



Dianne M. Triplett
ASSOCIATE GENERAL COUNSEL

November 29, 2016

VIA ELECTRONIC FILING

Ms. Carlotta Stauffer, Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Duke Energy Florida, LLC Agreement for purchase of as-available energy;
Undocketed

Dear Ms. Stauffer:

Pursuant to Rule 25-17.0825(1)(b), F.A.C., Duke Energy Florida, LLC ("DEF") hereby submits notice that DEF recently signed an As-Available Energy Contract with Lee County Municipal Solid Waste ("QF") in Lee County, Florida.

This As-Available contract will provide DEF with up to 40 MW of as available energy from the QF's generating facility beginning January 1, 2017. DEF does not have any ownership interest in the generating facility.

The QF is interconnected with Florida Power & Light. The QF will be responsible for any wheeling charges and to schedule deliveries. The attached standard as-available agreement has been pre-approved by the Commission and begins on DEF Tariff Sheet No. 9.101.

Thank you for your assistance in this matter. Please feel free to call me at (727) 820-4692 should you have any questions concerning this filing.

Sincerely,

/s/ Dianne M. Triplett

Dianne M. Triplett
Associate General Counsel

DMT/db
Cc: Tom Ballinger, David Gammon
Attachment

MEMORANDUM OF UNDERSTANDING
BETWEEN LEE COUNTY AND DUKE ENERGY FLORIDA, LLC REGARDING
FLORIDA AGREEMENT FOR PURCHASE OF AS-AVAILABLE ENERGY AND/OR PARALLEL OPERATION
WITH A QUALIFYING FACILITY

WHEREAS, Lee County, FL owns a 59 MW Gross Waste-to-Energy Facility certified as a QF Facility pursuant to the Public Utilities Regulatory Policy Act of 1978 and the applicable rules and regulations of the Federal Energy Regulatory Commission; and,

WHEREAS, the QF Facility is interconnected with Florida Power & Light Company (FPL) at 138KV pursuant to Amended and Restated Interconnection Agreement dated December 15, 2015, and in effect until March 1, 2032. Said interconnection agreement is filed with FERC under Docket No. ER07-404-000; and,

WHEREAS, the purpose of this Memorandum of Understanding is to clarify the Parties understanding and the application and affect of certain provisions of the "AGREEMENT FOR THE PURCHASE OF AS-AVAILABLE ENERGY AND/OR PARALLEL OPERATION FROM A QUALIFYING FACILITY between the Parties (hereinafter "Duke/Lee Agreement"), which is attached hereto as Exhibit "A"

NOW THEREFORE, the Parties agree as follows:

1. The Recitals as set forth above are incorporated into the terms of this Memorandum of Understanding ("MOU") as if set out herein at length.
2. It is understood by Duke Energy and Lee County (hereafter the "Parties") that parallel operation of the Facility with the Duke transmission system is achieved by aforesaid FPL interconnection provisions.
3. It is further understood by the Parties:
 - a. Article VIII, Metering, of the Duke/Lee Agreement The Point of Metering and the Point of Delivery are the interconnection points between FPL and Duke Energy. No additional measuring or telemetering equipment is required by Duke Energy at the QF. Further, it is understood that Lee County is responsible for scheduling and delivering all energy, including any losses, to the Point of Delivery.
 - b. Article IX, Payment Procedure, Section 9.1.3- Lee County elects the net billing option, which option shall remain in effect until Duke Energy is otherwise advised by Lee County in writing.
 - c. Article X, Insurance- These provisions are not applicable.
 - d. Article XII, Facility Responsibility and Access-Lee County shall fully cooperate with Duke Energy with respect to providing reasonable access to County owned and

controlled property associated with the Agreement. In addition, Lee County will cooperate with arranging for the provision of access to FPL owned or controlled assets associated with the interconnection or metering equipment; however it is understood that such access to property owned or controlled by FPL cannot be granted by Lee County without FPL concurrence.

e. Article XIII, Indemnification- The provisions of Article XIII apply only to the extent that they are consistent with Title XLV of the Florida Statutes, and F.S. 768.28 in particular.

4. The interpretation and performance of this MOU and each of its provisions shall be governed by the laws of the State of Florida.

