BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

TESTIMONY OF DAROL LINDLOFF

ON BEHALF OF PANDA-KATHLEEN, L.P.

DOCKET NO. 950110-EI

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Q. Please state your name, profession, and business address.

A. My name is Darol Lindloff. I am Vice President of Panda Energy International, Inc. Panda Energy International, Inc., is engaged in the development and operation of cogeneration facilities. Panda-Kathleen, L.P. is engaged in the development of a qualified cogeneration facility in Lakeland, Florida pursuant to a contract between Panda-Kathleen, L.P. and Florida Power Corporation. My business address is 4100 Spring Valley, Dallas, Texas 75244.

Q. State briefly your educational and professional background.

A. I earned a B.S. in organic chemistry from Southwestern University in 1960. From 1970 to 1977 I was an applications engineer and sales manager for the

industrial gases division of Airco, Inc. From 1977 to 1983, I was a southwestern regional manager for the sale of systems and equipment at two different air pollution control firms. In 1984 and 1985, I developed cogeneration projects for Central & Southwestern Corporation's diversification subsidiary, C & SW Energy of Dallas, Texas. I developed cogeneration projects for Hawker Siddeley Power Engineering of Texas during 1986 and 1987. I arrived at Panda in 1989.

Q. On whose behalf are you appearing in this proceeding?

A. I am appearing on behalf of Panda-Kathleen, L.P.

Q. Please describe your duties with Panda Energy Corporation.

A. I am involved with all aspects of project development, including proposals, conceptual design, and technical backup efforts.

Q. When was your first contact with FPC on behalf of Panda?

A. In late 1990 and 1991, I was involved in negotiations with FPC to contract for a 150MW cogeneration plant to be located in Lakeland, Florida. Through those negotiations, I became acquainted with John Seelke, Robert Dolan and Alan Honey of FPC. Ultimately, in March 1991, FPC decided not to accept Panda's proposal because they required a different structuring of payment terms than our proposal had provided.

Q. Did Panda ever enter into a contract with FPC?

A. Yes. In September of 1991, Panda received notification that the PSC had approved a standard offer contract form for the sale of committed capacity to FPC. Panda completed the form, and sent it back to FPC. A copy of the completed standard offer contract is attached as Exhibit "A".

Q. What terms did Panda fill in on the standard offer contract?

A. The standard offer contract allows the cogenerator to chose a length of the contract of not less than ten years, and allows the cogenerator to chose a committed capacity to be provided to FPC. Panda chose a thirty year term and a committed capacity of 74.9 MW.

Q. When Panda executed the standard offer contract, did Panda think that the contract required Panda to build a plant with a total generating capacity in excess of 74.9 MW?

A. Yes. We thought that the contract would allow Panda to utilize any plant design which was sufficient to meet Panda's 74.9 MW committed capacity obligation to FPC. Panda knew that in order to meet the 74.9 MW committed capacity obligation, it would need to build a plant that would be able to produce an average output substantially larger than 74.9 MW.

Q. Why would Panda need to build a plant with the ability to produce an average output substantially larger than 74.9 MW ?

A. The output of a power plant at any given time is dependant on conditions such as humidity, ambient temperatures, power line loss, and degradation of output due to necessary maintenance. Since the average weather conditions in Florida involve massive amounts of high temperatures and humidity, you need a larger facility to meet a specific output requirement. In the case of the Lakeland facility, you would need a substantial amount of additional design capacity to be sure that a 74.9 MW minimum committed capacity is met during all conditions.

Q. Did FPC know that climate conditions would affect plant output?

A. Yes. In fact, FPC had asked Panda to provide output figures for the proposed plant under a range of ambient temperatures, including 110 degrees fahrenheit. At

that temperature, the drop off in generating efficiency would be considerable.

Q. When designing the plant, did Panda limit its analysis to a single plant design or capacity?

A. No. We considered many different brands of equipment in several different configurations to meet the 74.9 MW committed capacity. Initially we considered using a combination of smaller turbines to met the committed capacity. However, the applicable environmental regulations changed shortly before we had to commit to our equipment selection, and that change required us to go to larger turbines with better demonstrated environmental capability.

Q. How did the environmental regulations change?

A. The amount of permissible "nox" emissions for plants such as Panda-Kathleen was decreased from 25 parts per million to 15 parts per million.

Q. How did that environmental regulatory change affect Panda's choice of equipment?

A. That regulatory change made it very difficult to utilize small turbines in the project, since those turbines were based on aircraft engines. Aircraft-derivative machinery at that time burned fuel at a fairly high temperature, and the combustion chambers and burner configurations were not yet adapted to reduce nox emissions. Accordingly, it creates a proportionately larger amount of nox emissions. Due to the regulatory change, Panda chose to use an industrial frame engine, with a burner design and a combustion stage which was proven and guaranteed to meet the lower nox standards.

Q. Did Panda submit a proposed plant design to FPC while FPC was considering which standard offer contract to accept?

A. Yes. Soon after Panda submitted its executed standard offer contract, Panda tentatively proposed utilizing

three GE LM-2500 units, which would have produced about 90 MW at ISO conditions.

Q. Why did Panda decide not to use that configuration for the project?

A. After we reviewed and considered the existing and revised environmental regulations, we determined that the three GE LM-2500 units would not meet those regulations.

Q. Would it be technically feasible to build a plant with a total capacity of 75 MW or less that could meet Panda's 74.9 MW committed capacity obligations to FPC?

A. No.

Q. Why was it necessary for Panda to design a plant which resulted in a capacity greater than 74.9 MW?

A. Panda chose and permitted a configuration utilizing an ABB-11N turbine or the GE Frame 7, because this was the minimum plant size which could meet Panda's 74.9 MW minimum committed capacity obligation under the site

conditions, operational condition, and the applicable environmental regulations.

Q. Did Panda ever discuss the design capacity of the proposed plant with FPC?

A. Yes. Other Panda employees had discussed this issue with FPC employees in the early months of 1992, and I had a phone conversation with Alan Honey at FPC concerning the size of the plant on September 29, 1992.

Q. What did Alan Honey tell you in that conversation?

A. He told me that he knew that no configuration of equipment would put out exactly 74.9 MW under all circumstances. He said that, during on peak periods, FPC would in all likelihood want and need all energy that the Panda plant would produce in excess of 74.9 MW Committed Capacity, as long as the amount was within reason. He said that FPC would find a 95 to 100 MW plant reasonable, and said that FPC would prefer a plant using two GE LM-6000 machines in combined cycle.

Q. Did Mr. Honey ask you to go to the PSC regarding the size of Panda's plant?

A. No.

Q. Do you recognize this memo, dated October 8, 1992 [Exhibit "A"]?

A. Yes. It is memo from me to Brian Dietz, containing a summary of my conversation with Alan Honey on September 29, 1992.

Q. Why did you write this memo to Brian Dietz?

A. Brian had the responsibility for the technical specifications for the plant, and he had questions regarding how much capacity and output was acceptable.

Q. Did you ever have any further discussions with FPC on the size of Panda's facility?

A. No. However, on January 6 of 1995, I, along with Gerald Pargac of Panda, met with Alan Honey and Pete

O'Niel of FPC on other matters. At that meeting, I presented them with a copy of a letter from the PSC staff stating that Panda's designed capacity was acceptable to the PSC staff. A copy of that letter is attached as Exhibit "B". Alan Honey reviewed that letter at the meeting, and gave no indication that the plant size would be a problem. Minutes of a Panda meeting in which I summarized these discussions with FPC are attached as Exhibit "C".

Q. Did you ever have any discussions with FPC about the length of the Panda/FPC contract?

A. Yes. On January 9, 1992, I attended a meeting with several of FPC's employees. At that meeting, Alan Honey indicated to the Panda representatives, including myself, that something could be done about the fact that the attached contract rate schedule only had twenty years worth of payments listed. He stated that either (1) the payments for the last ten years of the contract could be computed using a 5.1% escalation factor, (2) the payments could be computed using the formula contained in the PSC regulations, or (3) a

different avoided unit could be considered. He stated that the best way to deal with the problem seemed to be using the 5.1% escalation rate, but whatever solution, he as spokesman left me with the strong impression that something would be done.

Q. Does this conclude your testimony?

A. Yes.

Darol Lindloff

STATE OF TEXAS)
) SS: 467-54-5763
COUNTY OF Dallas)

The foregoing instrument was acknowledged before me this 6th day of January, 1996 by Darol Lindloff. He is personally known me, and did take an oath.

[NOTARIAL SEAL]

THERESIA M. BONE
NOTARY PUBLIC
State of Texas
Comm. Exp 06-23-97

Notary: Theresia M. Bone
Print Name: THERESIA M. BONE
Notary Public, State of Texas
My commission expires: 6-23-97

FPSC DOCKET NO. 950110-EI
EXHIBIT NO. _____DL-1

Standard Offer
For Purchase Of Firm Capacity and Energy
From A Qualifying Facility Less Than 75 MW Or A Solid Waste Facility

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DAROL LINDLOFF
Exhibit No. DL-1
Sheet 1 of 88

ISSUED BY: S. F. Nixon, Jr., Director Rate Department

EFFECTIVE: September 20, 1991

EXHIBIT
-1-

STANDARD OFFER CONTRACT FOR THE PURCHASE OF FIRM CAPACITY AND ENERGY FROM A QUALIFYING FACILITY LESS THAN 75 MW OR A SOLID WASTE FACILITY

between

PANDA-KATHLEEN L.P.

and

FLORIDA POWER CORPORATION

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Docket 95-0110-EI
DAROL LINDLOFF
Exhibit No. DL-1
Sheet 4 of 88

STANDARD OFFER CONTRACT FOR THE PURCHASE OF FIRM CAPACITY AND ENERGY FROM A QUALIFYING FACILITY LESS THAN 75 MW OR A SOLID WASTE FACILITY

This Agreement ("Agreement") is made and entered by and between Panda-Kathleen, L.P., a Delaware Limited Partnership, having its principal place of business at 4100 Spring Valley #1001 Dallas, TX 75244 (hereinafter referred to as the "QF"), and Florida Power Corporation, 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 to sell, and the Company desires to purchase, electricity to be generated by the Facility and made available for sale to the Company, consistent with FPSC Rules 25-17.080 through 25-17.091 in effect as of the Execution Date; and

WHEREAS, the QF will engage in interconnected operation of the QF's generating facility with the Company system (hereinafter referred as the "Transmission Service Utility") which is directly interconnected at one or more points with the Company.

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 Interconnection Scheduling and Cost Procedures.

1.1.2 Appendix B sets forth the Company's Parallel Operating Procedures.

1.1.3 Appendix C sets forth the Company's Standard Offer Rates for Purchase of Firm Capacity and Energy from a Qualifying Facility less than 75 MW or a Solid Waste Facility.

1.1.4 Appendix D sets forth the Company's Transmission Service Standards.

1.1.5 Appendix E sets forth FPSC Rules 25-17.080 through 25-17.091 in effect as of the Execution Date.

1.2 Avoided Unit Fuel Reference Plant means that Company unit(s) whose delivered price of fuel shall be used as a proxy for the fuel associated with the avoided unit is defined in Appendix C.

1.3 Avoided Unit Heat Rate means the average annual heat rate associated with the unit in million BTU per KWH as it is defined in Appendix C.

1.4 Avoided Unit Variable O & M means the variable operation and maintenance expense associated with the unit type selected in section 8.2.1 hereof in dollars per KWH as it is defined in Appendix C.

1.5 BTU means British thermal unit.

1.6 Capacity Account means that account which complies with the procedure in section 8.6 hereof.

1.7 Capacity Payment Adjustment means the value calculated pursuant to Appendix C.

1.8 Commercial In-Service Status means (i) that the Facility is in compliance with all applicable Facility permits; (ii) that the Facility has maintained an hourly KW output, as metered at the Point of Delivery, equal to or greater than the Committed Capacity for a consecutive twenty-four (24) hour period or during the On-Peak Hours specified in Appendix C of two consecutive days; and (iii) that such twenty-four (24) hour period is reasonably reflective of the Facility's day to day operations.

1.9 Committed Capacity means the KW capacity, as defined in Article VI hereof, which the QF has agreed to make available on a firm basis at the Point of Delivery.

1.10 Company's Interconnection Facilities means all equipment which is constructed, owned, operated, and maintained by the Company 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 reasonable 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.

1.11 Contract In-Service Date means the date, as specified in Article IV hereof, by which the QF has agreed to achieve Commercial In-Service Status.

1.12 Construction Commencement Date means the date on which work on the concrete foundation for the turbine generator begins and substantial construction activity at the Facility site thereafter continues.

1.13 Control Area means a utility system capable of regulating its generation in order to maintain its interchange schedule with other utility systems and contribute its frequency bias obligation to the interconnection.

1.14 Execution Date means the date on which the Company executes this Agreement.

1.15 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 and all equipment required for parallel operation with the interconnected utility.

1.16 FERC means the Federal Energy Regulatory Commission and any successor.

1.17 Florida-Southern Interface means the points of interconnection between the electric Control Areas of (1) Florida Power & Light Company, Florida Power Corporation, Jacksonville Electric Authority, and the City of Tallahassee and (2) Southern Company.

1.18 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.

1.19 FPSC means the Florida Public Service Commission and any successor.

1.20 Import Capability means the capability to import power at the Florida-Southern Interface, giving consideration to the various limitations imposed upon those facilities by the electric systems to which they are directly or indirectly connected.

1.21 Interconnection Costs means the actual costs incurred by the Company for the Company's Interconnection Facilities, including, without limitation, the cost of equipment, engineering, communication and administrative activities.

1.22 Interconnection Costs Offset means the estimated costs included in the Interconnection Costs that the Company would have incurred if it were not purchasing Committed Capacity and electric energy but instead itself generated or purchased from other sources an equivalent amount of Committed Capacity and electric energy and provided normal service to the Facility as if it were a non-generating customer.

1.23 KW means one (1) kilowatt of electric capacity.

1.24 KWH means one (1) kilowatthour of electric energy.

1.25 Minimum On-Peak Capacity Factor means that value which is associated with the unit as it is defined in Appendix C.

1.26 Minimum Total Capacity Factor means that value which is associated with the unit as it is defined in Appendix C.

1.27 On-Peak Hours means those daily time periods specified in Appendix C.

1.28 On-Peak Capacity Factor means the ratio calculated pursuant to section 8.3 hereof.

1.29 Operational Event of Default means an event or circumstance defined as such in Article XV hereof.

1.30 Performance Adjustment means the value calculated pursuant to Appendix C.

1.31 Point of Delivery means the point(s) where electric energy delivered to the Company pursuant to this Agreement enters the Company's system.

1.32 Point of Metering means the point(s) where electric energy made available for delivery to the Company, subject to adjustment for losses, is measured.

1.33 Point of Ownership means the interconnection point(s) between the Facility interconnected utility.

1.34 Pre-Operational Event of Default means an event or circumstance defined as such in Article XV hereof.

1.35 Security Guaranty means the deposits or other assurances as specified in section 13.1 hereof.

1.36 Qualifying [Small Power Production or Cogeneration] Facility means a facility that meets the requirements defined in FPSC Rule 25-17.080.

1.37 Term means the duration of this Agreement as specified in Article IV hereof.

1.38 Total Capacity Factor means the ratio calculated pursuant to section 8.4 hereof.

1.39 Transmission Service Agreement means that agreement between the QF and the Transmission Service Utility which meets the requirements of Appendix D.

