$ 77.52	$ (1,069)
2017	[redacted]		$ 1.21	$ 58.53	$ 9.85	$ 59.24	$ -	$ 59.24	$ 5,064	$ 18,250	$ 23,314	$ 74.76	$ 4,728	$ 18,474	$ 23,202	$ 74.40	$ 112
2018	[redacted]		$ 1.21	$ 58.53	$ 10.25	$ 60.57	$ -	$ 60.57	$ 5,268	$ 18,250	$ 23,518	$ 75.41	$ 4,920	$ 18,888	$ 23,808	$ 76.34	$ (290)
2019	[redacted]		$ 1.21	$ 58.53	$ 10.65	$ 61.94	$ -	$ 61.94	$ 5,484	$ 18,250	$ 23,734	$ 76.11	$ 5,112	$ 19,315	$ 24,427	$ 78.33	$ (693)
2020	[redacted]		$ 1.21	$ 58.53	$ 11.10	$ 63.32	$ -	$ 63.32	$ 5,700	$ 18,300	$ 24,000	$ 76.75	$ 5,328	$ 19,802	$ 25,130	$ 80.36	$ (1,130)
2021	[redacted]		$ 1.21	$ 58.53	$ 11.53	$ 64.75	$ -	$ 64.75	$ 5,940	$ 18,250	$ 24,190	$ 77.57	$ 5,532	$ 20,194	$ 25,726	$ 82.49	$ (1,536)
2022	[redacted]		$ 1.21	$ 58.53	$ 12.00	$ 66.20	$ -	$ 66.20	$ 6,180	$ 18,250	$ 24,430	$ 78.34	$ 5,760	$ 20,646	$ 26,406	$ 84.67	$ (1,976)
2023	[redacted]		$ 1.21	$ 58.53	$ 12.48	$ 67.70	$ -	$ 67.70	$ 6,420	$ 18,250	$ 24,670	$ 79.11	$ 5,988	$ 21,113	$ 27,101	$ 86.90	$ (2,431)
2024	[redacted]		$ 1.21	$ 58.53	$ 12.98	$ 69.22	$ -	$ 69.22	$ 6,684	$ 18,300	$ 24,984	$ 79.90	$ 6,228	$ 21,646	$ 27,874	$ 89.14	$ (2,890)
2025	[redacted]		$ 1.21	$ 58.53	$ 13.50	$ 70.78	$ -	$ 70.78	$ 6,948	$ 18,250	$ 25,198	$ 80.80	$ 6,480	$ 22,072	$ 28,552	$ 91.56	$ (3,354)
2026	[redacted]		$ 1.21	$ 58.53	$ 14.03	$ 72.37	$ -	$ 72.37	$ 7,224	$ 18,250	$ 25,474	$ 81.69	$ 6,732	$ 22,570	$ 29,302	$ 93.96	$ (3,828)
2027	[redacted]		$ 1.21	$ 58.53	$ 14.60	$ 74.00	$ -	$ 74.00	$ 7,524	$ 18,250	$ 25,774	$ 82.65	$ 7,008	$ 23,078	$ 30,086	$ 96.47	$ (4,312)
2028	[redacted]		$ 1.21	$ 58.53	$ 15.18	$ 75.66	$ -	$ 75.66	$ 7,824	$ 18,300	$ 26,124	$ 83.54	$ 7,284	$ 23,661	$ 30,945	$ 98.96	$ (4,821)
2029	[redacted]		$ 1.21	$ 58.53	$ 15.78	$ 77.37	$ -	$ 77.37	$ 8,136	$ 18,250	$ 26,386	$ 84.61	$ 7,572	$ 24,128	$ 31,700	$ 101.65	$ (5,314)
2030	[redacted]		$ 1.21	$ 58.53	$ 16.40	$ 79.12	$ -	$ 79.12	$ 8,460	$ 18,250	$ 26,710	$ 85.65	$ 7,872	$ 24,673	$ 32,545	$ 104.36	$ (5,835)
2031	[redacted]		$ 1.21	$ 58.53	$ 17.08	$ 80.90	$ -	$ 80.90	$ 8,796	$ 18,250	$ 27,046	$ 86.73	$ 8,196	$ 25,228	$ 33,424	$ 107.18	$ (6,378)
2032	[redacted]		$ 1.21	$ 58.53	$ 17.75	$ 82.71	$ -	$ 82.71	$ 9,156	$ 18,300	$ 27,456	$ 87.80	$ 8,520	$ 25,865	$ 34,385	$ 109.96	$ (6,929)
2033	[redacted]		$ 1.21	$ 58.53	$ 18.45	$ 84.58	$ -	$ 84.58	$ 9,516	$ 18,250	$ 27,766	$ 89.04	$ 8,856	$ 26,375	$ 35,231	$ 112.97	$ (7,465)
2034	[redacted]		$ 1.21	$ 58.53	$ 19.20	$ 86.48	$ -	$ 86.48	$ 9,900	$ 18,250	$ 28,150	$ 90.27	$ 9,216	$ 26,968	$ 36,184	$ 116.03	$ (8,034)
2035	[redacted]		$ 1.21	$ 58.53	$ -	$ -	$ -	$ -	$ 10,296	$ 18,250	$ 28,546	$ 91.54			$ -		$ 28,546
Total									$167,040	$ 456,553	$623,593		$149,748	$546,028	$695,776		$ (72,183)
NPV									$ 53,686	$ 172,486	$226,172		$ 52,274	$213,685	$265,959		$ (39,787)