ATTEST: LINDA DOGETT
CLERK OF THE COURTS

BOARD OF COUNTY COMMISSIONERS
OF LEE COUNTY, FLORIDA

By: Chris Du
Deputy Clerk

By: John Manning
Chair



APPROVED AS TO FORM FOR RELIANCE
BY THE COUNTY ONLY:

By: [Signature]
Office of the County Attorney

DUKE ENERGY

By: [Signature]
Title: Renewable Wholesale Manager III
Date: 11/7/16

Exhibit A



SECTION No. IX
FOURTH REVISED SHEET No. 9.100
CANCELS THIRD REVISED SHEET No. 9.100

**AGREEMENT FOR PURCHASE OF AS-AVAILABLE ENERGY
AND/OR PARALLEL OPERATION WITH A QUALIFYING FACILITY**

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SECTION No. IX
FOURTH REVISED SHEET No. 9.101
CANCELS THIRD REVISED SHEET No. 9.101

**AGREEMENT FOR THE PURCHASE OF
AS-AVAILABLE ENERGY AND/OR PARALLEL OPERATION FROM
A QUALIFYING FACILITY**

between

LEE COUNTY, FLORIDA

and

DUKE ENERGY FLORIDA



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AGREEMENT

This Agreement ("Agreement") is made and entered by and between Lee County, Florida, a political subdivision of the State of Florida, having its principal place of business at Fort Myers, Florida (hereinafter referred to as the "QF"), and Florida Power Corporation d.b.a. Duke Energy Florida, a private utility corporation organized under the laws of the State of Florida, having its principal place of business at St. Petersburg, Florida (hereinafter referred to as the "Company"). The QF and the Company may be hereinafter referred to individually as a "Party" and collectively as the "Parties."

WITNESSETH:

WHEREAS, the QF desires Parallel Operation with the Company and the Company desires to purchase any as available energy to be generated by the Facility and made available for sale to the Company, consistent with FPSC Rules 25-17.080, 25-17.082, 25-17.0825, 25-17.084, 26-17.086, 25-17.087, 25-17.0883 and 25-17.0889, as such rules may be amended from time to time; and

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

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

ARTICLE I: DEFINITIONS

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

- 1.1 **Appendices** means the schedules, exhibits and attachments which are appended hereto and are hereby incorporated by reference and made a part of this Agreement.
 - 1.1.1 **Appendix A** sets forth the Company's Rates for Purchase of As-Available Energy.
- 1.2 **Company's Interconnection Facilities** means all equipment located on the Company's side of the Point of Delivery, (including without limitation), equipment for connection, switching, transmission, distribution, protective relaying and safety provisions which in the Company's judgment is required to be installed for the delivery and measurement of electric energy into the Company's system on behalf of the QF, including all metering and telemetering equipment installed for the measurement of such energy regardless of its location in relation to the Point of Delivery.
- 1.3 **As-Available Energy** means energy produced and sold by a QF on an hour-by-hour basis for which contractual commitments as to quantity, time, or reliability of delivery are not required.
- 1.4 **Distributed Resource** means a facility that is defined as a Distributed Resource in the Institute of Electrical and Electronics Engineers ("IEEE") Standard 1547 for Interconnecting Distributed Resources with Electric Power Systems.
- 1.5 **Execution Date** means the date on which the Company executes this Agreement.