ARTICLE II: AVAILABILITY

2.1 The availability of this Agreement is subject to:

2.1.1 The available capacity limitations described in Schedule 1 of Appendix C; and

2.1.2 The Facility being a solid waste facility pursuant to FPSC Rule 25-17.091 or the Facility having a Committed Capacity which is less than 75,000 KW; and

2.1.3 The provisions of section 2.2.

2.2 This Agreement is available to a QF with a Facility which shall be located south of the latitude of the Company's Central Florida Substation. For a QF with a Facility located north of the latitude of the Company's Central Florida Substation, this Agreement is available provided that (i) by the Contract In-Service Date the Company can make available an amount of Import Capability equal to the diminution of Import Capability caused by the Facility during the Term of the Agreement; and (ii) the QF shall reimburse the Company for such costs incurred by the Company to make available such Import Capability. Such reimbursement shall not be considered as a reduction in the payments made by the Company to the QF for capacity and energy purchased under this Agreement.

ARTICLE III: FACILITY

3.1 The Facility shall be located in Section 20, Township 28 South, Range 23 E. 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.

3.2 Throughout the Term of this Agreement, the Facility shall be a Qualifying [redacted] Facility.

3.3 Except for Force Majeure Events declared by the Facility's fuel supplier(s) or fuel transporter(s) which comply with the definition of Force Majeure Events as specified in this Agreement and occur after the Contract In-Service Date, the Facility's ability to deliver its Committed Capacity shall not be encumbered by interruptions in its fuel supply.

3.4 The QF shall either (i) arrange for and maintain standby electrical service under a firm tariff; or (ii) maintain the ability to restart and/or continue operations during interruptions of electric service; or (iii) maintain multiple independent sources of generation.

3.5 From the Execution Date through the Contract In-Service Date, the QF shall provide the Company with progress reports on the first day of January, April, July and October which describe the current status of Facility development in such detail as the Company may reasonably require.

ARTICLE IV: TERM AND MILESTONES

4.1 The Term of this Agreement shall begin on the Execution Date and shall expire at 24:00 hours on the last day of March 2025 [month, year], unless extended pursuant to section 4.2.4 hereof or terminated in accordance with the provisions

of this Agreement. 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.

4.2 The Parties agree that time is of the essence and that: (i) the QF shall execute the Transmission Service Agreement, if applicable, which shall be approved or accepted for filing by the FERC on or before the first day of [month, year]: N/A; (ii) the Construction Commencement Date shall occur on or before the first day of [month, year]: 4/1/94; and (iii) the Facility shall achieve Commercial In-Service Status on or before the first day of [month, year]: 4/1/95, which date shall constitute the Contract In-Service Date. These three dates shall not be modified except as follows: upon written request by the QF not more than sixty (60) days after the declaration of a Force Majeure Event by the QF, which event contributes proximately and materially to a delay in the QF's schedule, these three dates each may be extended on a day-for-day basis for each day of delay so caused by the Force Majeure Event; provided, however, that the QF shall specifically identify: (i) each date for which extension is being requested; and (ii) the expected duration of the Force Majeure Event; and provided further, that the maximum extension of any of these three dates shall in no event exceed a total of one hundred and eighty (180) days, irrespective of the nature or number of Force Majeure Events declared by the QF. If the Contract In-Service Date is extended then the Term of the Agreement may be extended for the same number of days.

ARTICLE V: QF OPERATING RESPONSIBILITIES

5.1 During the Term of this Agreement, the QF shall:

5.1.1 Have the sole responsibility to, and shall at its sole expense, operate and maintain the Facility in accordance with all requirements set forth in this Agreement.

5.1.2 Provide the Company prior to October 1 of each calendar year the estimated amounts of electricity to be generated by the Facility and delivered to the Company for each month of the following calendar year, including the time, duration and magnitude of any planned outages or reductions in capacity.

5.1.3 Promptly notify the Company of any changes to the yearly generation and maintenance schedules.

5.1.4 Provide the Company by telephone or facsimile prior to 9:00 A.M. of each day an estimate of the hourly amounts of electric energy to be delivered at the Point of Delivery for the next succeeding day.

5.1.5 Coordinate scheduled outages and maintenance of the Facility with the Company. The QF agrees to recognize and accommodate the Company's system demands and obligations by exercising reasonable efforts to schedule outages and maintenance during such times as are designated by the Company.

5.1.6 Comply with reasonable requirements of the Company regarding day-to-day or hour-by-hour communications with the Company or with the Transmission Service Utility relative to the performance of this Agreement.

5.2 The estimates and schedules provided by the QF under this Article V shall be prepared in good faith, based on conditions known or anticipated at the time such estimates and schedules are made, and shall not be binding upon either Party; provided, however, that the QF shall in no event be relieved of its obligation to deliver Committed Capacity under the terms and conditions of this Agreement.

ARTICLE VI: PURCHASE AND SALE OF CAPACITY AND ENERGY

6.1 Commencing on the Contract In-Service Date, the QF shall commit, sell and arrange for delivery of the Committed Capacity to the Company and the Company agrees to purchase, accept and pay for the Committed Capacity made available to the Company at the Point of Delivery in accordance with the terms and conditions of this Agreement. The QF also shall sell and deliver or arrange for the delivery of the electric energy to the Company and the Company agrees to purchase, accept, and pay for such electric energy as is made available for sale to and received by the Company at the Point of Delivery.

6.2 The Committed Capacity and electric energy made available at the Point of Delivery to the Company shall be ~~xx~~ net of any electric energy used on the QF's side of the Point of Ownership or ( ) simultaneous with any purchases from the interconnected utility. This selection in billing methodology shall not be changed.

6.3 If the Company is unable to receive part or all of the Committed Capacity which the QF has made available for sale to the Company at the Point of Delivery by reason of (i) a Force Majeure Event; or (ii) pursuant to FPSC Rule 25-17.086, notice and procedural requirements of Article XX or FPSC Rule 25-17.086 shall apply and the Company will nevertheless be obligated to make capacity payments which the QF would be otherwise qualified to receive, and to pay for energy actually received, if any. The Company shall not be obligated to pay for energy which the QF would have delivered but for such occurrences and QF shall be entitled to sell or otherwise dispose of such energy in any lawful manner; provided, however, such entitlement to sell shall not be construed to require the Company to transmit such energy to another entity.

6.4 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 be unreasonably withheld. The QF shall provide the Company not less than thirty (30) days written notice before any testing to establish the

Facility's Commercial In-Service Status. Representatives of the Company shall have the right to be present during any such testing.

ARTICLE VII: CAPACITY COMMITMENT

7.1 The Committed Capacity shall be 74,900 KW, unless modified in accordance with this Article VII. The Committed Capacity shall be made available at the Point of Delivery from the Contract In-Service Date through the remaining Term of this Agreement.

7.2 For the period ending one (1) year immediately after the Contract In-Service Date, the QF may, on one occasion only, increase or decrease the initial Committed Capacity by no more than ten percent (10%) of the Committed Capacity specified in section 7.1 hereof upon written notice to the Company before such change is to be effective; provided, however, that in no event shall the Committed Capacity exceed 75,000 KW unless the QF is a solid waste facility.

7.3 A redesignated Committed Capacity pursuant to this Article VII shall be stated to the nearest whole KW and shall be effective only on the commencement of a full billing period.

7.4 The Company shall have the right to require that the QF, not more than once in any twelve (12) month period, re-demonstrate the Commercial In-Service Status of the Facility within sixty (60) days of the demand; provided, however, that such demand shall be coordinated with the QF so that the sixty (60) day period for re-demonstration period avoids, if practical, previously notified periods of planned outages and reduction in capacity pursuant to Article V.

7.5 During a Force Majeure Event declared by the QF, the QF may temporarily redesignate the Committed Capacity for up to twenty-four (24) consecutive months; provided, however, that no more than one such temporary redesignation may be made within any twenty-four (24) month period unless otherwise agreed by the Company in writing. Within three (3) months after such Force Majeure Event is cured, the QF may, on one occasion, without penalty,

designate a new Committed Capacity to apply for the remaining Term. Any temporary or final redesignation of the Committed Capacity pursuant to this section 7.5 must, in the Company's judgment, be directly attributable to the Force Majeure Event and of a magnitude commensurate with the scope of the Force Majeure Event.

ARTICLE VIII: CAPACITY PAYMENTS

8.1 Capacity payments shall not commence before the Contract In-Service Date and until the QF has achieved Commercial In-Service Status.

8.2 Capacity payments shall be based upon the following selections as described in Appendix C.

8.2.1 Payment options:

( ) Value of deferral payments
(X) Early payments
( ) Levelized payments
( ) Early levelized payments

8.2.2 If an early payment option is selected pursuant to section 8.2.1, then early payments shall not commence more than three (3) years prior to the Contract In-Service Date for the unit. For the selected early payment option, the early payments shall commence 2 ( ) years prior to the Contract In-Service Date. (As provided in columns 5, 6, and 7 of page 2, Schedule 3, Appendix C.)

8.3 At the end of each billing month, beginning with the first full month following the Contract In-Service Date, the Company will calculate the rolling average On-Peak Capacity Factor for the most recent twelve (12) month period, including such month, or for the actual number of full months since the Contract In-Service Date if less than twelve (12) months, based on the On-Peak Hours defined in Appendix C. The On-Peak Capacity Factor shall be calculated

as the electric energy actually received by the Company at the Point of Delivery during the On-Peak Hours of the applicable period divided by the product of the Committed Capacity and the number of On-Peak Hours during the applicable period. In calculating the On-Peak Capacity Factor, the Company shall exclude hours and electric energy delivered by the QF during periods in which: (i) the Company does not or cannot perform its obligations to receive all the electric energy which the QF has made available at the Point of Delivery; or (ii) the QF's payments for electric energy are being calculated pursuant to section 9.1.1 hereof.

8.4 At the end of each billing month, beginning with the first ful month following the Contract In-Service Date, the Company will calculate th rolling average Total Capacity Factor for the most recent twelve (12) mont period, including such month, or for the actual number of full months since th Contract In-Service Date if less than twelve (12) months. The Total Capacit Factor shall be calculated as the electric energy actually received by th Company during the hours of the applicable period divided by the product of the Committed Capacity and the number of hours during the applicable period. In calculating the Total Capacity Factor, the Company shall exclude hours and electric energy delivered by the QF during periods in which: (i) the Company does not or cannot perform its obligations to receive all electric energy which the QF has made available at the Point of Delivery; or (ii) the QF's payments for electric energy are being calculated pursuant to section 9.1.1 hereof.

8.5 The QF will be eligible for a capacity payment in any month that the Total Capacity Factor exceeds the Minimum Total Capacity Factor. The monthly capacity payment shall be equal to the product of (i) the applicable capacity payment rate; (ii) the Committed Capacity; (iii) the Capacity Payment Adjustment; and (iv) the ratio of the total number of hours in the billing period less the number of hours during which the QF is being paid for energy pursuant to section 9.1.1 to the total number of hours in the billing period.

8.6 The Parties recognize that early or early levelized capacity payments are in the nature of "early payment" for a future capacity benefit to

the Company when such payments exceed value of deferral capacity payments. To ensure that the Company will receive a capacity benefit for such difference in capacity payments which have been made, or alternatively, that the QF will repay the amount of such difference in payments received to the extent the capacity benefit has not been conferred, the following provisions will apply:

8.6.1 When the QF is first entitled to a capacity payment, the Company shall establish a Capacity Account. Each month the Capacity Account shall be credited in the amount of the Company's capacity payments made to the QF pursuant to the early or levelized payment options and shall be debited in the amount which the Company would have paid for capacity in the month pursuant to the value of deferral payment option.

8.6.2 The monthly balance in the Capacity Account shall accrue interest at the annual rate of 9.96%, or 0.7944% per month.

8.6.3 The QF shall owe the Company and be liable for the credit balance in the Capacity Account. The Company agrees to notify QF monthly as to the current Capacity Account balance. Prior to receipt of accelerated capacity payments the QF shall in the form of: (i) an unconditional and irrevocable direct pay letter of credit; (ii) surety bond; (iii) other form of acceptable security; or (iv) other promise to repay such amount, (for governmental solid waste), in compliance with rule 25-17.091 F.A.C.; provided that the entity issuing such promise, the form of the promise, and the means of securing payment shall be acceptable to the Company in its sole discretion.

8.6.4 The QF's obligation to pay the credit balance in the Capacity Account shall survive termination or expiration of this Agreement.

ARTICLE IX: ENERGY PAYMENTS

9.1 For that electric energy received by the Company at the Point of Delivery each month, the Company will pay the QF an amount computed as follows:

9.1.1 Prior to the Contract In-Service Date and for the duration of an Event of Default or a Force Majeure Event declared by the QF prior to a permitted redesignation of the Committed Capacity by the QF, the QF will receive electric energy payments based on the Company's actual avoided energy costs as calculated hourly in accordance with FPSC Rule 25-17.0825; provided, however, that the calculation shall be based on such rule as it may be amended from time to time.

9.1.2 Except as otherwise provided in section 9.1.1 hereof, for each billing month beginning with the first full month following the Contract In-Service Date, the QF will receive electric energy payments calculated on an hour-by-hour basis as follows: (i) the product of the average monthly inventory chargeout price of fuel burned at the Avoided Unit Reference Plant and the Avoided Unit Heat Rate, plus the Avoided Unit Variable O & M for each hour that the Company would have had a unit with these characteristics operating; and (ii) during all other hours, the Company's actual avoided energy cost calculated in accordance with section 9.1.1.

9.1.3 Energy payments shall be equal to the sum, over all hours of the month, of the product of each hour's energy cost as determined pursuant to section 9.1.1 hereof or section 9.1.2 hereof, whichever is applicable, and the energy received by the Company at the Point of Delivery, plus the Performance

Adjustment, if applicable. The QF ( ) elects (X) does not elect the Performance Adjustment in Appendix C.

9.2 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 C.

ARTICLE X: CREDITS & CHARGES TO THE QF

10.1 The Company shall bill and the QF shall pay or receive all charges applicable under this Agreement.

10.2 To the extent not otherwise included in the charges under section 10.1 hereof, the Company shall bill and the QF shall pay or receive a monthly charge or credit equal to any taxes, assessments or other impositions for which the Company may be liable or relieved of as a result of its installation of facilities in connection with this Agreement, its purchases of Committed Capacity and electric energy from the QF or any other activity undertaken pursuant to this Agreement. Such debit or credit shall not include any amounts; (i) for which the Company would have been liable or relieved of had it generated or purchased from other sources an equivalent amount of Committed Capacity and electric energy based on normal value of deferral payments; or (ii) which are recovered or later paid by the Company.

10.3 The QF will receive a debit or a credit equal to the difference between the way the system would have operated utilizing the avoided unit and the way the system actually operated with the QF. The value of the emission credits or debits received by the QF will be the value at the time that the credits or debits were incurred by the Company. In order to be eligible for a credit for sulfur dioxide emission reductions the energy provided by the QF must be of equal value in reducing system-wide sulfur dioxide emissions as the energy that would have been provided by the avoided unit.

ARTICLE XI: METERING

11.1 All electric energy delivered to the Company shall be capable of being measured hourly 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 or the Transmission Service Utility, if applicable, and all related costs shall be charged to the QF, pursuant to Appendix A, as part of the Company's Interconnection Facilities.

11.2 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.

11.3 The QF shall have the right to install, at its own expense, metering equipment capable of measuring energy on an hourly basis at the Point of Metering. At the request of the QF, the Company shall provide the QF hourly energy cost data from the Company's systems; provided that the QF agrees to reimburse the Company for its cost to provide such data.

ARTICLE XII: PAYMENT PROCEDURE

12.1 Bills shall be issued and payments shall be made monthly to the QF and by the QF in accordance with the following procedures:

12.1.1 The capacity payment, if any, calculated for a given month pursuant to Article VIII hereof shall be added to the electric energy payment, if any, calculated for such month

pursuant to Article IX hereof. The resulting amount, if any, 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.