Subject: FW: Negotiated Standard Offer

From: Russell Spitz [mailto:rs@visionpowersystems.com]
Sent: Monday, July 07, 2008 9:54 AM
To: Gammon, David W (Marketing Employee)
Cc: Gillman, Christopher
Subject: RE: Negotiated Standard Offer

Will do, hopefully this week.

Russell W. Spitz, President
Vision Power Systems, Inc.
3733 Crown Point Rd.
Jacksonville, FL 32257
Phone: 800-346-3212, ext. 116
Fax: 800-998-2202
e-mail: rs@visionpowersystems.com

From: Gammon, David W (Marketing Employee) [mailto:David.Gammon@pgnmail.com]
Sent: Monday, July 07, 2008 8:44 AM
To: rs@visionpowersystems.com
Cc: Gillman, Christopher
Subject: RE: Negotiated Standard Offer

We are excited to hear that Vision Power Systems would like to enter into a negotiated contract with PEF. It would probably be best if you sent a marked-up version of the standard offer contract for us to review before sending an executed agreement.

From: Russell Spitz [mailto:rs@visionpowersystems.com]
Sent: Monday, July 07, 2008 8:14 AM
To: Gammon, David W (Marketing Employee)
Cc: Gillman, Christopher
Subject: Negotiated Standard Offer

Vision/FL I LLC, a wholly owned subsidiary of Vision Power Systems, Inc. would like to enter into a Negotiated PEF Contract based on the Standard Offer Contract Language of 2008 for 25 years, which we understand would have to be approved both by PEF and PSC.

Should we submit a signed Standard Offer or should we submit the info first, have it reviewed and then send in the signed Standard Offer?

Russell W. Spitz, President
Vision Power Systems, Inc.
3733 Crown Point Rd.
Jacksonville, FL 32257
Phone: 800-346-3212, ext. 116
Fax: 800-998-2202
e-mail: rs@visionpowersystems.com

Subject: FW: Follow up

From: Burnett, John
Sent: Monday, July 14, 2008 10:04 AM
To: 'Feil, Matthew'
Cc: Gammon, David W (Marketing Employee)
Subject: RE: Follow up

Hey Matt. You are correct. I spoke with Dave this morning and confirmed this. I think we can get it filed as a "negotiated" contract as soon as it is signed, noting that it is the last version of our standard offer, which should allow the PSC to fast track its approval.

-----Original Message-----
From: Feil, Matthew [mailto:matthew.feil@akerman.com]
Sent: Friday, July 11, 2008 3:42 PM
To: Burnett, John
Subject: RE: Follow up

John

Turns out that my guy decided to use the revised standard offer and has had some back-and-forth with Dave Gammon already. Dave said he was going to check with you about using the standard offer and anticipated timing.

Matt

AkermanSenterfitt

www.akerman.com | Bio | V Card

From: Feil, Matthew
Sent: Friday, July 11, 2008 9:59 AM
To: 'Burnett, John'
Subject: Follow up

John,

We talked about 2 weeks ago about a co-gen client who seeks a contract with Progress.

The client submitted his application to Progress through the established channel early this week.

Could you give me a brief sense of the timing for the process? Will it take y'all a week or two to review the application and check to see if you need further info before negotiations can start? That sort of thing is what I'd like to get a sense of.

Consistent with the conversation we had a few weeks ago, I think this client will be seeking a negotiated contract, probably modeled after the BG&E of Florida deal rather than the standard offer. I understood that BG&E would be an acceptable template for y'all.

Shoot me a quick response when you get the chance. Thanks.

Matt

REDACTED

Portion of July 15, 2008 Email
(between David Gammon & Russell Spitz)

From: Russell Spitz [mailto:rs@visionpowersystems.com]
Sent: Tuesday, July 15, 2008 2:29 PM
To: Gammon, David W (Marketing Employee)
Subject: Signed Standard Offer Negotiated Contract

See attached signed Standard Offer Negotiated Contract.