- 1.6 **Facility** means all equipment, as described in this Agreement, used to produce electric energy and, for a cogeneration facility, used to produce useful thermal energy through the sequential use of energy.
- 1.7 **FERC** means the Federal Energy Regulatory Commission and any successor.
- 1.8 **FPSC** means the Florida Public Service Commission and any successor.
- 1.9 **Force Majeure Event** means an event or occurrence that is not reasonably foreseeable by a Party, is beyond its reasonable control, and is not caused by its negligence or lack of due diligence, including, but not limited to, natural disasters, fire, lightning, wind, perils of the sea, flood, explosions, acts of God or the public enemy, strikes, lockouts, vandalism, blockages, insurrections, riots, war, sabotage, action of a court or public authority, or accidents to or failure of equipment or machinery, including, if applicable, equipment of the Transmission Service Utility.
- 1.10 **KW** means one (1) kilowatt of electric capacity.
- 1.11 **KWH** means one (1) kilowatt-hour of electric energy.
- 1.12 **Parallel Operation** means the QF will engage in interconnected operation of the QF's generating facility with the Company.
- 1.13 **Point of Delivery** means the point(s) where electric energy delivered to the Company pursuant to this Agreement enters the Company's system.
- 1.14 **Point of Metering** means the point(s) where electric energy made available for delivery to the Company, subject to adjustment for losses, is measured.
- 1.15 **Point of Ownership** means the interconnection point(s) between the Facility and the interconnected utility.
- 1.16 **Qualifying [Small Power Production ~~or Cogeneration~~] Facility ("QF")** means a facility that meets the requirements defined in FPSC Rule 25-17.080.



ARTICLE II: FACILITY

- 2.1 The Facility shall be located in 10500 Buckingham Road, Fort Myers, Florida 33905-7010 of Section _____ Township _____, Range _____. The Facility shall meet all other specifications identified in the Appendices hereto in all material respects and no change in the designated location of the Facility shall be made by the QF. The Facility shall be designed and constructed by the QF or its agents at the QF's sole expense.
- 2.2 Throughout the Term of this Agreement, the Facility shall be a Qualifying [~~Cogeneration~~ or Small Power Production] Facility. In the event the Facility does not maintain its status as a Qualifying Facility, this Agreement shall be immediately deemed null and void as of said date and of no further effect.
- 2.3 Unless the QF is already interconnected to a transmission or distribution system, no later than sixty (60) days after the Execution Date, the QF shall apply to its Transmission Service Utility for transmission service including a system impact study, if required. The QF shall continue the interconnection process in a timely manner so as to maintain its position in the interconnection queue.

2.4 The QF intends to begin deliveries to the Company by January 1, 2017.

ARTICLE III TERM

The Term of this agreement shall begin on the Execution Date and shall continue until terminated by the Company for good cause or by the QF. Upon termination or expiration of this Agreement, the Parties shall be relieved of their obligations under this Agreement except for the obligation to pay each other all monies under this Agreement, which obligation shall survive termination or expiration.



ARTICLE IV: PURCHASE OF AS-AVAILABLE ENERGY

- 4.1 The QF shall sell and arrange for delivery of the As-Available Energy to the Company and the Company agrees to purchase, accept and pay for the As-Available Energy made available to the Company and which the Company is able to receive at the Point of Delivery in accordance with the terms and conditions of this Agreement, or a separately negotiated contract.
- 4.2 The QF shall not commence initial deliveries of energy to the Point of Delivery without the prior written consent of the Company, which consent shall not unreasonably be withheld.
- 4.3 The RF/QF shall retain any and all rights to own and to sell any and all Environmental Attributes associated with the electric generation of the Facility.
- 4.4 During minimum load conditions on the Company's system the QF shall comply with the Company's Minimum Load Emergency Curtailment Procedures as approved by the FPSC and as updated from time to time.
- 4.5 In the event that the Company has not received any deliveries of energy from the QF by the date in Section 3.5 or for a period of two years or more then the Company will contact the QF in writing using the information in Section 15 requesting the QF's future plans. The Company shall have the right to terminate this Agreement unless the QF replies in writing within a reasonable timeframe that it would like this Agreement to continue.
- 4.6 Deliveries of As-Available Energy to the Company shall be made in accordance to the following one-time-only option.
- () All deliveries of As-Available Energy from this Facility will be made to the Company.
- (X) As-Available Energy deliveries from this Facility will be made to the Company and to other parties.



ARTICLE V: INTERCONNECTION

- 5.1 The QF's interconnection scheduling and cost responsibilities and parallel operating procedures shall be those specified in a separate interconnection agreement.
- 5.2 The location and voltage of the Point of Interconnection and the Point of Metering will be specified by the interconnection/transmission service agreement.