12.1.2 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.

12.1.3 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.

12.1.4 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 specified in section 13.2 hereof.

ARTICLE XIII: SECURITY GUARANTIES

13.1 Within sixty (60) days after the Execution Date of this Agreement, the QF shall post a Security Guaranty with the Company equal to $10.00 per KW of Committed Capacity to ensure completion of the Facility in a timely fashion as contemplated by this Agreement. This Agreement shall terminate if the Security Guaranty is not tendered on or before the applicable due date specified herein. The QF shall either: (i) pay the Company a cash deposit in

an amount equal to the Security Guaranty; or (ii) provide the Company an unconditional and irrevocable direct pay letter of credit or (iii) surety bond; or (iv) other promise to pay such amount, (for governmental solid waste facility), in compliance with rule 25-17.091 F.A.C. upon failure of the QF to perform its obligations under this Agreement; provided that the entity issuing such promise, the form of the promise, and the means of securing payment all shall be acceptable to the Company in its sole discretion.

13.2 A Security Guaranty paid to the Company shall accrue interest at a rate equal to the thirty (30) day highest grade commercial paper rate as published in the Wall Street Journal on the first business day of each month. Such interest shall be compounded monthly.

13.3 If the Facility achieves Commercial In-Service Status on or before the Contract In-Service Date, the Company shall refund to the QF any cash Security Guaranty paid to the Company and accrued interest within thirty (30) days thereafter or shall cancel any other form of Security Guaranty which the Company has accepted in lieu of a cash deposit. If this Agreement is terminated pursuant to section 15.2, the QF shall immediately forfeit and the Company, in lieu of any other remedies, shall retain the monies associated with any Security Guaranty made by the QF pursuant to section 13.1 and the interest, if applicable, pursuant to section 13.2.

ARTICLE XIV: REPRESENTATIONS, WARRANTIES AND COVENANTS

14.1 The QF makes the following additional representations, warranties and covenants as the basis for the benefits and obligations contained in this Agreement:

14.1.1 The QF represents and warrants that it is a corporation, partnership or other business entity duly organized, validly existing and in good standing under the laws

of the State/Commonwealth of Delaware and is qualified to do business under the laws of the State of Florida.

14.1.2 The QF represents, covenants and warrants that, to the best of the QF's knowledge, throughout the Term of this Agreement the QF will be in compliance with, or will have acted in good faith and used its best efforts to be in compliance with, all laws, judicial and administrative orders, rules and regulations, with respect to the ownership and operation of the Facility, including but not limited to applicable certificates, licenses, permits and governmental approvals; environmental impact analyses, and, if applicable, the mitigation of environmental impacts.

14.1.3 The QF represents and warrants that it is not prohibited by any law or contract from entering into this Agreement and discharging and performing all covenants and obligations on its part to be performed pursuant to this Agreement.

14.1.4 The QF represents and warrants that there is no pending or threatened action or proceeding affecting the QF before any court, governmental agency or arbitrator that could reasonably be expected to affect materially and adversely the ability of the QF to perform its obligations hereunder, or which purports to affect the legality, validity or enforceability of this Agreement.

14.2 All representations and warranties made by the QF in or under this Agreement shall survive the execution and delivery of this Agreement and any action taken pursuant hereto.

ARTICLE XV: EVENTS OF DEFAULT; REMEDIES

15.1 PRE-OPERATIONAL EVENTS OF DEFAULT

Any one or more of the following events occurring before the Contract In-Service Date for any reason, except events caused by the Company, shall constitute a Pre-Operational Event of Default and shall give the Company the right, without limitation, to exercise the remedies specified under section 15.2 hereof:

15.1.1 The QF, without a prior assignment permitted pursuant to Article XXII hereof, becomes insolvent, becomes subject to bankruptcy or receivership proceedings, or dissolves as a legal business entity.

15.1.2 Any representation or warranty furnished by the QF to the Company is false or misleading in any material respect when made and the QF fails to conform to said representation or warranty within sixty (60) days after a demand by the Company to do so.

15.1.3 The QF has not entered into the Transmission Service Agreement, if applicable, which has been approved or accepted for filing by the FERC on or before the date specified in Article IV hereof, as extended only pursuant to said Article IV.

15.1.4 The Construction Commencement Date has not occurred on or before the date specified in Article IV hereof, as extended only pursuant to said Article IV.

15.1.5 The QF fails to diligently pursue construction of the Facility after the Construction Commencement Date.

15.1.6 The Facility fails to achieve Commercial In-Service Status on or before the Contract In-Service Date.

15.1.7 The QF fails to comply with any other material terms and conditions of this Agreement and fails to conform to said term and condition within sixty (60) days after a demand by the Company to do so.

15.2 REMEDIES FOR PRE-OPERATIONAL EVENTS OF DEFAULT

For any Pre-Operational Event of Default specified under section 15.1 hereof, the Company may terminate this Agreement and retain the Security Guaranty pursuant to section 13.3.

15.3 OPERATIONAL EVENTS OF DEFAULT

Any one or more of the following events except events caused by Force Majeure Events unless otherwise stated, occurring on or after the Contract In-Service Date shall constitute an Operational Event of Default by the QF and shall give the Company the right, without limitation, to exercise the remedies under section 15.4 hereof:

15.3.1 The QF fails upon request by the Company pursuant to section 7.4 hereof to re-demonstrate the Facility's Commercial In-Service Status to the satisfaction of the Company.

15.3.2 The QF fails for any reason, including Force Majeure Events, to qualify for capacity payments under Article VIII hereof for any consecutive twenty-four (24) month period.

15.3.3 The QF fails to perform or comply with any other material terms and conditions of this Agreement and fails to

conform to said term and condition within sixty (60) days after a demand by the Company to do so.

15.3.4 The QF, without a prior assignment permitted pursuant to Article XXII hereof, becomes insolvent, becomes subject to bankruptcy or receivership proceedings, or dissolves as a legal business entity.

15.4 REMEDIES FOR OPERATIONAL EVENTS OF DEFAULT

For any Operational Event of Default specified under section 15.3 hereof, the Company may, without an election of remedies to the exclusion of other remedies, take any of the following actions:

15.4.1 Allow the QF a reasonable opportunity to cure the Operational Event of Default and suspend its capacity payment obligations upon written notice whereupon the QF shall be entitled only to energy payments calculated pursuant to section 9.1.1 hereof. Thereafter, if the Operational Event of Default is cured: (i) capacity payments shall resume and subsequent energy payments shall be paid pursuant to section 9.1.2 hereof; and (ii) the On-Peak Capacity Factor and the Total Capacity Factor shall be calculated on the assumption that the first full month after the Operational Event of Default is cured is the first month that the performance criteria are imposed.

15.4.2 Terminate this Agreement.

15.4.3 Exercise all remedies available at law or in equity.

ARTICLE XVI: PERMITS

The QF hereby agrees to seek to obtain, at its sole expense, any and all governmental permits, certificates, or other authorization the QF is required to obtain as a prerequisite to engaging in the activities provided for in this Agreement. The Company hereby agrees, at the QF's expense, to seek to obtain any and all governmental permits, certificates, or other authorization the Company is required to obtain as a prerequisite to engaging in the activities provided for in this Agreement.

ARTICLE XVII: 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 Article XVII.

ARTICLE XVIII: 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 capacity and energy, whether arising in contract, tort, or otherwise.

ARTICLE XIX: INSURANCE

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

19.1 In addition to other insurance carried by the QF in accordance with the Agreement, 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.

19.2 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 which can be exceeded by the QF. 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.

19.3 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 XX: FORCE MAJEURE

20.1 If either Party because of Force Majeure Event is rendered wholly or partly unable to perform its obligations under this Agreement, other than the obligation of that Party to make payments of money, that Party shall, except as otherwise provided in this Agreement, be excused from whatever performance is affected by the Force Majeure Event to the extent so affected, provided that:

20.1.1 The non-performing Party, as soon as possible after it becomes aware of its inability to perform, shall declare a Force Majeure Event and give the other Party written notice of the particulars of the occurrence(s), including without limitation, the nature, cause, and date and time of commencement of the occurrence(s), the anticipated scope and duration of any delay, and any date(s) that may be affected thereby.

20.1.2 The suspension of performance is of no greater scope and of no longer duration than is required by the Force Majeure Event.

20.1.3 Obligations of either Party which arose before the occurrence causing the suspension of performance are not excused as a result of the occurrence.

20.1.4 The non-performing Party uses its best efforts to remedy its inability to perform with all reasonable dispatch;

provided, however, that nothing contained herein shall require the settlement of any strike, walkout, lockout or other labor dispute on terms which, in the sole judgment of the affected Party, are contrary to its interests. It is understood and agreed that the settlement of strikes, walkouts, lockouts or other labor disputes shall be entirely within the discretion of the affected Party.

20.1.5 When the non-performing Party is able to resume performance of its obligations under this Agreement, that Party shall so notify the other Party in writing.

20.2 Unless and until the QF temporarily redesignates the Committed Capacity pursuant to section 7.5 hereof, no capacity payment obligation pursuant to Article VII hereof shall accrue during any period of a declared Force Majeure Event pursuant to section 20.1.1 through 20.1.5. During any such period, the Company will pay for such energy as may be received and accepted pursuant to section 9.1.1 hereof.

20.3 If the QF temporarily or permanently redesignates the Committed Capacity pursuant to section 7.5 hereof, then capacity payment obligations shall thereafter resume at the applicable redesignated level and the Company will resume energy payments pursuant to section 9.1.2 hereof.

ARTICLE XXI: FACILITY RESPONSIBILITY AND ACCESS

21.1 Representatives of the Company shall at all reasonable times have access to the Facility and to property owned or controlled by the QF 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.

21.2 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.

21.3 The QF shall reactivate the Facility and shall arrange for the Transmission Service Utility's delivery of electric energy to the Point of Delivery at its own expense if either the Facility or the equipment of the Transmission Service Utility is rendered inoperable due to actions of the QF or its agents, or a Force Majeure Event. 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 XXII: SUCCESSORS AND ASSIGNS

Neither Party shall have the right to assign its obligations, benefits, and duties without the consent of the other Party, which shall not be unreasonably withheld or delayed.

ARTICLE XXIII: DISCLAIMER

In executing this Agreement, the Company does not, nor should it be construed to, extend its credit or financial support for the benefit of any third parties lending money to or having other transactions with the QF or any assignee of this Agreement, nor does it create any third party beneficiary rights. Nothing contained in this Agreement shall be construed to create an association, trust, partnership, or joint venture between the Parties. No payment by the

Company to the QF for energy or capacity shall be construed as payment by the Company for the acquisition of any ownership or property interest in the Facility.

ARTICLE XXIV: WAIVERS

The failure of either Party to insist in any one or more instances upon strict performance of any of the provisions of this Agreement or to take advantage of any of its rights under this Agreement shall not be construed as a general waiver of any such provision or the relinquishment of any such right, but the same shall continue and remain in full force and effect, except with respect to the particular instance or instances.

ARTICLE XXV: COMPLETE AGREEMENT

The terms and provisions contained in this Agreement constitute the entire agreement between the Parties and shall supersede all previous communications, representations, or agreements, either verbal or written, between the Parties with respect to the Facility and this Agreement.

ARTICLE XXVI: COUNTERPARTS

This Agreement may be executed in any number of counterparts, and each executed counterpart shall have the same force and effect as an original instrument.

ARTICLE XXVII: COMMUNICATIONS

27.1 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:

Panda-Kathleen L.P.
4100 Spring Valley
Suite 1001
Dallas, TX 75244

Notices to the Company shall be addressed to:

Florida Power Corporation
P. O. Box 14042
St. Petersburg, FL 33733

27.2 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: (813)866-5888
Telecopier: (813)384-7865

To The QF: Name Hans R. van Kuilenburg
Title: President
Telephone: (214) 980-7159
Telecopier: (214) 980-6815

27.3 Either Party may change its representatives in sections 28.1 or 28.2 by prior written notice to the other Party.

ISSUED BY: S. F. Nixon, Jr., Director Rate Department
EFFECTIVE: September 20, 1991

27.4 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 XXVIII: 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 XXIX: 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 and the Company have caused this Agreement to be executed by their duly authorized representatives on the day and year first above written.

The Qualifying Facility:
Panda-Kathleen L.P.

By: PANDA-KATHLEEN CORPORATION

Title: Robert W. Carter
Robert Carter, Chairman

Date: 10-4-91

ATTEST:
Jessi Boerman

The Company:

By:

Title: PETER DAGOSTINO
VICE-PRESIDENT

Date: 11-25-91

ATTEST:
Robert Cole

FLORIDA POWER CORP.
LEGAL DEPT.
APPROVED
Date 11/25/91
By

ISSUED BY: S. F. Nixon, Jr., Director Rate Department
EFFECTIVE: September 20, 1991

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APPENDIX A

INTERCONNECTION SCHEDULING AND COST RESPONSIBILITY

1.0 Purpose.

This appendix provides the procedures for the scheduling of construction for the Company's Interconnection Facilities as well as the cost responsibility of the QF for the payment of Interconnection Costs. This appendix applies to all QF's, whether or not their Facility will be directly interconnected with the Company's system. All requirements contained herein shall apply in addition to and not in lieu of the provisions of the Agreement.

2.0 Submission of Plans and Development of Interconnection Schedules and Cost Estimates.

2.1 No later than sixty (60) days after the Execution Date, the QF shall specify the date it desires the Company's Interconnection Facilities to be available for receipt of the electric energy and shall provide a preliminary written description of the Facility and, if applicable, the QF's anticipated arrangements with the Transmission Service Utility, including without limitation, a one-line diagram, anticipated Facility site data and any additional facilities anticipated to be needed by the Transmission Service Utility. Based upon the information provided, the Company shall develop preliminary written Interconnection Costs and scheduling estimates for the Company's Interconnection Facilities within sixty (60) days after the information is provided. The schedule developed hereunder will indicate when the QF's final electrical plans must be submitted to the Company pursuant to section 2.2 hereof.

2.2 The QF shall submit the Facility's final electrical plans and all revisions to the information previously submitted under section 2.1 hereof to the Company no later than the date specified under section 2.1 hereof, unless such date is modified in the Company's reasonable discretion. Based upon the information provided and within sixty (60) days after the information is provided, the Company shall update its written Interconnection Costs and schedule estimates, provide the estimated time period required for construction of the Company's Interconnection Facilities, and specify the date by which the Company must receive notice from the QF to initiate construction, which date shall, to the extent practical, be consistent with the QF's schedule for delivery of energy into the Company's system. The final electrical plans shall include the following information, unless all or a portion of such information is waived by the Company in its discretion:

a. Physical layout drawings, including dimensions;
b. All associated equipment specifications and characteristics including technical parameters, ratings, basic impulse levels, electrical main one-line diagrams, schematic diagrams, system protections, frequency, voltage, current and interconnection distance;
c. Functional and logic diagrams, control and meter diagrams, conductor sizes and length, and any other relevant data which might be necessary to understand the Facility's proposed system and to be able to make a coordinated system;
d. Power requirements in watts and vars;
e. Expected radio-noise, harmonic generation and telephone interference factor;
f. Synchronizing methods; and
g. Facility operating/instruction manuals.
h. If applicable, a detailed description of the facilities to be utilized by the Transmission Service Utility to deliver energy to the Point of Delivery.

ISSUE BY: S. F. Nixon, Jr., Director Rate Department
EFFECTIVE: September 20, 1991

2.3 Any subsequent change in the final electrical plans shall be submitted to the Company and it is understood and agreed that any such changes may affect the Company's schedules and Interconnection Costs as previously estimated.