Russell W. Spitz, President
Vision Power Systems, Inc.
3733 Crown Point Rd.
Jacksonville, FL 32257
Phone: 800-346-3212, ext. 116
Fax: 800-998-2202
e-mail: rs@visionpowersystems.com

Subject: FW: 9.2 and Appendix E

From: Russell Spitz [mailto:rs@visionpowersystems.com]
Sent: Tuesday, July 22, 2008 8:08 AM
To: Gammon, David W (Marketing Employee)
Subject: Re: 9.2 and Appendix E

The Appendix E and the revised Section 9.2 contained in your e-mail of Monday, July 21st meets with our approval and please substitute them in our agreement.

Please confirm when the CEO has signed and the agreement has been forwarded to the PSC.

Russell W. Spitz
President
Vision Power Systems, Inc.
3733 Crown Point Rd.
Jacksonville, FL 32257
Phone: 904-288-6500, ext. 116
Fax: 904-260-4515
e-mail: rs@visionpowersystems.com

----- Original Message -----
From: Gammon, David W (Marketing Employee)
To: rs@visionpowersystems.com
Sent: Monday, July 21, 2008 1:48 PM
Subject: RE: 9.2 and Appendix E

Russell,

I apologize, but I guess I was having a bad day. Our analyst reviewed my work and found that the capacity payment rates I gave you were too low. Attached is a revised insert for Appendix E. And to show that I was completely brain dead that day the option in Section 9.2 should be Option B. Option A is "normal' capacity payments, which means they start in 2013. Option B is for capacity payments that begin before 2013.

Again I apologize. I have attached a revised Appendix E and a revised Section 9.2.

If these meet with you approval please let me know and I will substitute them into the agreement.

From: Russell Spitz [mailto:rs@visionpowersystems.com]
Sent: Tuesday, July 15, 2008 3:34 PM
To: Gammon, David W (Marketing Employee)
Subject: 9.2 and Appendix E

Please insert the revised Sheet 9.420, Section 9.2 Capacity Option A in lieu of what was submitted and also insert the Capacity Payments attached in Appendix E.

Russell W. Spitz, President
Vision Power Systems, Inc.
3733 Crown Point Rd.
Jacksonville, FL 32257
Phone: 800-346-3212, ext. 116
Fax: 800-998-2202
e-mail: rs@visionpowersystems.com

Subject: FW: Transmission lines

From: McKeage, Mark D (Marketing Employee)
Sent: Monday, September 15, 2008 11:14 AM
To: Gammon, David W (Marketing Employee)
Subject: RE: Transmission lines

Dave,

See attached scan.

This came out of an old drawing, but is reasonably accurate for this area.
The lines coming out of Avon Park include 69 kV (one dash), 115 kV (two dashes), and 230 kV (three dashes).

These lines go from Avon Park to: Fisheating Creek at 230 kV, Fort Meade at 230 kV, South Fort Meade at 115 kV, Avon Park North at 69 kV, Wauchula at 69 kV, DeSoto City at 69 kV, and Sun 'n Lakes at 69 kV.

Thanks,
Mark

From: Gammon, David W (Marketing Employee)
Sent: Monday, September 15, 2008 9:58 AM
To: McKeage, Mark D (Marketing Employee)
Subject: FW: Transmission lines

Mark,

Can you help me with this? I know that maps are not available.

From: Russell Spitz [mailto:rs@visionpowersystems.com]
Sent: Monday, September 15, 2008 8:50 AM
To: Gammon, David W (Marketing Employee)
Subject: Transmission lines

Does PEF have a map of their transmission/distribution systems that can be shared with Vision?

From the State of Florida Transmission map, does PEF have a line from Avon Park that runs NW to say Fort Meade?

Also from Avon Park South along HWY 27 to Lake Placid than East?

Also East from Avon Park and then South?

Russell W. Spitz, President
Vision Power Systems, Inc.
3733 Crown Point Rd.
Jacksonville, FL 32257
Phone: 904-288-6516

Fax: 904-260-4515

e-mail: rs@visionpowersystems.com

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Document.pdf

Subject: FW: Completion-Performance Security

From: Russell Spitz [mailto:rs@visionpowersystems.com]
Sent: Wednesday, August 27, 2008 3:15 PM
To: Gammon, David W (Marketing Employee)
Subject: RE: Completion-Performance Security

Thank you for your quick response.

In this day and age, it is always a pleasure working with a professional.

I will get you something in short order that will verify our financing credit class.

As to the execution date, in order for us to close our financing, we need the PSC approval, for without it, we have nothing, so the execution date has to be some reasonable date after the PSC approval, allowing us time for final documentation and funding.

I am working on finalizing the exact location of the interconnection, and am comfortable that we have allowed sufficient funds in our overall scope to accomplish this task and I will be back to you as soon as practicable to finalize this item.