ARTICLE VI: ENERGY PAYMENTS

- 6.1 For that electric energy received by the Company at the Point of Delivery each month, the Company will pay the QF an amount as computed in Appendix A.
- 6.2 Energy payments pursuant to sections 9.1.1 and 9.1.2 hereof shall be subject to the delivery voltage adjustment value applicable to the Facility and approved from time to time by the FPSC pursuant to Appendix A.
- 6.3 Upon agreement by the Company and the QF and subject to approval by the FPSC, an alternative rate for the purchase of As-Available Energy may be negotiated in a separate agreement.

ARTICLE VII: CHARGES TO THE QF

The Company shall bill and the QF shall pay all charges applicable under Appendix A.

ARTICLE VIII: METERING

- 8.1 All electric energy shall be capable of being measured as described in Appendix A, Determination of Payment, at the Point of Metering. All electric energy delivered to the Company shall be adjusted for losses from the Point of Metering to the Point of Delivery. Any additional required metering equipment to measure electric energy and the telemetering equipment necessary to transmit such measurements to a location



specified by the Company shall be installed, calibrated and maintained by the Company and all related costs shall be charged to the QF, pursuant to Appendix A, as part of the Company's Interconnection Facilities.

- 8.2 All meter testing and related billing corrections, for electricity sold and purchased by the Company, shall conform to the metering and billing guidelines contained in FPSC Rules 25-6.052 through 25-6.060 and FPSC Rule 25-6.103, as they may be amended from time to time, notwithstanding that such guidelines apply to the utility as the seller of electricity.

ARTICLE IX: PAYMENT PROCEDURE

- 9.1 Bills shall be issued and payments shall be made monthly to the QF and by the QF in accordance with the following procedures:
- 9.1.1 The electric energy payment calculated for a given month shall be tendered, with cost tabulations showing the basis for payment, by the Company to the QF as a single payment. Such payments to the QF shall be due and payable twenty (20) business days following the date the meters are read.
- 9.1.2 When any amount is owing from the QF, the Company shall issue a monthly bill to the QF with cost tabulations showing the basis for the charges. All amounts owing to the Company from the QF shall be due and payable twenty (20) business days after the date of the Company's billing statement. Amounts owing to the Company for retail electric service shall be payable in accordance with the provisions of the applicable rate schedule.
- 9.1.3 At the option of the QF, the Company will provide a net payment or net bill, whichever is applicable, that consolidates amounts owing to the QF with amounts owing to the Company.



- 9.1.4 Except for charges for retail electric service, any amount due and payable from either Party to the other pursuant to this Agreement that is not received by the due date shall accrue interest from the due date at the rate equal to the thirty (30) day highest grade commercial paper as published in the Wall Street Journal on the first business day of each month. Such interest shall be compounded monthly.
- 9.1.5 The QF may elect net sale or simultaneous purchase and sale in accordance with the provisions of FPSC Rule 25-17.082, such election not to be changed more often than every twelve (12) months.
- 9.1.6 Payments to be made under this Contract shall, for a period of not longer than two (2) years, remain subject to adjustment based on billing adjustments due to error or omission by either Party.

ARTICLE X: INSURANCE

The provisions of this Article do not apply to a QF whose Facility is not directly interconnected with the Company's system.

- 10.1 The QF shall deliver to the Company, at least fifteen (15) days prior to the commencement of any work on the Company's Interconnection Facilities, a certificate of insurance certifying the QF's coverage under a liability insurance policy issued by a reputable insurance company authorized to do business in the State of Florida naming the QF as a named insured and the Company as an additional named insured, which policy shall contain a broad form contractual endorsement specifically covering liabilities arising out of the interconnection with the Facility, or caused by the operation of the Facility or by the QF's failure to maintain the Facility in satisfactory and safe operating condition.



- 10.2 The insurance policy providing such coverage shall provide public liability insurance, including property damage, in an amount not less than \$1,000,000 for each occurrence. The required insurance policy shall be endorsed with a provision requiring the insurance company to notify the Company at least thirty (30) days prior the effective date of any cancellation or material change in the policy.
- 10.3 The QF shall pay all premiums and other charges due on said insurance policy and shall keep said policy in force during the entire period of interconnection with the Company.