2.4 The QF shall pay the actual costs incurred by the Company to develop all estimates pursuant to section 2.1 and 2.2 hereof and to evaluate any changes proposed by the QF under section 2.3 hereof, as such costs are billed pursuant to Article XII of the Agreement. At the Company's option, advance payment for these cost estimates may be required, in which event the Company will issue an adjusted bill reflecting actual costs following completion of the cost estimates.

2.5 The Parties agree that any cost or scheduling estimates provided by the Company hereunder shall be prepared in good faith but shall not be binding. The Company may modify such schedules as necessary to accommodate contingencies that affect the Company's ability to initiate or complete the Company's Interconnection Facilities and actual costs will be used as the basis for all final charges hereunder.

3.0 Payment Obligations for Interconnection Costs.

3.1 The Company shall have no obligation to initiate construction of the Company's Interconnection Facilities prior to a written notice from the QF agreeing to the Company's interconnection design requirements and notifying the Company to initiate its activities to construct the Company's Interconnection Facilities; provided, however, that such notice shall be received not later than the date specified by the Company under section 2.2 hereof. The QF shall be liable for and agrees to pay all Interconnection Costs incurred by the Company on or after the specified date for initiation of construction.

3.2 The QF agrees to pay all of the Company's actual Interconnection Costs as such costs are incurred and billed in accordance with Article XII of the Agreement. Such amounts shall be billed pursuant to section 3.2.1 if the QF elects the payment option permitted by FPSC Rule 25-17.087(4). Otherwise the QF shall be billed pursuant to section 3.2.2.

3.2.1 Upon a showing of credit worthiness, the QF shall have the option of making monthly installment payments for Interconnection Costs over a period no longer than thirty six (36) months. The period selected is 36 months. Principal payments will be based on the estimated Interconnection Costs less the Interconnection Costs Offset, divided by the repayment period in months to determine the monthly principal payment. Payments will be invoiced in the first month following first incurrence of Interconnection Costs by the Company. Invoices to the QF will include principal payments plus interest on the unpaid balance, if any, calculated at a rate equal to the thirty (30) day highest grade commercial paper rate as published in the Wall Street Journal on the first business day of each month. The final payment or payments will be adjusted to cause the sum of principal payments to equal the actual Interconnection Costs.

3.2.2 When Interconnection Costs are incurred by the Company, such costs will be billed to the QF to the extent that they exceed the Interconnection Costs Offset.

3.3 If the QF notifies the Company in writing to interrupt or cease interconnection work at any time and for any reason, the QF shall nonetheless be obligated to pay the Company for all costs incurred in connection with the Company's Interconnection Facilities through the date of such notification and for all additional costs for which the Company is responsible pursuant to binding contracts with third parties.

4.0 Payment Obligations for Operation, Maintenance and Repair of the Company's Interconnection Facilities

The QF also agrees to pay monthly through the Term of the Agreement for all costs associated with the operation, maintenance and repair of the Company's Interconnection Facilities, based on a percentage of the total Interconnection Costs net of the Interconnection Costs Offset, as set forth in Appendix C.

APPENDIX B

PARALLEL OPERATING PROCEDURES

1.0 Purpose

This appendix provides general operating, testing, and inspection procedures intended to promote the safe parallel operation of the Facility with the Company's system. All requirements contained herein shall apply in addition to and not in lieu of the provisions of the Agreement.

2.0 Schematic Diagram

Exhibit B-1, attached hereto and made a part hereof, is a schematic diagram showing the major circuit components connecting the Facility and the Company's [substation] and showing the Point of Delivery and the Point of Metering and/or Point of Ownership, if different. All switch number designations initially left blank on Exhibit B-1 will be inserted by the Company on or before the date on which the Facility first operates in parallel with the Company's system.

3.0 Operating Standards

3.1 The QF and the Company will independently provide for the safe operation of their respective facilities, including periods during which the other Party's facilities are unexpectedly energized or de-energized.

3.2 The QF shall reduce, curtail, or interrupt electrical generation or take other appropriate action for so long as it is reasonably necessary, which in the judgment of the QF or the Company may be necessary to

operate and maintain a part of either Party's system, to address, if applicable, an emergency on either Party's system.

3.3 As provided in the Agreement, the QF shall not operate the Facility's electric generation equipment in parallel with the Company's system without prior written consent of the Company. Such consent shall not be given until the QF has satisfied all criteria under the Agreement and has:

(i) submitted to and received consent from the Company of its as-built electrical specifications;

(ii) demonstrated to the Company's satisfaction that the Facility is in compliance with the insurance requirements of the Agreement; and

(iii) demonstrated to the Company's satisfaction that the Facility is in compliance with all regulations, rules, orders, or decisions of any governmental or regulatory authority having jurisdiction over the Facility's generating equipment or the operation of such equipment.

3.4 After any approved Facility modifications are completed, the QF shall not resume parallel operation with the Company's system until the QF has demonstrated that it is in compliance with all the requirements of section 4.2 hereof.

3.5 The QF shall be responsible for coordination and synchronization of the Facility's equipment with the Company's electrical system, and assumes all responsibility for damage that may occur from improper coordination or synchronization of the generator with the utility's system.

3.6 The Company shall have the right to open and lock, with a Company padlock, manual disconnect switch numbers(s)_____ and isolate the Facility's generation system without prior notice to the QF. To the extend

practicable, however, prior notice shall be given. Any of the following conditions shall be cause for disconnection:

1. Company system emergencies and/or maintenance repair and construction requirements;
2. hazardous conditions existing on the Facility's generating or protective equipment as determined by the Company;
3. adverse effects of the Facility's generation to the Company's other electric consumers and/or system as determined by the Company;
4. failure of the QF to maintain any required insurance; or
5. failure of the QF to comply with any existing or future regulations, rules, orders or decisions of any governmental or regulatory authority having jurisdiction over the Facility's electric generating equipment or the operation of such equipment.

3.7 The Facility's electric generation equipment shall not be operated in parallel with the Company's system when auxiliary power is being provided from a source other than the Facility's electric generation equipment.

3.8 Neither Party shall operate switching devices owned by the other Party, except that the Company may open the manual disconnect switch(s) number(s)_____ owned by the QF pursuant to section 3.6 hereof.

3.9 Should one Party desire to change the operating position of a switching device owned by the other Party, the following procedures shall be followed:

(i) The Party requesting the switching change shall orally agree with an authorized representative of the other Party regarding which switch or switches are to be operated, the requested position of each switching device, and when each switch is to be operated.

(ii) The Party performing the requested switching shall notify the requesting Party when the requested switching change has been completed.

(iii) Neither Party shall rely solely on the other party's switching device to provide electrical isolation necessary for personnel safety. Each Party will perform work on its side of the Point of Ownership as if its facilities are energized or test for voltage and install grounds prior to beginning work.

(iv) Each Party shall be responsible for returning its facilities to approved operating conditions, including removal of grounds, prior to the Company authorizing the restoration of parallel operation.

(v) The Company shall install one or more red tags similar to the red tag shown in Exhibit B-2 attached hereto and made a part hereof, on all open switches. Only Company personnel on the Company's switching and tagging list shall remove and/or close any switch bearing a Company red tag under any circumstances.

3.10 Should any essential protective equipment fail or be removed from service for maintenance or construction requirements, the Facility's electric generation equipment shall be disconnected from the Company's system. To accomplish this disconnection, the QF shall either (i) open the generator breaker number(s) _____; or (ii) open the manual disconnect switch number(s) _____.

3.10.1 If the QF elects option (i), the breaker assembly shall be opened and drawn out by QF personnel. As promptly as practicable, Company personnel shall install a Company padlock and a red tag on the breaker enclosure door.

3.10.2 If the QF elects option (ii), the switch shall be opened by QF personnel or by Company personnel and, as promptly as practicable, Company personnel will install a Company padlock and a red tag.

4.0 Inspection and Testing

4.1 The inspection and testing of all electrical relays governing the operation of the generator's circuit breaker shall be performed in accordance with manufacturer's recommendations, but in no case less than once every 12 months. This inspection and testing shall include, but not be limited to, the following:

(i) electrical checks on all relays and verification of settings electrically;

(ii) cleaning of all contacts;

(iii) complete testing of tripping mechanisms for correct operating sequence and proper time intervals; and

(iv) visual inspection of the general condition of the relays.

4.2 In the event that any essential relay or protective equipment is found to be inoperative or in need of repair, the QF shall notify the Company of the problem and cease parallel operation of the generator until repairs or replacements have been made. The QF shall be responsible for maintaining records of all inspections and repairs and shall make said records available to the Company upon request.

4.3 The Company shall have the right to operate and test any of the Facility's protective equipment to assure accuracy and proper operation. This testing shall not relieve the QF of the responsibility to assure proper operation of its equipment and to perform routine maintenance and testing.

5.0 Notification

5.1 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: (813)866-5888
Telecopier: (813)384-7865

To The QF: Name Panda-Kathleen L.P.
Title: Robert Carter Chairman
Telephone: (214)980-7159
Telecopier: (2140)980-6815

5.2 Each Party shall provide as much notification as practicable to the other Party regarding planned outages of equipment that may affect the other Party's operation.

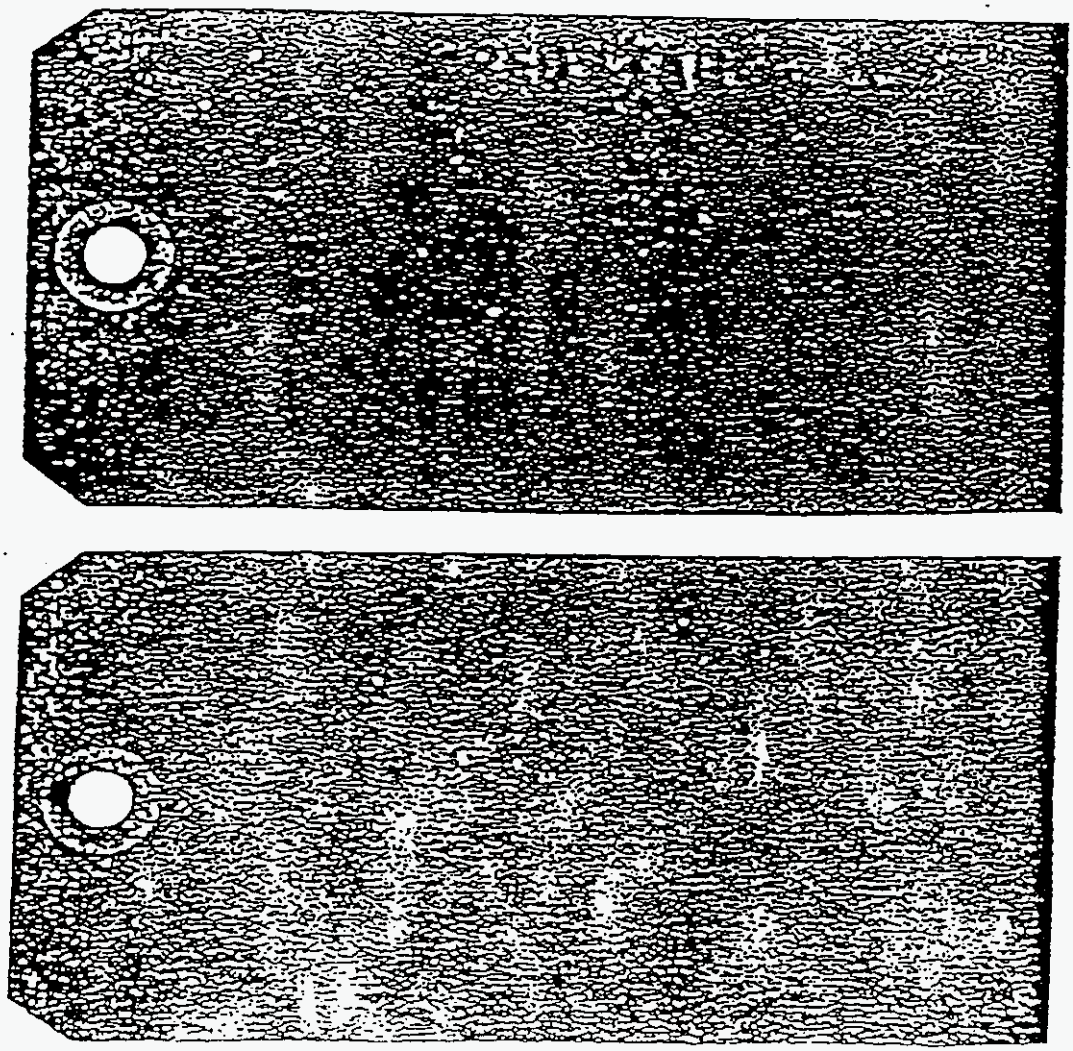
EXHIBIT B-1

Exhibit B-1 will be unique for each Facility and must be complete prior to parallel operation with the Company.

ISSUED BY: S. F. Nixon, Jr., Director Rate Department
EFFECTIVE: September 20, 1991

EXHIBIT B-2

A switch or switch point (i.e., elbow, open jumpers, etc.) with a red tag attached is open and shall not be closed under any circumstances. After a switch has been red tagged, that switch cannot be closed until the red tag is removed. Red tags can only be removed when authorized by a specific written order.



APPENDIX C
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SCHEDULE 1
SUMMARY OF STANDARD OFFER AVAILABILITY

DESIGNATED AVOIDED UNIT	AVAILABLE CAPACITY MW	PAYMENT OPTION STARTING			
		NORMAL	EARLY	LEVELIZED	EARLY LEVELIZED
1997 Combustion Turbine	80	1997	1994-1996	1997	1994-1996

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SCHEDULE 2
GENERAL INFORMATION FOR 1997 COMBUSTION TURBINE UNIT

GENERAL
YEAR OF AVOIDED UNIT = 1997
AVOIDED UNIT REFERENCE PLANT = BARTOW CT UNITS

INVESTMENT DATA
TOTAL COST, DIRECT + AFUDC, IN 1/91 $'s = $398.88/KW
ANNUAL ESCALATION RATE OF PLANT COSTS = 5.10%
ECONOMIC PLANT LIFE = 20 YEARS

OPERATING DATA
AVOIDED UNIT FIXED O&M COSTS IN 1/91 $'s = $6.18/KW/YR
AVOIDED UNIT VARIABLE O&M COSTS IN 1/91 $'s = $1.83/MWH
ANNUAL ESCALATION RATE OF O&M COSTS = 5.10%
MINIMUM ON-PEAK CAPACITY FACTOR = 90.0%
MINIMUM TOTAL CAPACITY FACTOR = 42.0%
SYSTEM VARIABLE O&M COSTS IN 1/91 $'s = $0.673/MWH
AVOIDED UNIT HEAT RATE = 11,610 BTU/KWH
TYPE OF FUEL = DISTILLATE

ON-PEAK HOURS
(1) FOR THE CALENDAR MONTHS OF NOVEMBER THROUGH MARCH,
ALL DAYS: 6:00 A.M. TO 12:00 NOON, AND
5:00 P.M. TO 10:00 P.M.
(2) FOR THE CALENDAR MONTHS OF APRIL THROUGH OCTOBER,
ALL DAYS: 11:00 A.M. TO 10:00 P.M.