Russell W. Spitz, President
Vision Power Systems, Inc.
3733 Crown Point Rd.
Jacksonville, FL 32257
Phone: 904-288-6516

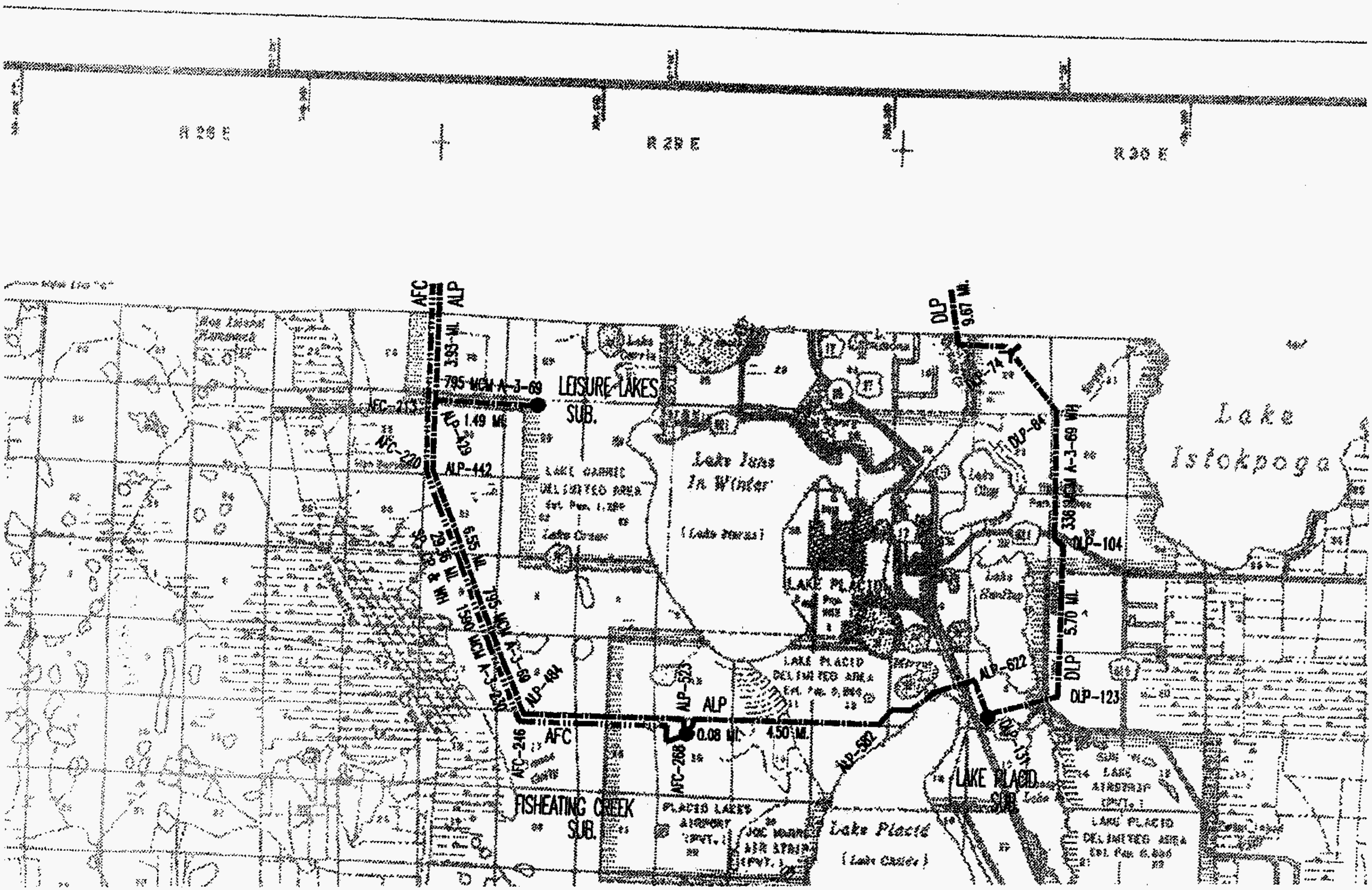
Fax: 904-260-4515

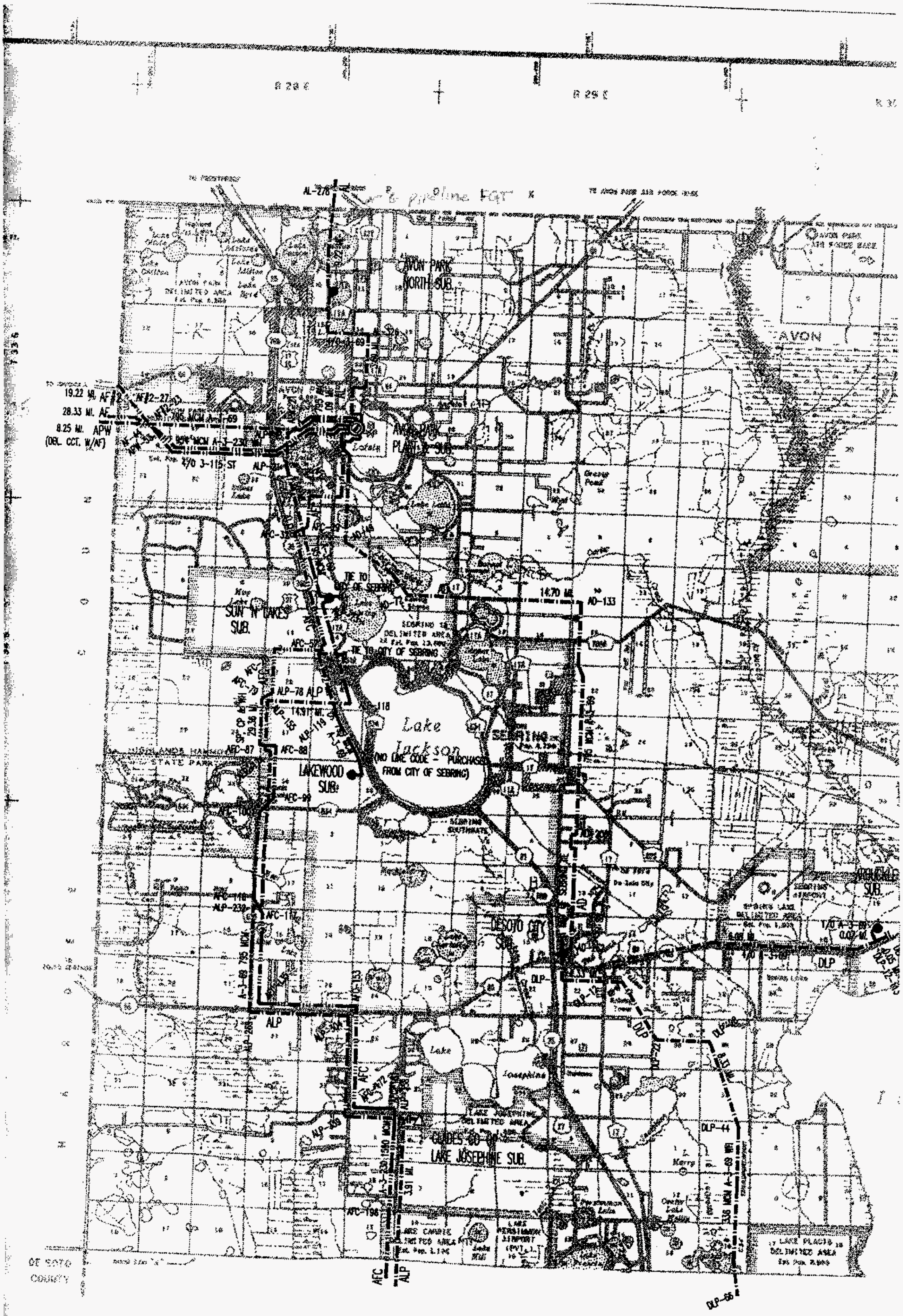
e-mail: rs@visionpowersystems.com

From: Gammon, David W (Marketing Employee) [mailto:David.Gammon@pgnmail.com]
Sent: Wednesday, August 27, 2008 2:58 PM
To: rs@visionpowersystems.com
Subject: RE: Completion-Performance Security

REDACTED

Portion of August 27, 2008 Email
(between David Gammon & Russell Spitz)


R 28 E
R 29 E
R 30 E
AFC
ALP
3.93 MI.
795 MCM A-3-69
LEISURE LAKES
SUB.
AFC-213
1.49 MI.
ALP-429
AFC-220
ALP-442
6.55 MI.
29.36 MI.
795 MCM A-3-69
1590 MCM A-3-230
ALP-494
AFC-246
AFC
FISHEATING CREEK
SUB.
AFC-268
0.08 MI.
ALP-523
ALP
4.50 MI.
ALP-582
ALP-622
LAKE PLACID
SUB.
DLP
9.67 MI.
DLP-74
DLP-84
336 MCM A-3-69 WH
DLP-104
5.70 MI.
DLP
DLP-123
Lake Istokpoga
Lake June In Winter
Lake Placid



LEGEND

DISTRIBUTION SUBSTATION

ELECTRIC GENERATING PLANT - STEAM

69 KV LINE

REDACTED

Emails Regarding Interconnection
(between David Gammon & Russell Spitz)
(6 Pages)

REDACTED

Emails Regarding Extension of Deadlines
(between David Gammon & Russell Spitz)
(4 Pages)

REDACTED

January 15, 2009 Letter to Tamara Waldmann from Russell Spitz
(4 Pages)

THE FLORIDA LEGISLATURE
Report No. 98-17
Office of
Program Policy Analysis
And Government Accountability
John W. Turcotte, Director
October 1998

Review of the Expedited Permitting Process Coordinated by the Governor's Office of Tourism, Trade, and Economic Development

Abstract

- **The expedited permitting process is performing reasonably well. However, it has not been widely used and has narrow application for increasing job creation and economic development.**
- **No legislation is required to take further steps to address permitting problems that may be experienced by new business facilities.**

Purpose

The Office of Program Policy Analysis and Government Accountability is directed in s. 403.973(9), F.S., to study the implementation of the expedited permitting process and make recommendations to the Governor and the Legislature on how the process may be made more efficient and effective.

