



# Progress Energy

Robert F. Caldwell  
Vice President  
Efficiency and Innovative Technology  
Progress Energy Carolina, Inc.

December 1, 2009

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Mr. Forrest B. Stacy, CEO  
Innovative Energy Group of Florida, LLC  
1753 Sea Lark Lane  
Navarre, FL 32566

Re: Termination Notice of Negotiated Contract  
(Related FPSC Docket Nos. 060387-EQ and 070645-EQ)

Dear Mr. Stacy:

On May 11, 2006, Progress Energy Florida, Inc. ("PEF") filed with the Florida Public Service Commission ("FPSC") for approval of a negotiated contract ("the Contract") for purchase of firm capacity and energy from a qualifying facility between Progress Energy Florida, Inc. and Florida Biomass Energy Group, LLC ("Project LLC"), known as the "E-Grass Project". This contract stated a Drop Dead Date of April 2007. The FPSC approved the Contract and issued Order No. PSC-06-0743-PAA-EQ dated September 1, 2006.

On October 29, 2007, PEF filed an amended contract with the FPSC (Docket No. 070645-EQ). In the amended contract, the counter party name was changed from Florida Biomass Energy Group, LLC to Innovative Energy Group of Florida, LLC ("IEG, FL") and the Drop Dead Date was extended upon request from IEG, FL to December 1, 2009.

Within the Contract, certain Condition Precedents identified in Section 3.1(l) must be met by the Drop Dead Date by Project LLC in order for this project to proceed. These Condition Precedents include:

- (i) *Project LLC shall have obtained firm transmission service necessary to deliver Capacity and Energy from the Facility to the Electrical Interconnection Point;*
- (ii) *Project LLC having obtained or being in the process of obtaining (with no reasonably foreseeable expectation of a failure to obtain) the Project Consents and any other Consents for which it is responsible under the terms hereof;*
- (iii) *Project LLC having entered into Financing Documents relative to the construction of the Facility and having achieved Financial Closing;*

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- (iv) *Project LLC having entered into the Project Contracts;*
- (v) *Project LLC having obtained or being in the process of obtaining (with no reasonably foreseeable expectation of a failure to obtain) insurance policies or coverage in compliance with Section 5;*
- (vi) *Project LLC having delivered to Buyer (i) a copy of its constitutional documents (certified by its corporate secretary as true, complete and up-to-date) and (ii) a copy of a corporate resolution approving the terms of this Agreement and the transactions contemplated hereby and authorizing one or more individuals to execute this Agreement on its behalf (such copy to have been certified by its corporate representative as true, complete and up-to-date);*
- (vii) *any legislation relevant to the above items being in full force and effect; and*
- (viii) *Project LLC obtaining Qualifying Facility Status as set forth in Section 2.3 of this Agreement.*

In addition, Section 3.1(o) of the Contract states:

*"If Project LLC's Conditions Precedent in Section 3.1(l) are not satisfied or waived by the Drop Dead Date (December 1, 2009), Buyer (PEF) has the right to terminate this Agreement and neither Party shall have any further liability to the other Party hereunder."*

It is my understanding that IEG, FL has failed to satisfy one or more of the Conditions Precedent by the Drop Dead Date, and that there is no reasonable expectation these Condition Precedents can or will be satisfied by IEG, FL in a timely manner. Furthermore, PEF has not and does not waive satisfaction of the Conditions Precedent. Accordingly, as permitted under the Contract, by this letter PEF hereby terminates the Contract with IEG, FL for failure to meet the Conditions Precedent as required under Section 3.1(l) of the Contract.

PEF appreciates the opportunity to have worked with your company.

Respectfully,



Robert F. Caldwell

RFC/lin

cc: Alan Jenkins (Attorney for IEG, FL)  
**Office of the Commission Clerk, FPSC**  
Michael Keen (PEF)  
Scheff Wright (Young Van Assenderp, PA)

**CERTIFICATE OF SERVICE**

The foregoing has been furnished via US Mail this 1<sup>st</sup> day of December, 2009, to the following:

<p><b>Mr. Forrest B. Stacy, CEO</b> <b>Innovative Energy Group of Florida, LLC</b> <b>1753 Sea Lark Lane</b> <b>Navarre, FL 32566</b></p> <p><b>Florida Public Service Commission</b> <b>Office of the Commission Clerk</b> <b>2540 Shumard Oak Boulevard</b> <b>Tallahassee, FL 32399-0850</b></p> <p><b>Mr. Michael Keen</b> <b>Progress Energy Florida</b> <b>299 First Avenue North, PEF 155</b> <b>St. Petersburg, FL 33701</b></p>	<p><b>Mr. Alan Jenkins</b> <b>Jenkins at Law, LLC</b> <b>2265 Roswell Road, Suite 100</b> <b>Marietta, GA 30062</b></p> <p><b>Mr. Schef Wright</b> <b>Young Van Assenderp Law Firm</b> <b>225 S. Adams Street</b> <b>Tallahassee, FL 32301</b></p>
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