FINANCIAL DATA
K FACTOR (MID YEAR) = 1.5259
UTILITY DISCOUNT RATE = 9.96%

ISSUED BY: S. F. Nixon, Jr., Director Rate Department

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RATES

SCHEDULE 3
Payments for Avoided 1997 Combustion Turbine Unit

(1)	(2)	(3)	(4)
	CAPACITY PAYMENT - $/KW/MONTH		
CONTRACT YEAR	NORMAL PAYMENT OPTION		
	O&M	CAPITAL	TOTAL
1997	0.71	5.08	5.79
1998	0.75	5.33	6.08
1999	0.79	5.60	6.39
2000	0.83	5.89	6.72
2001	0.87	6.19	7.06
2002	0.91	6.51	7.42
2003	0.96	6.84	7.80
2004	1.01	7.19	8.20
2005	1.06	7.56	8.62
2006	1.11	7.95	9.06
2007	1.17	8.35	9.52
2008	1.23	8.78	10.01
2009	1.29	9.23	10.52
2010	1.36	9.69	11.05
2011	1.43	10.19	11.62
2012	1.50	10.71	12.21
2013	1.58	11.25	12.83
2014	1.66	11.83	13.49
2015	1.74	12.43	14.17
2016	1.83	13.07	14.90

NOTE:Above payments calculated in accordance with formulas set forth in FPSC Rule 25-17.0832(5). Payment shall be adjusted by multiplying factor for On-Peak Capacity Factor determined in Schedule 8.

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SCHEDULE 3
Payments for Avoided 1997 Combustion Turbine Unit

CAPACITY PAYMENT - $/KW/MONTH

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	EARLY PAYMENT OPTION								
CONTRACT	STARTING 1/96			STARTING 1/95			STARTING 1/94		
YEAR	O&M	CAPITAL	TOTAL	O&M	CAPITAL	TOTAL	O&M	CAPITAL	TOTAL
1994	-	-	-	-	-	-	0.49	3.52	4.01
1995	-	-	-	0.56	3.96	4.52	0.52	3.69	4.21
1996	0.63	4.48	5.11	0.58	4.17	4.75	0.54	3.89	4.43
1997	0.66	4.71	5.37	0.61	4.39	5.00	0.57	4.08	4.65
1998	0.69	4.96	5.65	0.65	4.60	5.25	0.60	4.29	4.89
1999	0.73	5.20	5.93	0.68	4.84	5.52	0.63	4.51	5.14
2000	0.77	5.47	6.24	0.71	5.09	5.80	0.66	4.74	5.40
2001	0.81	5.74	6.55	0.75	5.34	6.09	0.70	4.98	5.68
2002	0.85	6.04	6.89	0.79	5.62	6.41	0.73	5.24	5.97
2003	0.89	6.35	7.24	0.83	5.90	6.73	0.77	5.50	6.27
2004	0.94	6.67	7.61	0.87	6.21	7.08	0.81	5.78	6.59
2005	0.98	7.02	8.00	0.91	6.53	7.44	0.85	6.08	6.93
2006	1.03	7.38	8.41	0.96	6.86	7.82	0.90	6.38	7.28
2007	1.09	7.74	8.83	1.01	7.20	8.21	0.94	6.71	7.65
2008	1.14	8.14	9.28	1.06	7.57	8.63	0.99	7.05	8.04
2009	1.20	8.56	9.76	1.12	7.95	9.07	1.04	7.41	8.45
2010	1.26	9.00	10.26	1.17	8.37	9.54	1.09	7.79	8.88
2011	1.33	9.45	10.78	1.23	8.79	10.02	1.15	8.19	9.34
2012	1.39	9.94	11.33	1.30	9.23	10.53	1.21	8.60	9.81
2013	1.46	10.45	11.91	1.36	9.71	11.07	1.27	9.04	10.31
2014	1.54	10.97	12.51	1.43	10.21	11.64	1.33	9.51	10.84
2015	1.62	11.53	13.15	1.50	10.73	12.23	1.40	9.99	11.39
2016	1.70	12.12	13.82	1.58	11.27	12.85	1.47	10.50	11.97

NOTE: Above payments calculated in accordance with formulas set forth in FPSC Rule 25-17.0832(5). Payment shall be adjusted by multiplying factor for On-Peak Capacity Factor determined in Schedule 7.

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SCHEDULE 3
Payments for Avoided 1997 Combustion Turbine Unit

(1)	(2)	(3)	(4)
	CAPACITY PAYMENT - $/KW/MONTH		
CONTRACT YEAR	LEVELIZED PAYMENT OPTION O&M	CAPITAL	TOTAL
1997	0.71	7.28	7.99
1998	0.75	7.28	8.03
1999	0.79	7.28	8.07
2000	0.83	7.28	8.11
2001	0.87	7.28	8.15
2002	0.91	7.28	8.19
2003	0.96	7.28	8.24
2004	1.01	7.28	8.29
2005	1.06	7.28	8.34
2006	1.11	7.28	8.39
2007	1.17	7.28	8.45
2008	1.23	7.28	8.51
2009	1.29	7.28	8.57
2010	1.36	7.28	8.64
2011	1.43	7.28	8.71
2012	1.50	7.28	8.78
2013	1.58	7.28	8.86
2014	1.66	7.28	8.94
2015	1.74	7.28	9.02
2016	1.83	7.28	9.11

NOTE: Above payments calculated in accordance with formulas set forth in FPSC Rule 25-17.0832(5). Payment shall be adjusted by multiplying factor for On-Peak Capacity Factor determined in Schedule 7.

ISSUED BY: S. F. Wixon, Jr., Director Rate Department

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SCHEDULE 3
Payments for Avoided 1997 Combustion Turbine Unit

CAPACITY PAYMENT - $/KW/MONTH

EARLY LEVELIZED PAYMENT OPTION - $/KW/MONTH

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
CONTRACT YEAR	STARTING 1/96			STARTING 1/95			STARTING 1/94		
	O&M	CAPITAL	TOTAL	O&M	CAPITAL	TOTAL	O&M	CAPITAL	TOTAL
1994	-	-	-	-	-	-	0.49	5.25	5.74
1995	-	-	-	0.56	5.84	6.40	0.52	5.25	5.77
1996	0.63	6.52	7.15	0.58	5.84	6.42	0.54	5.25	5.79
1997	0.66	6.52	7.18	0.61	5.84	6.45	0.57	5.25	5.82
1998	0.69	6.52	7.21	0.65	5.84	6.49	0.60	5.25	5.85
1999	0.73	6.52	7.25	0.68	5.84	6.52	0.63	5.25	5.88
2000	0.77	6.52	7.29	0.71	5.84	6.55	0.66	5.25	5.91
2001	0.81	6.52	7.33	0.75	5.84	6.59	0.70	5.25	5.95
2002	0.85	6.52	7.37	0.79	5.84	6.63	0.73	5.25	5.98
2003	0.89	6.52	7.41	0.83	5.84	6.67	0.77	5.25	6.02
2004	0.94	6.52	7.46	0.87	5.84	6.71	0.81	5.25	6.06
2005	0.98	6.52	7.50	0.91	5.84	6.75	0.85	5.25	6.10
2006	1.03	6.52	7.55	0.96	5.84	6.80	0.90	5.25	6.15
2007	1.09	6.52	7.61	1.01	5.84	6.85	0.94	5.25	6.19
2008	1.14	6.52	7.66	1.06	5.84	6.90	0.99	5.25	6.24
2009	1.20	6.52	7.72	1.12	5.84	6.96	1.04	5.25	6.29
2010	1.26	6.52	7.78	1.17	5.84	7.01	1.09	5.25	6.34
2011	1.33	6.52	7.85	1.23	5.84	7.07	1.15	5.25	6.40
2012	1.39	6.52	7.91	1.30	5.84	7.14	1.21	5.25	6.46
2013	1.46	6.52	7.98	1.36	5.84	7.20	1.27	5.25	6.52
2014	1.54	6.52	8.06	1.43	5.84	7.27	1.33	5.25	6.58
2015	1.62	6.52	8.14	1.50	5.84	7.34	1.40	5.25	6.65
2016	1.70	6.52	8.22	1.58	5.84	7.42	1.47	5.25	6.72

NOTE: Above payments calculated in accordance with formulas set forth in FPSC Rule 25-17.0832(5). Payment shall be adjusted by multiplying factor for On-Peak Capacity Factor determined in Schedule 7.

ISSUED BY: S. F. Nixon, Jr., Director Rate Department

EFFECTIVE DATE: September 20, 1991

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SCHEDULE 3
Payments for Avoided 1997 Combustion Turbine Unit

(1)	(2)	(3)	(4)
	ENERGY PAYMENT - $/MWH		
CONTRACT YEAR	(ESTIMATED) FUEL	O&M	TOTAL
1997	52.63	1.03	53.66
1998	55.82	1.08	56.90
1999	53.70	1.13	54.83
2000	58.78	1.19	59.97
2001	56.42	1.25	57.67
2002	62.36	1.32	63.68
2003	66.46	1.38	67.84
2004	72.25	1.45	73.70
2005	79.70	1.53	81.23
2006	83.76	1.61	85.39
2007	88.04	1.69	89.73
2008	92.53	1.77	94.30
2009	97.25	1.86	99.11
2010	102.20	1.96	104.16
2011	107.42	2.06	109.48
2012	112.90	2.16	115.06
2013	118.65	2.27	120.92
2014	124.70	2.39	127.09
2015	131.06	2.51	133.57
2016	137.75	2.64	140.39

NOTE: Information provided above is estimated. Actual payment shall be determined in accordance with FPSC Rule 25-17.0832(4).

ISSUED BY: S. F. Nixon, Jr., Director Rate Department

EFFECTIVE DATE: September 20, 1991

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SCHEDULE 4
Capacity Payment Adjustment for On-Peak Capacity Factor

O.P.C.F.	CAPACITY PAYMENT ADJUSTMENT MULTIPLYING FACTOR
Greater than or Equal to the Committed O.P.C.F.	1.0
From 50.0% to the Committed O.P.C.F.	$\left[\frac{\text{O.P.C.F.}}{\text{Committed O.P.C.F.}}\right]^{1.5}$
Below 50.0%	0

NOTE: O.P.C.F. = On-Peak Capacity Factor

ISSUED BY: S. F. Nixon, Jr., Rate Department

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SCHEDULE S
Optional Performance Adjustment

If a Qualifying Facility elects the Performance Adjustment provision of Article IX in the Standard Offer Contract, the following formula shall be calculated each month after the Contract In-Service Date for all hours in the month:

$$\sum_{\text{for I = first hour}}^{\text{last hour}} PERADJ_I = [KWH_I - (CC \times 1.0 \text{ hr.} \times (CF/100))] \times (EP1_I - EP2_I)$$

Where:

PERADJ$_I$ = the Performance Adjustment for hour I.

KWH$_I$ = the hourly energy delivered to the Company by the QF during hour I.

CC = the QF's Committed Capacity in KW.

CF = if the QF's On-Peak Capacity Factor (%) is 50.0% or greater, then CF equals the lesser of (a) the avoided unit Minimum On-Peak Capacity Factor (%) or (b) the QF's On-Peak Capacity Factor (%); if the QF's On-Peak Capacity Factor is less than 50.0%, then CF equals zero.

EP1 = the energy payment in $/KWH for hour I as determined in the Standard Offer Contract for purchase of As-Available Energy.

EP2 = the energy payment in $/KWH for hour I as determined in the Standard Offer Contract for purchase of Firm Capacity and Energy.

Note:

The Performance Adjustment shall not apply to any hour in which the following condition occurs:

(a) the QF's Energy Payment is determined on the basis of the Standard Offer Contract for purchase of As-Available Energy;

(b) the Company cannot perform its obligation to receive all energy which the QF has made available for sale at the Point of Delivery;

(c) the Energy Payment as determined in the Standard Offer Contract for purchase of Firm Capacity and Energy exceeds the Energy Payment as determined in the Standard Offer Contract for purchase of As-Available Energy.

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SCHEDULE 6

Charges to Qualifying Facility

Customer Charges:

The Qualifying Facility shall be billed monthly for the costs of meter reading, billing, and other appropriate administrative costs. The charge shall be set equal to the stated Customer Charge of the Company's applicable rate schedule for service to the Qualifying Facility load as a non-generating customer of the Company.

Operation, Maintenance, and Repair Charges:

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

The Qualifying Facility shall pay a monthly charge equal to 0.50% of the Interconnection Costs less the Interconnection Costs Offset. This monthly rate shall be adjusted periodically.

ISSUED BY: S. F. Nixon, Jr., Director Rate Department

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SCHEDULE 7
Delivery Voltage Adjustment

The QF's energy payment will be multiplied by a Delivery Voltage Adjustment whose value will depend upon (i) the delivery voltage at the Point of Delivery and (ii) the methodology approved by the FPSC to determine the adjustment for standard offer contracts pursuant to the rule in Appendix E.

The Company's actual hourly avoided energy costs shall be adjusted according to the delivery voltage by the following multipliers as may be filed from time to time with the FPSC:

Qualifying Facility Delivery Voltage	Adjustment Factor
69 KV or greater	1.036
4 KV, 12 KV, 25 KV	1.047
600 Volts or lower	1.070

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APPENDIX D

TRANSMISSION SERVICE STANDARDS

1.0 Purpose.

This appendix provides minimum standards required by the Company in the Transmission Service Agreement and applies to QF's whose Facility is not directly interconnected with the Company and who are selling firm capacity and energy to the Company.

2.0 Standards for QF's Selling Firm Capacity and Energy.

2.1 The QF shall ensure that, throughout the Term of the Agreement, the Transmission Service Utility or its lawful successors but no other party shall deliver the Committed Capacity and electric energy to the Company on behalf of the QF.

2.2 A proposed Transmission Service Agreement and any amendments thereto shall be submitted to the Company for its review and consent no less than sixty (60) days before said Transmission Service Agreement or amendment is proposed to be tendered for filing with the FERC. Such consent shall not be unreasonably withheld. No review, recommendations or consent by the Company shall be deemed an approval of any safety or other arrangements between the QF and the Transmission Service Utility nor shall it relieve the QF and the Transmission Service Utility of their responsibility with respect to the adequate engineering, design, construction and operation of any facilities other than the Company's Interconnection Facilities and for any injury to property or persons associated with any failure to perform in a proper and safe manner for any reason. Nothing contained herein shall prevent the Company from exercising any rights that it otherwise would have to participate as a full party before the

FERC when the Transmission Service Agreement or amendments thereto is tendered for filing.

2.3 To ensure the continuous availability to the Company of the Committed Capacity during the Term of the Agreement, the Transmission Service Agreement shall contain provisions satisfying the following minimum criteria:

(i) the Transmission Service Utility's transmission commitment shall be for the full amount of the Committed Capacity plus any losses assessed by the Transmission Service Utility from the Point of Metering to the Point of Delivery;

(ii) the duration of the Transmission Service Utility's transmission commitment shall be for a term at least as long as the Term of the Agreement with termination provisions that are acceptable to the Company;

(iii) the Transmission Service Utility's transmission commitment shall not be interruptible or curtailable to a greater extent than the Transmission Service Utility's transmission service to its own firm requirements customers;

(iv) The QF and the Transmission Service Utility shall not be permitted to amend the Transmission Service Agreement in a manner that adversely affects the Company's rights without the Company's prior written consent;

(v) the Company shall be provided with prompt notification of any default under the Transmission Service Agreement;

(vi) the QF and/or the Transmission Service Utility shall expressly indemnify and hold the Company harmless for any and all liability or cost responsibility in connection with the

Transmission Service Agreement and the activities undertaken thereunder, including, without limitation, any facility costs, service charges, or third party impact claims;

(vii) the Company shall be entitled to reasonable access at all times to property and equipment owned or controlled by either the QF or the Transmission Service Utility and at reasonable times to records and schedules maintained by either the QF or the Transmission Service Utility, in order to carry out the purposes of the Agreement in a safe, reliable and economical manner;

(viii) unless otherwise agreed by the Company, the Point of Delivery into the Company's system shall be defined as all points of interconnection at transmission voltages between the Company and the Transmission Service Utility pursuant to any tariffs or interchange agreements on file with the FERC and in effect from time to time;

(ix) the electric energy made available from the Facility for transmission to the Company shall be telemetered to the Company and shall be reduced for all losses assessed by the Transmission Service Agreement from the Point of Metering to the Point of Delivery; the electric energy as so adjusted shall be considered the electric energy delivered to the Company for billing purposes and shall be considered as if within the Company's Control Area, provided that the Transmission Service Utility can deliver and the Company accept the electric energy as so adjusted;

(x) As an alternative to section 2.3(ix) hereof, electric energy from the Facility shall be scheduled for delivery to the Point of Delivery by the Transmission Service Utility and such

electric energy as is scheduled shall be considered as electric energy delivered to the Company for billing purposes.