In this review, we assessed whether the expedited permitting process was efficient and effective based on

- the ability of job-creating businesses using the process to reduce the time needed to obtain final agency action on permits and approvals;
- the ability of agencies to maintain environmental, transportation, and other permitting standards in a reduced timeframe;
- the impact of the process on the workload of permitting offices; and
- the effectiveness of the process in encouraging and facilitating the location and expansion of job-creating businesses.

We also identified potential steps Florida and its local governments could take to further improve the permitting process to assist new business development.

Background

The Governor's Office of Tourism, Trade, and Economic Development Expedited Permitting Process (OTTED process) is intended to encourage and facilitate the location and expansion of those types of economic development projects that

- offer job creation and high wages;
- strengthen and diversify the state's economy; and
- have been thoughtfully planned to take into consideration the protection of the state's environment.

The OTTED process was established in 1996 and revised in 1997 to assist these projects by establishing regional permit action teams to coordinate and expedite review of permit applications. This process can provide a business with assistance in avoiding delays arising from applying for separate and potentially inconsistent permits from multiple local and state permitting offices.

Eligible Projects. In order to qualify for the OTTED process, projects must meet a statutory job creation threshold. The threshold requires a business applicant or a committed tenant to permanently hire at least 10, 50, or 100 (depending on location) new employees.

NEWS RELEASE

SUSTAINABLE RENEWABLE ENERGY

Vision Power is building sustainable renewable energy plants to produce both ethanol and electric power from closed loop sweet sorghum.

These energy plants will dramatically reduce, cost effectively, the dependence on fossil fuels.

The advantages of using sweet sorghum in Florida as the sustainable renewable energy crop are:

Sweet Sorghum:

Is not a food crop.

Yields almost twice the ethanol per acre versus corn.

Requires one-half the water of corn and one-third the water of sugarcane.

Can grow in marginal soils.

Has been called the "camel among crops" owing to its wide adaptability, its marked resistance to drought and saline/alkaline soils and tolerance to high temperature and water logging.

Requires one-third the nitrogen fertilizer per acre versus corn.

Requires four months to reach maturity for two sweet sorghum harvest and one regenerative crop per year per acre.

Has 8 to 1 energy output to input.

Costs less than one-third to produce one gallon of ethanol versus corn.

Is a closed loop sustainable renewable biomass crop that is CO_2 neutral.

For additional information, see attached Florida Public Service Commission News Release.

REDACTED

Emails dated:

January 18, 2009
February 20, 2009
March 3, 2009
March 9, 2009

(Between Russell Spitz, David Gammon, Tamara Waldmann & Greg Hart)
(11 Pages)

THE OUTLOOK | *By Jeffrey Ball*

Clean-Energy Sector Looks for Private, Public Help

Santa Barbara, Calif.

HIT HARD by the recession, the clean-energy industry is on the ropes. Governments are injecting stimulus money in hopes of keeping it alive, but what the industry ultimately needs is a far bigger dose of private investment.

In the space of a few months, the recession has slammed the brakes on what had seemed a full-tilt push for new ways to power the planet while emitting less pollution. It has thrown a wrench into the plans of once-booming but still-nascent companies that produce everything from wind power to solar energy to biofuels. The weak economy has whacked the industry in two ways: It has prompted investors to pull back their capital, and it has reversed the rapid run-up in energy prices that for the past few years was fueling much of the industry's growth.

A return to high energy prices probably would spur clean-energy investment again. But one of the forces that was driving up energy prices was the expectation of tougher government limits on greenhouse-gas emissions, which would have burdened the industry with higher costs. In the near term, the recession is likely to slow momentum for those mandates. Politicians are less likely to sock voters with policies that will make energy more expensive when those voters are worried simply about keeping the lights on.

Last week, at ECO:nomics, The Wall Street Journal's annual conference on the business of the environment, clean-energy developers large and small swapped tales of how the recession and the resulting drop in energy prices have hobbled their plans.

"It's wicked timing," William Roe, chief executive of biofuels developer Coskata Inc., said at the conference. Coskata, based near Chicago, is trying to find funding for a plant it is trying to build. But these days, "when you talk to a bank," Mr. Roe said, "all you get is a smile and a pat on the head."

Even T. Boone Pickens is feeling the pinch. The Texas oilman has been spending millions of dollars to drum up support for his "Pickens Plan." It envisions developing big new wind farms to generate electricity as a way to free up U.S. natural gas to power truck fleets—and, in turn, to curb U.S. demand for imported oil. But Mr. Pickens has been forced to scale back his own plans to develop a massive wind farm in Texas.