ARTICLE XI: REGULATORY CHANGES

The Parties agree that the Company's payment obligations under this Agreement are expressly conditioned upon the mutual commitments set forth in this Agreement. Payments for as-available energy made to QF's pursuant to this Agreement shall be recovered by the Company through the Commission's periodic review of fuel and purchased power.

ARTICLE XII: FACILITY RESPONSIBILITY AND ACCESS

- 12.1 Representatives of the Company shall at all reasonable times have access to the Facility and to property owned or controlled by the QF and having relationship to the interconnection for the purpose of inspecting, testing, and obtaining other technical information deemed necessary by the Company in connection with this Agreement. Any inspections or testing by the Company shall not relieve the QF of its obligation to maintain the Facility.



12.2 In no event shall any Company statement, representation, or lack thereof, either express or implied, relieve the QF of its exclusive responsibility for the Facility and its exclusive obligations, if applicable, with the Transmission Service Utility. Any Company inspection of property or equipment owned or controlled by the QF or the Transmission Service Utility, or any Company review of or consent to the QF's or the Transmission Service Utility's plans, shall not be construed as endorsing the design, fitness or operation of the Facility or the Transmission Service Utility's equipment nor as a warranty or guarantee.

12.3 The Company shall reactivate the Company's Interconnection Facilities at its own expense if the same are rendered inoperable due to actions of the Company or its agents, or a Force Majeure Event.

ARTICLE XIII: INDEMNIFICATION

The QF agrees to indemnify and save harmless the Company and its employees, officers, and directors against any and all liability, loss, damage, costs or expense which the Company, its employees, officers and directors may hereafter incur, suffer or be required to pay by reason of negligence on the part of the QF in performing its obligations pursuant to this Agreement or the QF's failure to abide by the provisions of this Agreement. The Company agrees to indemnify and save harmless the QF and its employees, officers, and directors against any and all liability, loss, damage, cost or expense which the QF, its employees, officers, and directors may hereafter incur, suffer, or be required to pay by reason of negligence on the part of the Company in performing its obligations pursuant to this Agreement or the Company's failure to abide by the provisions of this Agreement. The QF agrees to include the Company as an additional insured in any liability insurance policy or policies the QF obtains to protect the QF's interests with respect to the QF's indemnity and hold harmless assurance to the Company contained in this Article.



**ARTICLE XIV: EXCLUSION OF INCIDENTAL
CONSEQUENTIAL AND INDIRECT DAMAGES**

Neither Party shall be liable to the other for incidental, consequential or indirect damages, including, but not limited to, the cost of replacement power, whether arising in contract, tort, or otherwise.

ARTICLE XV: COMMUNICATIONS

15.1 Any non-emergency or operational notice, request, consent, payment or other communication made pursuant to this Agreement to be given by one Party to the other Party shall be in writing, either personally delivered or mailed to the representative of said other Party designated in this section, and shall be deemed to be given when received. Notices and other communications by the Company to the QF shall be addressed to:

Director, Lee County Solid Waste Division
10500 Buckingham Road
Fort Myers, FL 33905-7010

Notices to the Company shall be addressed to:

Manager-Cogeneration Contracts & Administration
Duke Energy Florida
P.O. Box 14042
St. Petersburg, FL 33733

15.2 Communications made for emergency or operational reasons may be made to the following persons and shall thereafter be confirmed promptly in writing.

To The Company: System Dispatcher on Duty
Title: System Dispatcher
Telephone: (727) 866-5888
Telecopier: (727) 384-7865

To The QF: Name: Erich Tscherteu
Title: Superintendent, Public Utilities, WTE
Telephone: (239) 533-8931 or 707-1037 cellular
Telecopier: () _____



15.3 Either Party may change its representatives names in this section by prior written notice to the other Party.

15.4 The Parties' representatives designated above shall have full authority to act for their respective principals in all technical matters relating to the performance of this Agreement. However, they shall not have the authority to amend, modify, or waive any provision of this Agreement.

ARTICLE XVI: SECTION HEADINGS FOR CONVENIENCE

Article or section headings appearing in this Agreement are inserted for convenience only and shall not be construed as interpretations of text.

ARTICLE XVII: GOVERNING LAW

The interpretation and performance of this Agreement and each of its provisions shall be governed by the laws of the State of Florida.