(xi) The Transmission Service Utility and the Company shall coordinate with one another concerning any inability to deliver or receive the electric energy as adjusted pursuant to section 8.3 (ix) hereof. Whenever the Transmission Service Utility is unable to deliver or the Company does not accept such energy, such energy shall no longer be considered within the Company's Control Area if energy is delivered pursuant to section 2.3(ix) hereof; and

(xii) a contact person for the Transmission Service Utility shall be designated for day-to-day communications between the Transmission Service Utility and the Parties.

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PART III

UTILITIES' OBLIGATIONS WITH REGARD TO COGENERATORS AND SMALL POWER PRODUCERS

25-17.080 Definitions and Qualifying Criteria.

(1) For the purpose of these rules the Commission adopts the Federal Energy Regulatory Commission Rules 292.101 through 292.207, effective March 20, 1980, regarding definitions and criteria that a small power producer or cogenerator must meet to achieve the status of a qualifying facility. Small power producers and cogenerators which fail to meet the FERC criteria for achieving qualifying facility status but otherwise meet the objectives of economically reducing Florida's dependence on oil and the economic deferral of utility power plant expenditures may petition the Commission to be granted qualifying facility status for the purpose of receiving energy and capacity payments pursuant to these rules.

(2) In general, under the FERC regulations, a small power producer is a qualifying facility if:

(a) the small power producer does not exceed 80 MW; and

(b) the primary (at least 50%) energy source of the small power producer is biomass, waste, or another renewable resource; and

(c) the small power production facility is not owned by a person primarily engaged in the generation or sale of electricity. This criterion is met if less than 50% of the equity interest in the facility is owned by a utility, utility holding company, or a subsidiary of them.

(3) In general, under the FERC regulations, a cogenerator is a qualifying facility if:

(a) the useful thermal energy output of a topping cycle cogeneration facility is not less than 5% of the facility's total energy output per year; and

(b) the useful power output plus half of the useful thermal energy output of a topping cycle cogeneration facility built after March 13, 1980, with any energy input of natural gas or oil is greater than 42.5% or 45% if the useful thermal energy output is less than 15% of the total energy output of the facility; and

(c) the useful power output of a bottoming cycle cogeneration facility built after March 13, 1980, with any energy input as supplementary firing of natural gas or oil is not less than 45% of the natural gas or oil input on an annual basis; and

(d) the cogeneration facility is not owned by a person primarily engaged in the generation or sale of electricity. This criterion is met if less than 50% of the equity interest in the facility is owned by a utility, utility holding company, or a subsidiary of them.

Specific Authority: 366.05(9), 350.127(2), F.S.
Law Implemented: 366.05(9), F.S.
History: New 5/13/81, amended 9/4/83, formerly 25-17.80.

25-17.081 Reserved.

25-17.082 The Utility's Obligation to Purchase; Customer's Selection of Billing Method.

(1) Upon compliance by the qualifying facility with Rule 25-17.087, each utility shall purchase electricity produced and sold by qualifying facilities at rates which have been agreed upon by the utility and qualifying facility or at the utility's published tariff. Each utility shall file a tariff or tariffs and a standard offer contract or contracts for the purchase of energy and capacity from qualifying facilities which reflects the provisions set forth in these rules.

(2) Unless the Commission determines that alternative metering requirements cause no adverse effect on the cost or reliability of electric service to the utility's general body of customers, each tariff and standard offer contract shall specify the following metering requirements for billing purposes:

(a) Hourly recording meters shall be required for qualifying facilities with an installed capacity of 100 kilowatts or more.

(b) For qualifying facilities with an installed capacity of less than 100 kilowatts, at the option of the qualifying facility, either hourly recording meters, dual kilowatt-hour register time-of-day meters, or standard kilowatt-hour meters shall be installed. Unless special circumstances warrant, meters shall be read at monthly intervals on the approximate corresponding day of each meter reading period.

(3)(a) A qualifying facility, upon entering into a contract for the sale of firm capacity and energy or prior to delivery of as-available energy to a utility, shall elect to make either simultaneous purchases from the interconnecting utility and sales to the purchasing utility or net sales to the purchasing utility. Once made, the selection of a billing methodology may only be changed:

1. when a qualifying facility selling as-available energy enters into a negotiated contract or standard offer contract for the sale of firm capacity and energy; or
2. when a firm capacity and energy contract expires or is lawfully terminated by either the qualifying facility or the purchasing utility; or
3. when the qualifying facility is selling as-available energy and has not changed billing methods within the last twelve months; and
4. when the election to change billing methods will not contravene the provisions of Rule 25-17.0832 or any contract between the qualifying facility and the utility.

Firm capacity and energy contracts in effect prior to the effective date of this rule shall remain unchanged.

(b) If a qualifying facility elects to change billing methods in accordance with this rule, such change shall be subject to the following provisions:

1. upon at least thirty days advance written notice;
2. upon the installation by the utility of any additional metering equipment reasonably required to effect the change in billing and upon payment by the qualifying facility for such metering equipment and its installation; and

3. upon completion and approval by the utility of any alterations to the interconnection reasonably required to effect the change in billing and upon payment by the qualifying facility for such alterations.

(c) Should a qualifying facility elect to make simultaneous purchases and sales, purchases of electric service by the qualifying facility from the interconnecting utility shall be billed at the retail rate schedule under which the qualifying facility load would receive service as a non-generating customer of the utility; sales of electricity delivered by the qualifying facility to the purchasing utility shall be purchased at the utility's avoided energy and capacity rates, where applicable, in accordance with Rules 25-17.0825 and 25-17.0832.

(d) Should a qualifying facility elect a net billing arrangement, the hourly net energy and capacity sales delivered to the purchasing utility shall be purchased at the utility's avoided energy and capacity rates, where applicable, in accordance with Rules 25-17.0825 and 25-17.0832; purchases from the interconnecting utility shall be billed pursuant to the utility's applicable standby service or supplemental service rate schedules.

(4)(a) Payments for energy and capacity sold by a qualifying facility shall be rendered monthly by the purchasing utility and as promptly as possible, normally by the twentieth business day following the day the meter is read. The kilowatt-hours sold by the qualifying facility, the applicable avoided energy rate at which payments were made, and the rate and amount of the applicable capacity payment shall accompany the payment by the utility to the qualifying facility.

(b) Where simultaneous purchases and sales are made by a qualifying facility, avoided energy and capacity payments to the qualifying facility may, at the option of the qualifying facility, be shown as a credit to the qualifying facility's bill; the kilowatt-hours produced by the qualifying facility, the avoided energy rate at which payments were made, and the rate and amount of the capacity payment shall accompany the bill to the qualifying facility. A credit shall not exceed the amount of the qualifying facility's bill from the utility and the excess, if any, shall be paid directly to the qualifying facility in accordance with this rule.

(5) A utility may require a security deposit from each interconnected qualifying facility in accordance with Rule 25-6.097 for the qualifying facility's purchase of power from the utility. Each utility's tariff shall contain specific criteria for determining the applicability and amount of a deposit from an interconnected qualifying facility consistent with projected net cash flow on a monthly basis.

(6) Each utility shall keep separate accounts for sales to qualifying facilities and purchases from qualifying facilities.

Specific Authority: 366.051, 350.127(2), F.S.
Law Implemented: 366.061, F.S.
History: New 5/13/81, Amended 9/4/83, formerly 25-17.82, amended 10/25/90.

25-17.0825 As-Available Energy.

(1) As-available energy is energy produced and sold by a qualifying facility on an hour-by-hour basis for which contractual commitments as to the quantity, time, or reliability of delivery are not required. Each utility shall purchase as-available energy from any qualifying facility. As-available energy shall be sold by a qualifying facility and purchased by a utility pursuant to the terms and conditions of a published tariff or a separately negotiated contract.

As-available energy sold by a qualifying facility shall be purchased by the utility at a rate, in cents per kilowatt-hour, not to exceed the utility's avoided energy cost. Because of the lack of assurances as to the quantity, time, or reliability of delivery of as-available energy, no capacity payments shall be made to a qualifying facility for the delivery of as-available energy.

(a) Tariff Rates: Each utility shall publish a tariff for the purchase of as-available energy from qualifying facilities. Each utility's published tariff shall state that the rate of payment for as-available energy is the utility's

avoided energy cost as defined in subsection (2) of this rule, less the additional costs directly attributable to the purchase of such energy from a qualifying facility. The additional costs directly associated with the purchase of as-available energy from qualifying facilities shall be specifically identified in the utility's tariff.

(b) Contract Rates: Each utility may enter into a separately negotiated contract for the purchase of as-available energy from a qualifying facility. All contracts for the purchase of as-available energy between a qualifying facility and a utility shall be filed with the Commission within 10 working days of their signing. Those qualifying facilities wishing to negotiate a contract for the sale of firm capacity and energy with terms different from those in a utility's standard offer contract may do so pursuant to Rule 25-17.0832(2). Where parties cannot agree on the terms and conditions of a negotiated contract, either party may apply to the Commission for relief pursuant to Rule 25-17.0834.

(2)(a) Avoided energy costs associated with as-available energy are defined as the utility's actual avoided energy cost before the sale of interchange energy. Avoided energy costs associated with as-available energy shall be all costs the utility avoided due to the purchase of as-available energy, including the utility's incremental fuel, identifiable variable operating and maintenance expense, and identifiable variable utility power purchases. Demonstrable utility administrative costs required to calculate avoided energy costs may be deducted from avoided energy payments. Avoided line losses reflecting the voltage at which generation by the qualifying facility is received by the utility shall also be included in the determination of avoided energy costs. Each utility shall calculate its avoided energy cost associated with as-available energy deterministically, on an hour-by-hour basis, after accounting for interchange sales which have taken place, using the utility's actual avoided energy cost for the hour, as affected by the output of the qualifying facilities connected to the utility's system. A megawatt block size at least equal to the most recent available estimate of the combined average hourly generation of all qualifying facilities making energy sales based on the utility's as-available energy rate to the utility shall be used to calculate the utility's hourly avoided energy costs associated with as-available energy. For the purpose of this subsection, interchange sales are inter-utility sales which are provided at the option of the selling utility exclusive of central pool dispatch transactions.

(b) Each utility's tariff shall include a description of the methodology to be used in the calculation of avoided energy cost implementing subsection (2) of this Rule. Each utility's implementation methodology shall specify the method by which the utility's incremental fuel and operating and maintenance costs and line losses are determined.

(3)(a) For qualifying facilities with hourly recording meters, monthly payments for as-available energy shall be made and shall be calculated based on the product of: (1) the utility's actual avoided energy rate for each hour during the month; and (2) the quantity of energy sold by the qualifying facility during that hour.

(b) For qualifying facilities with dual kilowatt-hour register time-of-day meters, monthly payments for as-available energy shall be calculated based on the average of the utility's actual hourly avoided energy rate for the on-peak and off-peak periods during the month.

(c) For qualifying facilities with standard kilowatt-hour meters, monthly payments for as-available energy shall be calculated based on the average of the utility's actual hourly avoided energy rate for the off-peak periods during the month.

(4) Each utility shall file with the Commission by the twentieth business day of the following month, a monthly report of their actual hourly avoided energy costs, the average of their actual hourly avoided energy costs for the on-peak and

off-peak periods during the month, and the average of their actual hourly avoided energy costs for the month with the Commission. A copy shall be furnished to any individual who requests such information.

(5) 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 utility may charge an appropriate fee, not to exceed the actual cost of production and copying, for providing such information.

(6) Utility payments for as-available energy made to qualifying facilities pursuant to the utility's tariff shall be recoverable by the utility through the Commission's periodic review of fuel and purchased power. Utility payments for as-available energy made to qualifying facilities pursuant to a separately negotiated contract shall be recoverable by the utility through the Commission's periodic review of fuel and purchased power costs if the payments are not reasonably projected to result in higher cost electric service to the utility's general body of ratepayers or adversely affect the adequacy or reliability of electric service to all customers.

Specific Authority: 366.051, 350.127(2), F.S.
Law Implemented: 366.051, F.S.
History: New 9/4/83, formerly 25-17.82, amended 10/25/90.

25-17.083 Firm Energy and Capacity.
Specific Authority: 366.04(1), 366.05(1), 366.05(9), 350.127(2), F.S.
Law Implemented: 366.05(9), F.S.
History: New 9/4/83, formerly 25-17.83, Repealed 10/25/90.

25-17.0831 Contracts.
Specific Authority: 366.05(9), 350.127(2), F.S.
Law Implemented: 366.05(9), F.S.
History: New 5/13/81, amended 9/4/83, formerly 25-17.831, Repealed 10/25/90.

25-17.0832 Firm Capacity and Energy Contracts.

(1) Firm capacity and energy are capacity and energy produced and sold by a qualifying facility and purchased by a utility pursuant to a negotiated contract or a standard offer contract subject to certain contractual provisions as to the quantity, time and reliability of delivery.

(a) Within one working day of the execution of a negotiated contract or the receipt of a signed standard offer contract, the utility shall notify the Director of the Division of Electric and Gas and provide the amount of committed capacity and the avoided unit, if any, to which the contract should be applied.

(b) Within 10 working days of the execution of a negotiated contract for the purchase of firm capacity and energy or within 10 working days of receipt of a signed standard offer contract, the purchasing utility shall file with the Commission a copy of the signed contract and a summary of its terms and conditions. At a minimum, such a summary shall report:

1. the name of the utility and the owner and/or operator of the qualifying facility, who are signatories of the contract;
2. the amount of committed capacity specified in the contract, the size of the facility, the type of the facility its location, and its interconnection and transmission requirements;
3. the amount of annual and on-peak and off-peak energy expected to be delivered to the utility;
4. the type of unit being avoided, its size and its in-service year;
5. the in-service date of the qualifying facility; and

6. the date by which the delivery of firm capacity and energy is expected to commence.

(c) Prior to the anticipated in-service date of the avoided unit specified in the contract, a qualifying facility which has negotiated a firm capacity and energy contract or has accepted a utility's standard offer contract may sell as-available energy to any utility pursuant to Rule 25-17.0825.