Two years ago, Mr. Pickens was hoping to build a 4,000-megawatt wind farm in his home state, and investors were "lined up wanting to finance it" because energy prices were so high, he said. Now, with natural-gas prices having fallen by more than half, it's unclear when the project will grow beyond its first 1,000-megawatt phase.

AS OIL PRICES surged and greenhouse-gas emissions took a higher place on the political agenda, spending by public and private sources to develop renewable energy and improve energy efficiency surged to $155 billion in 2008 from $34.1 billion in 2004, according to New Energy Finance, a London consulting firm. When the recession dried up financing for big projects and deflated energy prices, the clean-energy race ran out of gas.

The economic-stimulus plans rolling out everywhere from the U.S. to Europe to China seek partly to breathe new life into the global clean-energy campaign. But because the global energy system is so huge, even billions of dollars of short-term government money won't matter much unless it's able to get hundreds of billions of dollars in long-term private investment flowing into clean energy again.

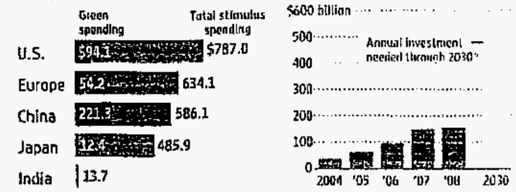
Green Money

Stimulus plans are spending billions on clean energy ...

Green part of stimulus, over multiple years, in billions

... But studies say more is needed, mostly from the private sector

Global clean-energy spending



*Spending that would be needed on renewable energy and energy efficiency to keep atmospheric concentrations of carbon dioxide below 450 parts per million, a level many scientists say would be necessary to prevent serious consequences from climate change

Sources: HSBC (countries' spending); New Energy Finance (global spending); New Energy Finance interpretation of International Energy Agency data (investment needed)

The $787 billion U.S. stimulus plan contains some $94.1 billion over 10 years for clean energy, for everything from plugging energy leaks in old houses to building more wind turbines, according to a study by HSBC. But the public money will work only if it can get private investment "off the sidelines and get the commercial banks to lend again to good projects," Matthew Rogers, the Department of Energy official who oversees the department's stimulus spending, said at the conference Friday.

The International Energy Agency estimates that annual global spending on renewable energy and energy efficiency would have to average $542 billion through 2030 to prevent atmospheric concentrations of carbon dioxide, a greenhouse gas, rising to a level many scientists say would trigger particularly dangerous consequences from climate change.

ONE THING government could do is lay out policies to convince private investors that clean energy is still a smart long-term investment. It appears likely to do that, eventually. But the coming year is likely to feature heated and historic debates over how the details of those policies should shake out.

One likely fight will be over the prospect of forcing companies to pay to emit carbon dioxide, probably through a "cap and trade" system. Under such a system, the government would print permits entitling industry to emit a set number of tons of greenhouse gases every year; companies would buy and sell those permits, launching a race to curb emissions at the lowest cost. Exactly how that policy is drawn would determine how much it would raise electricity prices and which Americans would bear the brunt of that bill.

For now, the clean-energy industry is reaching for any lifeline it can get. At the Journal's conference, when Mr. Rogers, the Department of Energy's new moneyman, finished speaking and stepped off the stage, dozens of clean-energy entrepreneurs swarmed around him, handing him their business cards in hope of a shot at some short-term government relief.

New Fears As Credit Markets Tighten Up

y LIZ RAPPAPORT
ND SERENA NG

The credit markets are seiz- ig up again amid new anxieties)out the global financial sys- m.

The fear and uncertainty that nt stocks to 12-year lows is ow roiling the market for corpo- ate bonds and loans, which have ven back much of the gains ey chalked up earlier in the ar.

Short-term credit markets e still performing better than ey did last year thanks to gov- nment programs to buy com- ercial paper and guarantee ort-term debt. But some risk emiums are widening. The read on junk bonds, for exam- e, has climbed to 19 percentage oints over that of comparable easury bonds, up from 16 per- ntage points in February. And bor, the London interbank of- red rate, a common bench- ark interest rate, has crept up er the past weeks, from 1.1% in id-January to 1.3% on Friday, flecting banks' concerns about ing paid back for even short- rm loans. It is still well below s peak of 4.8% last October.

This time around, the economy is slipping deeper into a recession, and bond investors worry the government's repeated modifications to its financial-rescue packages are undermining the very foundations of bond investing: the right of creditors to claim their assets first if a borrower defaults. Without this assurance, bonds of even the most stalwart institutions are much riskier to own.

After what seemed like the beginning of a thawing of debt markets early in the year, sentiment has deteriorated, analysts say. The markets remain open only to the strongest companies. A rally in U.S. Treasury bonds last week reflects another bout of flight-to-quality buying. Junk bonds have

Please turn to page A2

New Worries Take Hold as Credit Markets Again Tighte

Continued from Page One

lost more than 7% in returns in the past month, while high-grade bonds have lost more than 2%. Both drops are relatively large considering these markets had stabilized over the new year.