IN WITNESS WHEREOF, the QF has caused this Agreement to be executed by its duly authorized representatives on the day and year below.

Approved as to Form for the
Reliance of Lee County Only

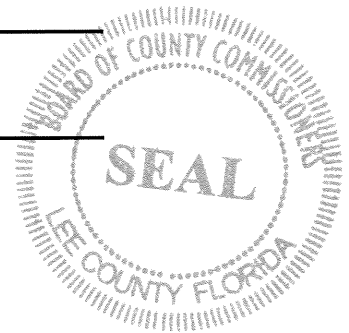
By: [Signature]
Office of the County Attorney

The Qualifying Facility:

By: [Signature]

Title: CHAIR

Date: 11/21/16



ATTEST: LINDA DOGGETT, CLERK OF COURT

BY: [Signature]
DEPUTY CLERK

IN WITNESS WHEREOF, the Company has acknowledged receipt of this executed Agreement.

The Company:

By: [Signature]

Title: Renewable Wholesale Manager IV

Date: 11/7/16



SECTION No. IX
FOURTH REVISED SHEET No. 9.200
CANCELS THIRD REVISED SHEET No. 9.200

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ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: October 2, 2014



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ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: October 2, 2014



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CANCELS THIRD REVISED SHEET No. 9.253

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ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: October 2, 2014



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SECTION No. IX
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ISSUED BY: Javier Portuondo, Director, Rates & Regulatory Strategy - FL
EFFECTIVE: October 2, 2014



SECTION No. IX
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SECTION No. IX
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CANCELS THIRD REVISED SHEET No. 9.300

**APPENDIX A
RATES**

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**APPENDIX A
RATES**

SCHEDULE 1

PAYMENTS FOR AS-AVAILABLE ENERGY

Payments:

As-Available Energy is purchased at a unit cost, in cents per kilowatt-hour, based on the Company's actual hourly avoided energy costs which are calculated by the Company in accordance with the methodology described in Schedule 2 of this Appendix. Customer charges directly attributable to the purchase of As-Available Energy from the Qualifying Facility are deducted from the Qualifying Facility's total monthly energy payment. Avoided energy costs include incremental fuel and identifiable variable operation and maintenance expenses, and identifiable variable utility power purchases. An adjustment for line losses reflecting delivery voltage shall also be included. When interchange transactions take place, the incremental costs are calculated after the purchase or before the sale of the interchange energy. All sales shall be adjusted for losses from the point of metering to the point of interconnection.

Estimated As-Available Energy Cost:

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

**APPENDIX A
RATES****SCHEDULE 2****METHODOLOGY FOR CALCULATING AVOIDED ENERGY COSTS****Introduction:**

A unit commitment computer program is utilized to determine the hourly avoided energy cost as the basis for purchase of as-available energy from qualifying facilities. All economic, unit constraint, and system requirements data necessary for program execution is based on real time data accumulated during the hour that energy was received.

Determination of Energy Block Size:

The energy received from all as-available QFs is determined by the Company's Meter Department for metered energy and the Company's Energy Control Department for telemetered energy. The Energy Control Department combines these inputs to determine the total energy received by the Company from QFs for the period. The energy block size will be the equivalent of this total divided by the number of hours in the period, rounded to the nearest five MW. The energy price payable to the QFs will be based on this energy block size. A time aligned matrix of energy received from each QF excluding non-time-of-day QFs (less than 100 KW) is produced from this data (Energy Received Matrix).

Unit Commitment Program Execution:

The Unit Commitment Program is executed with the following hourly input data for the desired period:

1. Unit constraint data to simulate actual unit operating conditions and availability.
2. Resource economic data consistent with the data used in the actual dispatch of energy resources. This includes a replacement cost of fuel based on an average forecast price from the Company's suppliers for oil, the price for interruptible gas, and the spot market price of coal.
3. System load and operating/spinning reserve requirements actually experienced.
4. Interchange purchases in the magnitude and at the average variable cost actually incurred. The cost of emergency purchases shall be assumed equal to that of the average unit cost of emergency purchases made during the prior twelve months' period for which emergency purchase information is available.