(2) Negotiated Contracts. Utilities and qualifying facilities are encouraged to negotiate contracts for the purchase of firm capacity and energy. Such contracts will be considered prudent for cost recovery purposes if it is demonstrated that the purchase of firm capacity and energy from the qualifying facility pursuant to the rates, terms, and other conditions of the contract can reasonably be expected to contribute towards the deferral or avoidance of additional capacity construction or other capacity-related costs by the purchasing utility at a cost to the utility's ratepayers which does not exceed full avoided costs, giving consideration to the characteristics of the capacity and energy to be delivered by the qualifying facility under the contract. Negotiated contracts shall not be evaluated against an avoided unit in a standard offer contract, thus preserving the standard offer for small qualifying facilities as described in subsection (3). In reviewing negotiated firm capacity and energy contracts for the purpose of cost recovery, the Commission shall consider factors relating to the contract that would impact the utility's general body of retail and wholesale customers including:

(a) whether additional firm capacity and energy is needed by the purchasing utility and by Florida utilities from a statewide perspective; and

(b) whether the cumulative present worth of firm capacity and energy payments made to the qualifying facility over the term of the contract are projected to be no greater than:

1. the cumulative present worth of the value of a year-by-year deferral of the construction and operation of generation or parts thereof by the purchasing utility over the term of the contract; calculated in accordance with subsection (4) and paragraph (5)(a) of this rule, providing that the contract is designed to contribute towards the deferral or avoidance of such capacity; or

2. the cumulative present worth of other capacity and energy related costs that the contract is designed to avoid such as fuel, operation and maintenance expenses or alternative purchases of capacity, providing that the contract is designed to avoid such costs; and

(c) to the extent that annual firm capacity and energy payments made to the qualifying facility in any year exceed that year's annual value of deferring the construction and operation of generation by the purchasing utility or other capacity and energy related costs, whether the contract contains provisions to ensure repayment of such payments exceeding that year's value of deferring that capacity in the event that the qualifying facility fails to deliver firm capacity and energy pursuant to the terms and conditions of the contract; provided, however, that provisions to ensure repayment may be based on forecasted data; and

(d) considering the technical reliability, viability and financial stability of the qualifying facility, whether the contract contains provisions to protect the purchasing utility's ratepayers in the event the qualifying facility fails to deliver firm capacity and energy in the amount and times specified in the contract.

(3) Standard Offer Contracts.

(a) Upon petition by a utility or pursuant to a Commission action, each public utility shall submit for Commission approval a tariff or tariffs and a standard offer contract or contracts for the purchase of firm capacity and energy from small qualifying facilities less than 75 megawatts or from solid waste facilities as defined in Rule 25-17.091.

(b) The rates, terms, and other conditions contained in each utility's standard offer contract or contracts shall be based on the need for and equal to the avoided cost of deferring or avoiding the construction of additional generation

capacity or parts thereof by the purchasing utility. Rates for payment of capacity sold by a qualifying facility shall be specified in the contract for the duration of the contract. In reviewing a utility's standard offer contract or contracts, the Commission shall consider the criteria specified in paragraphs (2)(a) through (2)(d) of this rule, as well as any other information relating to the determination of the utility's full avoided costs.

(c) In lieu of a separately negotiated contract, a qualifying facility under 75 megawatts or a solid waste facility as defined in Rule 25-17.091(1), F.A.C., may accept any utility's standard offer contract. Qualifying facilities which are 75 megawatts or greater may negotiate contracts for the purchase of capacity and energy pursuant to subsection (2). Should a utility fail to negotiate in good faith, any qualifying facility may apply to the Commission for relief pursuant to Rule 25-17.0834, F.A.C.

(d) Within 60 days of receipt of a signed standard offer contract, the utility shall either accept and sign the contract and return it within five days to the qualifying facility or petition the Commission not to accept the contract and provide justification for the refusal. Such petitions may be based on:

1. a reasonable allegation by the utility that acceptance of the standard offer will exceed the subscription limit of the avoided unit or units; or
2. material evidence that because the qualifying facility is not financially or technically viable, it is unlikely that the committed capacity and energy would be made available to the utility by the date specified in the standard offer.

A standard offer contract which has been accepted by a qualifying facility shall apply towards the subscription limit of the unit designated in the contract effective the date the utility receives the accepted contract. If the contract is not accepted by the utility, its effect shall be removed from the subscription limit effective the date of the Commission order granting the utility's petition.

(e) Minimum Specifications. Each standard offer contract shall, at minimum, specify:

1. the avoided unit or units on which the contract is based;
2. the total amount of committed capacity, in megawatts, needed to fully subscribe the avoided unit specified in the contract;
3. the payment options available to the qualifying facility including all financial and economic assumptions necessary to calculate the firm capacity payments available under each payment option and an illustrative calculation of firm capacity payments for a minimum ten year term contract commencing with the in-service date of the avoided unit for each payment option;
4. the date on which the standard contract offer expires. This date shall be at least four years before the anticipated in-service date of the avoided unit or units unless the avoided unit could be constructed in less than four years, or when the subscription limit has been reached;
5. the date by which firm capacity and energy deliveries from the qualifying facility to the utility shall commence. This date shall be no later than the anticipated in-service date of the avoided unit specified in the contract;
6. the period of time over which firm capacity and energy shall be delivered from the qualifying facility to the utility. Firm capacity and energy shall be delivered, at a minimum, for a period of ten years, commencing with the anticipated in-service date of the avoided unit specified in the contract. At a maximum, firm capacity and energy shall be delivered for a period of time equal to the anticipated plant life of the avoided unit, commencing with the anticipated in-service date of the avoided unit;

7. the minimum performance standards for the delivery of firm capacity and energy by the qualifying facility during the utility's daily seasonal peak and off-peak periods. These performance standards shall approximate the anticipated peak and off-peak availability and capacity factor of the utility's avoided unit over the term of the contract;

8. provisions to ensure repayment of payments to the extent that annual firm capacity and energy payments made to the qualifying facility in any year exceed that year's annual value of deferring the avoided unit specified in the contract in the event that the qualifying facility fails to perform pursuant to the terms and conditions of the contract. Such provisions may be in the form of a surety bond or equivalent assurance of repayment of payments exceeding the year-by-year value of deferring the avoided unit specified in the contract.

(f) The Commission may approve contracts that specify:

1. provisions to protect the purchasing utility's ratepayers in the event the qualifying facility fails to deliver firm capacity and energy in the amount and times specified in the contract which may be in the form of an up-front payment, surety bond, or equivalent assurance of payment. Such payment or surety shall be refunded upon completion of the facility and demonstration that the facility can deliver the amount of capacity and energy specified in the contract; and

2. a listing of the parameters, including any impact on electric power transfer capability, associated with the qualifying facility as compared to the avoided unit necessary for the calculation of the avoided cost.

(g) Firm Capacity Payment Options. Each standard offer contract shall also contain, at a minimum, the following options for the payment of firm capacity delivered by the qualifying facility:

1. Value of deferral capacity payments. Value of deferral capacity payments shall commence on the anticipated in-service date of the avoided unit. Capacity payments under this option shall consist of monthly payments escalating annually of the avoided capital and fixed operation and maintenance expense associated with the avoided unit and shall be equal to the value of a year-by-year deferral of the avoided unit, calculated in accordance with paragraph (5)(a) of this rule.

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2. Early capacity payments. Each standard offer contract shall specify the earliest date prior to the anticipated in-service date of the avoided unit when early capacity payments may commence. The early capacity payment date shall be an approximation of the lead time required to site and construct the avoided unit. Early capacity payments shall consist of monthly payments escalating annually of the avoided capital and fixed operation and maintenance expense associated with the avoided unit, calculated in conformance with paragraph (5)(b) of the rule. At the option of the qualifying facility, early capacity payments may commence at any time after the specified early capacity payment date and before the anticipated in-service date of the avoided unit provided that the qualifying facility is delivering firm capacity and energy to the utility. Where early capacity payments are elected, the cumulative present value of the capacity payments made to the qualifying facility over the term of the contract shall not exceed the cumulative present value of the capacity payments which would have been made to the qualifying facility had such payments been made pursuant to subparagraph (3)(g)1 of this rule.

3. Levelized capacity payments. Levelized capacity payments shall commence on the anticipated in-service date of the avoided unit. The capital portion of capacity payments under this option shall consist of equal monthly payments over the term of the contract, calculated in conformance with paragraph (5)(c) of this rule. The fixed operation and maintenance portion of capacity payments shall be equal to the value of the year-by-year deferral of fixed operation and maintenance expense associated with the avoided unit calculated in conformance with paragraph (5)(a) of this rule. Where levelized capacity payments are elected, the cumulative present value of the levelized capacity payments made to the qualifying facility over the term of the contract shall not exceed the cumulative present value of capacity payments which would have been made to the qualifying facility had such payments been made pursuant to subparagraph (3)(g)1 of this rule, value of deferral capacity payments.

4. Early levelized capacity payments. Each standard offer contract shall specify the earliest date prior to the anticipated in-service date of the avoided unit when early levelized capacity payments may commence. The early capacity payment date shall be an approximation of the lead time required to site and construct the avoided unit. The capital portion of capacity payments under this option shall consist of equal monthly payments over the term of the contract, calculated in conformance with paragraph (5)(c) of this rule. The fixed operation and maintenance expense shall be calculated in conformance with paragraph (5)(b) of this rule. At the option of the qualifying facility, early levelized capacity payments shall commence at any time after the specified early capacity date and before the anticipated in-service date of the avoided unit provided that the qualifying facility is delivering firm capacity and energy to the utility. Where early levelized capacity payments are elected, the cumulative present value of the capacity payments made to the qualifying facility over the term of the contract shall not exceed the cumulative present value of the capacity payments which would have been made to the qualifying facility had such payments been made pursuant to subparagraph (3)(g)1 of this rule.

(4) Avoided Energy Payments.

(a) For the purpose of this rule, avoided energy costs associated with firm energy sold to a utility by a qualifying facility pursuant to a utility's standard offer contract shall commence with the in-service date of the avoided unit specified in the contract. Prior to the in-service date of the avoided unit, the qualifying facility may sell as-available energy to the utility pursuant to Rule 25-17.0825.

(b) To the extent that the avoided unit would have been operated, had that unit been installed, avoided energy costs associated with firm energy shall be the energy cost of this unit. To the extent that the avoided unit would not have been operated, the avoided energy costs shall be the as-available avoided energy cost of the purchasing utility. During the periods that the avoided unit would not have been operated, firm energy purchased from qualifying facilities shall be treated as as-available energy for the purposes of determining the megawatt block size in Rule 25-17.0825(2)(a).

(c) The energy cost of the avoided unit specified in the contract shall be defined as the cost of fuel, in cents per kilowatt-hour, which would have been burned at the avoided unit plus variable operation and maintenance expense plus avoided line losses. The cost of fuel shall be calculated as the average market

price of fuel, in cents per million Btu, associated with the avoided unit multiplied by the average heat rate associated with the avoided unit. The variable operating and maintenance expense shall be estimated based on the unit fuel type and technology of the avoided unit.

(5) Calculation of standard offer contract firm capacity payment options.

(a) Calculation of year-by-year value of deferral. The year-by-year value of deferral of an avoided unit shall be the difference in revenue requirements associated with deferring the avoided unit one year and shall be calculated as follows:

$$VAC_m = \frac{1}{12}\left\{\left[XI_n\left[\left(1-\frac{(1+ip)}{(1+r)}^{L}\right)\right]\right] + O_n\right\}$$

Where, for a one year deferral:

VAC_m = utility's monthly value of avoided capacity, in dollars per kilowatt per month, for each month of year n;

X = present value of carrying charges for one dollar of investment over L years with carrying charges computed using average annual rate base and assumed to be paid at the middle of each year and present value to the middle of the first year;

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

O_n = total fixed operation and maintenance expense for the year n, in mid-year dollars per kilowatt per year, of the avoided unit;

i_p = annual escalation rate associated with the plant cost of the avoided unit(s);

i_o = annual escalation rate associated with the operation and maintenance expense of the avoided unit(s);

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

L = expected life of the avoided unit; and

n = year for which the avoided unit is deferred starting with its original anticipated in-service date and ending with the termination of the contract for the purchase of firm energy and capacity.

(b) Calculation of early capacity payments. Monthly early capacity payments shall be calculated as follows:

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

Where: A_m = monthly early capacity payments to be made to the qualifying facility for each month of the contract year n, in dollars per kilowatt per month;

i_p = annual escalation rate associated with the plant cost of the avoided unit;

i_o = annual escalation note associated with the operation and maintenance expense of the avoided unit(s);

m = year for which early capacity payments to a qualifying facility are made, starting in year one and ending in the year t;

t = the term, in years, of the contract for the purchase of firm capacity;

$$A_C = F \left[\frac{(1 + ip)}{1 - (1 + r)^{t}} \right] \left[\frac{(1 + ip)^{t}}{1 - (1 + r)^{t}} \right]$$

Where: F = the cumulative present value in the year that the contractual payments will begin, of the avoided capital cost component of capacity payments which would have been made had capacity payments commenced with the anticipated in-service date of the avoided unit(s); and

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

$$A_O = G \left[\frac{(1 + io)}{1 - (1 + r)^{t}} \right] \left[\frac{(1 + io)^{t}}{1 - (1 + r)^{t}} \right]$$

Where: G = The cumulative present value in the year that the contractual payments will begin, of the avoided fixed operation and maintenance expense component of capacity payments which would have been made had capacity payments commenced with the anticipated in-service date of the avoided unit.

(c) Levelized and early levelized capacity payments. Monthly levelized and early levelized capacity payments shall be calculated as follows:

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

Where: P_L = the monthly levelized capacity payment, starting on or prior to the in-service date of the avoided unit;

F = the cumulative present value, in the year that the contractual payments will begin, of the avoided capital cost component of the capacity payments which would have been made had the capacity payments not been levelized;

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

t = the term, in years, of the contract for the purchase of firm capacity.

O = the monthly fixed operation and maintenance component of the capacity payments, calculated in accordance with paragraph (5)(a) for levelized capacity payments or with paragraph (5)(b) for early levelized capacity payments.

(6) Sale of Excess Firm Energy and Capacity. To the extent that firm energy and capacity purchased from a qualifying facility pursuant to a standard offer contract or an individually negotiated contract is not needed by the purchasing utility, these rules shall be construed to encourage the

purchasing utility to sell all or part of the energy and capacity to the utility in need of energy and capacity at a mutually agreed upon price which is cost effective to the ratepayers.

(7) Upon request by a qualifying facility or any interested person, each utility shall provide within 30 days its most current projections of its future generation mix including type and timing of anticipated generation additions, and at least a 20-year projection of fuel forecasts, as well as any other information reasonably required by the qualifying facility to project future avoided cost prices. The utility may charge an appropriate fee, not to exceed the actual cost of production and copying, for providing such information.

(8)(a) Firm energy and capacity payments made to a qualifying facility pursuant to a separately negotiated contract shall be recoverable by a utility through the Commission's periodic review of fuel and purchased power costs if the contract is found to be prudent in accordance with subsection (2) of this rule.

(b) Upon acceptance of the contract by both parties, firm energy and capacity payments made to a qualifying facility pursuant to a standard offer contract shall be recoverable by a utility through the Commission's periodic review of fuel and purchased power costs.

(c) Firm energy and capacity payments made pursuant to a standard offer contract signed by the qualifying facility, for which the utility has petitioned the Commission to reject, is recoverable through the Commission's periodic review of fuel and purchased power costs if the Commission requires the utility to accept the contract because it satisfies subsection (3) of this rule.

Specific Authority: 350.127, 366.04(1), 366.051, 366.05(8), F.S.
Law Implemented: 366.051, 403.503, F.S.
History: New 10/25/90.

25-17.0833 Planning Hearings.

(1) Upon petition or on its own motion, the Commission shall periodically review optimal generation and transmission plans from a statewide and individual utility perspective. In connection with these proceedings, the Commission shall consider the need for capacity from both a statewide and individual utility perspective, the adequacy of the transmission grid, and other strategic planning concerns affecting the Florida electric grid.

(2) Upon petition, or on its own motion, the Commission, as needed, shall review individual utility generation and expansion plans at any time.

Specific Authority: 366.05(8), 366.051, 350.127(2), F.S.
Law Implemented: 366.051, F.S.
History: New 10/25/90.