Part of the problem is that investors are still waiting for key details from the government about its plans to shore up U.S. banks and unfreeze the credit markets. After launching a $1 trillion program to kick-start consumer lending last week, the Obama administration is considering creating multiple investment funds to purchase bad loans and other distressed assets. The intent of the funds is to stabilize the prices of good assets and restore investor confidence.

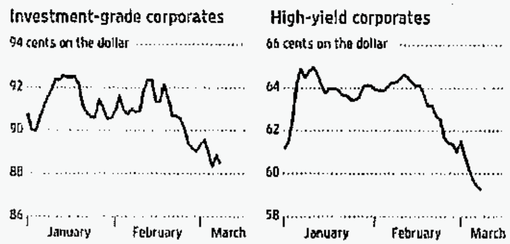
Without more clarity from the government on its bailout plans, the market could continue to drop, say analysts. That would further harm the economy and the institutions the government hopes to help, compounding its task of shoring up the financial system.

"The credit markets are a mess because the economy is a mess," says Thomas Priore, chief executive of ICP Capital, a New York fixed-income investment firm. "There's fear out there that's driving down every asset class simultaneously. It illustrates a lack of investor confidence in the government's plan for fixing the financial infrastructure."

Bondholders have so far remained mostly unscathed by the intervention. But investors are now worried that if the crisis worsens, some of the government's efforts to salvage financial institutions like American International Group Inc. and Citigroup Inc. could end up hurting the interests of debt holders. The concern is that further modifications of bailout plans could place the government's interests ahead of creditors.

Double Trouble

Corporate bond prices are dropping as debt investors worry about current economic conditions and the sturdiness of their investment contracts.



Source: Merrill Lynch

Though the government switched from holding Citigroup preferred shares to common shares, putting taxpayers at greater risk, the move did little to ameliorate debt holder's worries. Many investors believe the government may change course again.

The government's moves may also push down credit ratings of some securities, causing another wave of forced selling. That would further weigh on prices and increase the likelihood of pension funds, banks and insurance companies needing to take more write-downs. Investors say the prospect of such a scenario is deterring them from buying mortgage-backed securities and corporate bonds.

"The only way to invest is to guess at which way the winds in Washington are blowing, so capital is frozen," says Sean Dobson, chief executive officer at Amherst Holdings LLC, a mortgage-market trading and investment firm.

Additional government aid to financial institutions hasn't prevented price declines among many of these companies' senior bonds.

In a report over the weekend, analysts from JP Morgan Chase & Co. said they had expected government intervention to help protect the interests of bondholders at financial institutions. However, they noted that "in the extreme, losses can be so large that the political willpower to continue bailing out banks and insurance companies evaporates, forcing senior creditors to share in losses or producing other unorthodox outcomes."

At AIG, bonds of the insurance giant's subsidiaries last week traded at prices ranging from 38 cents on the dollar to around 81 cents, from over 50 cents on the dollar a month ago, according to data from MarketAxess. As AIG's bailout package has swelled to over $170 billion from $85 billion last September, investors have grown worried that future restructurings could cause cash generated by AIG's units to be diverted to pay off the government before its bondholders, say analysts.

Bonds of triple-A rated General Electric Co., which with its GE Capital Corp. unit, is the largest U.S. corporate debt issuer, dropped to around 90 cents on the dollar last week as debt investors combed through the company's balance sheet fretting about the possibility of not getting all their money back. GE has said its finances are stable and it plans to give investors details of its balance sheet next week. The bonds of Citigroup have a slightly lower rating, trading at just over 70 cents on the dollar, despite its high credit rating and government support.

Such anomalies make it impossible to accurately determine the value of other bonds in the marketplace without any connection to a government bailout, say analysts and investors.

Traders last week saw multiple offers for blocks of securities for sale, known as "bid lists," circulating in the credit markets, as banks and brokers tried to sell chunks of structured bonds backed by mortgages and corporate debt. Big groups of sales suggest investors are desperate to unload their investments quickly, even if it means getting lower prices than if they waited.

Some traders say they only trust securities that have the explicit backing of the government.

Bonds issued earlier this year by Goldman Sachs Group Inc. and General Electric without the government's backing have dropped to 96 cents on the dollar and 73 cents on the dollar, respectively, in recent days, while their government-backed debt trades at or close to their full value of 100 cents on the dollar.

The government has said it plans to expand its program to lend to inv backed by r do not conf agency stan ket remains

Mortgag ing in value reworks its homeowner called the Save Their ruptcy," is i tide of hom reduce hom lowing bank ter the te loans.

But the some of th those loans and their slashed. Ban ties estimat pact holder lion of mort believed the holding the tions of the

Some of t are now try stakes in orc losses or wr

REDACTED

Email dated July 14, 2009

(Between Russell Spitz and David Gammon)
(1 Page)