The unit commitment program is executed a second time for the same period with an increase in the hourly system load equal to the energy block size. All other data remain the same.

Determination of Energy Price:

A comparison of the unit commitment program executions described above produces the energy prices. The hourly cost of the second execution minus the corresponding hourly cost of the first execution equals the hourly energy cost avoided by the Company as a result of the energy supplied by the QFs. These hourly avoided energy costs will be arranged into a time aligned matrix of energy prices (Energy Price Matrix).

**APPENDIX A
RATES****SCHEDULE 2
METHODOLOGY FOR CALCULATING AVOIDED ENERGY COSTS**

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Determination of Identifiable Variable Operation & Maintenance Cost:

The Company's Fossil Plant Performance Department examines for a five year historic period all the Company's production operation and maintenance expenses excluding fuel costs and identifies the variable component. A ratio of variable costs to total O&M costs excluding fuel is derived for various fossil generating types. The appropriate ratio is applied to each fossil generating type's unit cost (on a KWH basis) for the most current twelve months' period to establish the current variable O&M unit cost for each generating type. These unit costs are then weighted according to the current twelve months' generation output of each generating type to determine the average current variable O&M unit cost.

Determination of Line Loss (Delivery Voltage) Adjustment:

The Company's average system line losses are analyzed annually for the prior calendar year, and delivery efficiencies are developed for the transmission, distribution primary, and distribution secondary voltage levels. This analysis is provided in the Company's fuel cost recovery filing with the FPSC and/or the Company's filing of its Open Access Transmission Tariff with FERC. An adjustment factor, calculated as the reciprocal of the appropriate delivery efficiency factor, is applicable to the above determined avoided costs to reflect the delivery voltage level at which QF energy is received by the Company.

Determination of Payment:

The actual payment to each QF for the period is determined by one of the following methods:

1. For QFs (less than 100 KW) Time-of-Day Metered

Average On-Peak and Off-Peak energy prices derived from the "Energy Price Matrix" are applied to the QF's corresponding On-Peak and Off-Peak energy contained in the "Energy Received Matrix." Added to this amount is an amount representing avoided variable O&M cost which is calculated by applying the Company's variable O&M cost per KWH to the total energy received by the Company from the QF. The total amount derived is then adjusted by the delivery voltage adjustment.

2. For QFs (less than 100 KW) Non-Time-of-Day Metered

The average Off-Peak energy price derived from the "Energy Price Matrix" is applied to the QF's energy contained in the "Energy Received Matrix." Added to this amount is an amount representing avoided variable O&M cost which is calculated by applying the Company's variable O&M cost per KWH to the total energy received by the Company from the QF. The total amount derived is then adjusted by the delivery voltage adjustment.

3. For QFs (100 KW or Greater) Hourly Metered

The "Energy Price Matrix" is applied to corresponding elements of the QF's "Energy Received Matrix." Added to this amount is an amount representing avoided variable O&M cost which is calculated by applying the Company's variable O&M cost per KWH to the total energy received by the Company from the QF. The total amount derived is then adjusted by the delivery voltage adjustment.



**APPENDIX A
RATES**

SCHEDULE 3

CHARGES TO QUALIFYING FACILITY

Customer Charges:

The Qualifying Facility shall be responsible for all FPSC approved charges for any retail service that may be provided by the Company. The Qualifying Facility shall be billed at the customer charge rate stated in DEF's applicable standby tariff monthly for the costs of meter reading, billing, and other appropriate administrative costs.

Operation, Maintenance, and Repair Charges:

The Qualifying Facility shall pay for operation, maintenance and repair charges in accordance with its interconnection/transmission service agreement.

Taxes and Assessments:

The Qualifying Facility shall be billed or credited monthly an amount equal to the taxes, assessments, or other impositions, if any, for which the Company is liable as a result of its installation of facilities in connection with this Agreement, its purchase of As-Available Energy produced by the Qualifying Facility, or any other activity undertaken pursuant to this Agreement. Such amount billed shall not include any amounts (i) for which the Company would have been liable had it generated or purchased from other sources an equivalent amount of electric energy; or (ii) which are recovered by the Company.