25-17.0834 Settlement of Disputes in Contract Negotiations.

(1) Public utilities shall negotiate in good faith for the purchase of capacity and energy from qualifying facilities and interconnection with qualifying facilities. In the event that a utility and a qualifying facility cannot agree on the rates, terms, and other conditions for the purchase of capacity and energy, either party may apply to the Commission for relief. Qualifying facilities may petition the Commission to order a utility to sign a contract for the purchase of capacity and energy which does not exceed a utility's full avoided costs as defined in 366.051, Florida Statutes, should the Commission find that the utility failed to negotiate in good faith.

(2) To the extent possible, the Commission will dispose of an application for relief within 90 days of the filing of a petition by either a utility or a qualifying facility.

(3) If the Commission finds that a utility has failed to negotiate or deal in good faith with qualifying facilities, or has explicitly dealt in bad faith with qualifying facilities, it shall impose an appropriate penalty on the utility as approved by section 350.127, Florida Statutes.
Specific Authority: 366.051, 350.127(2), F.S.
Law Implemented: 366.051, F.S.
History: New 10/25/90.

25-17.0835 Wheeling.
Specific Authority: 366.05(9), 350.127(2), F.S.
Law Implemented: 366.05(9), 366.055(3), F.S.
History: New 9/4/83, repealed 10/4/85, formerly 25-17.835.

25-17.084 The Utility's Obligation to Sell.
Upon compliance with Rule 25-17.087, each utility shall sell energy to qualifying facilities at rates which are just, reasonable, and non-discriminatory.
Specific Authority: 366.05(9), 350.127(2), F.S.
Law Implemented: 366.05(9), F.S.
History: New 5/13/81, amended 9/4/83, formerly 25-17.84.

25-17.085 Reserved.

25-17.086 Periods During Which Purchases are not Required.
Where purchases from a qualifying facility will impair the utility's ability to give adequate service to the rest of its customers or, due to operational circumstances, purchases from qualifying facilities will result in costs greater than those which the utility would incur if it did not make such purchases, or otherwise place an undue burden on the utility, the utility shall be relieved of its obligation under Rule 25-17.082 to purchase electricity from a qualifying facility. The utility shall notify the qualifying facility(ies) prior to the instance giving rise to those conditions, if practicable. If prior notice is not practicable, the utility shall notify the qualifying facility(ies) as soon as practicable after the fact. In either event the utility shall notify the Commission, and the Commission staff shall, upon request of the affected qualifying facility(ies), investigate the utility's claim. Nothing in this section shall operate to relieve the utility of its general obligation to purchase pursuant to Rule 25-17.082.
Specific Authority: 366.05(9), 350.127(2), F.S.
Law Implemented: 366.05(9), F.S.
History: New 5/13/81, Amended 9/4/83, formerly 25-17.86.

25-17.087 Interconnection and Standards.
(1) Each utility shall interconnect with any qualifying facility which:
(a) is in its service area;
(b) requests interconnection;
(c) agrees to meet system standards specified in this rule; (d) agrees to pay the cost of interconnection; and
(e) signs an interconnection agreement.
(2) Nothing in this rule shall be construed to preclude a utility from evaluating each request for interconnection on its own merits and modifying the general standards specified in this rule to reflect the result of such an evaluation.
(3) Where a utility refuses to interconnect with a qualifying facility or attempts to impose unreasonable standards pursuant to subsection (2) of this rule, the qualifying facility may petition the Commission for relief. The utility shall have the burden of demonstrating to the Commission why

interconnection with the qualifying facility should not be required or that the standards the utility seeks to impose on the qualifying facility pursuant to subsection (2) are reasonable.

(4) Upon a showing of credit worthiness, the qualifying facility shall have the option of making monthly installment payments over a period no longer than 36 months toward the full cost of interconnection. However, where the qualifying facility exercises that option the utility shall charge interest on the amount owing. The utility shall charge such interest at the 30-day commercial paper rate. In any event, no utility may bear the cost of interconnection.

(5) Application for Interconnection. A qualifying facility shall not operate electric generating equipment in parallel with the utility's electric system without the prior written consent of the utility. Formal application for interconnection shall be made by the qualifying facility prior to the installation of any generation related equipment. This application shall be accompanied by the following:

(a) Physical layout drawings, including dimensions;

(b) All associated equipment specifications and characteristics including technical parameters, ratings, basic impulse levels, electrical main one-line diagrams, schematic diagrams, system protections, frequency, voltage, current and interconnection distance;

(c) Functional and logic diagrams, control and meter diagrams, conductor sizes and length, and any other relevant data which might be necessary to understand the proposed system and to be able to make a coordinated system;

(d) Power requirements in watts and vars;

(e) Expected radio-noise, harmonic generation and telephone interference factor;

(f) Synchronizing methods; and

(g) Operating/instruction manuals.

Any subsequent change in the system must also be submitted for review and written approval prior to actual modification. The above mentioned review, recommendations and approval by the utility do not relieve the qualifying facility from complete responsibility for the adequate engineering design, construction and operation of the qualifying facility equipment and for any liability for injuries to property or persons associated with any failure to perform in a proper and safe manner for any reason.

(6) Personnel Safety. Adequate protection and safe operational procedures must be developed and followed by the joint system. These operating procedures must be approved by both the utility and the qualifying facility. The qualifying facility shall be required to furnish, install, operate and maintain in good order and repair, and be solely responsible for, without cost to the utility, all facilities required for the safe operation of the generation system in parallel with the utility's system.

The qualifying facility shall permit the utility's employees to enter upon its property at any reasonable time for the purpose of inspection and/or testing the qualifying facility's equipment, facilities, or apparatus. Such inspections shall not relieve the qualifying facility from its obligation to maintain its equipment in safe and satisfactory operating condition.

The utility's approval of isolating devices used by the qualifying facility will be required to ensure that these will comply with the utility's switching and tagging procedure for safe working clearances.

(a) Disconnect Switch. A manual disconnect switch, of the visible load break type, to provide a separation point between the qualifying facility's generation system and the utility's system, shall be required. The utility will specify the location of the disconnect switch. The switch shall be mounted separate from the meter socket and shall be readily accessible to

the utility and be capable of being locked in the open position with a utility padlock. The utility may reserve the right to open the switch (i.e. isolating the qualifying facility's generation system) without prior notice to the qualifying facility. To the extent practicable, however, prior notice shall be given.

Any of the following conditions shall be cause for disconnection:

1. Utility system emergencies and/or maintenance requirements;
2. Hazardous conditions existing on the qualifying facility's generating or protective equipment as determined by the utility;
3. Adverse effects of the qualifying facility's generation to the utility's other electric consumers and/or system as determined by the utility;
4. Failure of the qualifying facility to maintain any required insurance; or
5. Failure of the qualifying facility to comply with any existing or future regulations, rules, orders or decisions of any governmental or regulatory authority having jurisdiction over the qualifying facility's electric generating equipment or the operation of such equipment.

(b) Responsibility and Liability. The utility and the qualifying facility shall each be responsible for its own facilities. The utility and the qualifying facility shall each be responsible for ensuring adequate safeguards for other utility customers, utility and qualifying facility personnel and equipment, and for the protection of its own generating system. The utility and the qualifying facility shall each indemnify and save the other harmless from any and all claims, demands, costs, or expense for loss, damage, or injury to persons or property of the other caused by, arising out of, or resulting from:

1. Any act or omission by a party or that party's contractors, agents, servants and employees in connection with the installation or operation of that party's generation system or the operation thereof in connection with the other party's system;
2. Any defect in, failure of, or fault related to a party's generation system;
3. The negligence of a party or negligence of that party's contractors, agents servants and employees; or
4. Any other event or act that is the result of, or proximately caused by, a party.

For the purposes of this subsection, the term party shall mean either utility or qualifying facility, as the case may be.

(c) Insurance. The qualifying facility shall deliver to the utility, at least fifteen days prior to the start of any interconnection work, a certificate of insurance certifying the qualifying facility's coverage under a liability insurance policy issued by a reputable insurance company authorized to do business in the State of Florida naming the qualifying facility as named insured, and the utility as an additional named insured, which policy shall contain a broad form contractual endorsement specifically covering the liabilities accepted under this agreement arising out of the interconnection to the qualifying facility, or caused by operation of any of the qualifying facility's equipment or by the qualifying facility's failure to maintain the qualifying facility's equipment in satisfactory and safe operating condition.

The policy providing such coverage shall provide public liability insurance, including property damage, in an amount not less than $300,000 for each occurrence; more insurance may be required as deemed necessary by

the utility. In addition, the above required policy shall be endorsed with a provision whereby the insurance company will notify the utility thirty days prior to the effective date of cancellation or material change in the policy.

The qualifying facility shall pay all premiums and other charges due on said policy and keep said policy in force during the entire period of interconnection with the utility.

(7) Protection and Operation. It will be the responsibility of the qualifying facility to provide all devices necessary to protect the qualifying facility's equipment from damage by the abnormal conditions and operations which occur on the utility system that result in interruptions and restorations of service by the utility's equipment and personnel. The qualifying facility shall protect its generator and associated equipment from overvoltage, undervoltage, overload, short circuits (including ground fault condition), open circuits, phase unbalance and reversal, over or under frequency condition, and other injurious electrical conditions that may arise on the utility's system and any reclose attempt by the utility.

The utility may reserve the right to perform such tests as it deems necessary to ensure safe and efficient protection and operation of the qualifying facility's equipment.

(a) Loss of Source: The qualifying facility shall provide, or the utility will provide at the qualifying facility's expense, approved protective equipment necessary to immediately, completely, and automatically disconnect the qualifying facility's generation from the utility's system in the event of a fault on the qualifying facility's system, a fault of the utility's system, or loss of source on the utility's system. Disconnection must be completed within the time specified by the utility in its standard operating procedure for its electric system for loss of a source on the utility's system.

This automatic disconnecting device may be of the manual or automatic reclose type and shall not be capable of reclosing until after service is restored by the utility. The type and size of the device shall be approved by the utility depending upon the installation. Adequate test data or technical proof that the device meets the above criteria must be supplied by the qualifying facility to the utility. The utility shall approve a device that will perform the above functions at minimal capital and operating costs to the qualifying facility.

(b) Coordination and Synchronization. The qualifying facility shall be responsible for coordination and synchronization of the qualifying facility's equipment with the utility's electrical system, and assumes all responsibility for damage that may occur from improper coordination or synchronization of the generator with the utility's system.

(c) Electrical Characteristics. Single phase generator interconnections with the utility are permitted at power levels up to 20 KW. For power levels exceeding 20 KW, a three phase balanced interconnection will normally be required. For the purpose of calculating connected generation, 1 horsepower equals 1 kilowatt. The qualifying facility shall interconnect with the utility at the voltage of the available distribution or the transmission line of the utility for the locality of the interconnection, and shall utilize one of the standard connections (single phase, three phase, wye, delta) as approved by the utility.

The utility may reserve the right to require a separate transformation and/or service for a qualifying facility's generation system, at the qualifying facility's expense. The qualifying facility shall bond all neutrals of the qualifying facility's system to the utility's neutral, and shall install a separate driven ground with a resistance value which shall be determined by the utility and bond this ground to the qualifying facility's system neutral.

(d) Exceptions. A qualifying facility's generator having a capacity rating that can:

1. produce power in excess of 1/2 of the minimum utility customer requirements of the interconnected distribution or transmission circuit; or
2. produce power flows approaching or exceeding the thermal capacity of the connected utility distribution or transmission lines or transformers; or
3. adversely affect the operation of the utility or other utility customer's voltage, frequency or overcurrent control and protection devices; or
4. adversely affect the quality of service to other utility customers; or
5. interconnect at voltage levels greater than distribution voltages,

will require more complex interconnection facilities as deemed necessary by the utility.

(8) Quality of Service. The qualifying facility's generated electricity shall meet the following minimum guidelines:

(a) Frequency. The governor control on the prime mover shall be capable of maintaining the generator output frequency within limits for loads from no-load up to rated output. The limits for frequency shall be 60 hertz (cycles per second), plus or minus an instantaneous variation of less than 1%.

(b) Voltage. The regulator control shall be capable of maintaining the generator output voltage within limits for loads from no-load up to rated output. The limits for voltage shall be the nominal operating voltage level, plus or minus 5%.

(c) Harmonics. The output sine wave distortion shall be deemed acceptable when it does not have a higher content (root mean square) of harmonics than the utility's normal harmonic content at the interconnection point.

(d) Power Factor. The qualifying facility's generation system shall be designed, operated and controlled to provide reactive power requirements from 0.85 lagging to 0.85 leading power factor. Induction generators shall have static capacitors that provide at least 85% of the magnetizing current requirements of the induction generator field. (Capacitors shall not be so large as to permit self-excitation of the qualifying facility's generator field).

(e) DC Generators. Direct current generators may be operated in parallel with the utility's system through a synchronous invertor. The inverter must meet all criteria in these rules.

(9) Metering. The actual metering equipment required, its voltage rating, number of phases, size, current transformers, potential transformers, number of inputs and associated memory is dependent on the type, size and location of the electric service provided. In situations where power may flow both in and out of the qualifying facility's system, power flowing into the qualifying facility's system will be measured separately from power flowing out of the qualifying facility's system.

The utility will provide, at no additional cost to the qualifying facility, the metering equipment necessary to measure capacity and energy deliveries to the qualifying facility. The utility will provide, at the qualifying facility's expense, the necessary additional metering equipment to measure energy deliveries by the qualifying facility to the utility.

(10) Cost Responsibility. The qualifying facility is required to bear all costs associated with the change-out, upgrading or addition of protective devices, transformers, lines, services, meters, switches, and associated equipment and devices beyond that which would be required to

provide normal service to the qualifying facility if the qualifying facility were a non-generating customer. These costs shall be paid by the qualifying facility to the utility for all material and labor that is required. Prior to any work being done by the utility, the utility shall supply the qualifying facility with a written cost estimate of all its required materials and labor and an estimate of the date by which construction of the interconnection will be completed. This estimate shall be provided to the qualifying facility within 60 days after the qualifying facility supplies the utility with its final electrical plans. The utility shall also provide project timing and feasibility information to the qualifying facility.

(11) Each utility shall submit to the Commission, a standard agreement for interconnection by qualifying facilities as part of their standard offer contract or contracts required by Rule 25-17.0832(3).

Specific Authority: 366.051, 350.127(2), F.S.
Law Implemented: 366.051, F.S.
History: New 9/4/83, formerly 25-17.87, Amended 10/25/90.

25-17.088 Transmission Service for Qualifying Facilities.
Specific Authority: 350.127(2), 366.051, F.S.
Law Implemented: 366.051, 366.04(3), 366.055(3), F.S.
History: New 10/4/85, formerly 25-17.88, Amended 2/3/87, Repealed 10/25/90.

25-17.0882 Transmission Service Not Required for Self-Service.
Specific Authority: 350.127(2), 366.05(1), F.S.
Law Implemented: 366.05(9), 366.04(3), 366.055(3), F.S.
History: New 10/4/85, formerly 25-17.882, Repealed 10/25/90.

25-17.0883 Conditions Requiring Transmission Service for Self-service.

Public utilities are required to provide transmission and distribution services to enable a retail customer to transmit electrical power generated at one location to the customer's facilities at another location when the provision of such service and its associated charges, terms, and other conditions are not reasonably projected to result in higher cost electric service to the utility's general body of retail and wholesale customers or adversely affect the adequacy or reliability of electric service to all customers. The determination of whether transmission service for self service is likely to result in higher cost electric service may be made using cost effectiveness methodology employed by the Commission in evaluating conservation programs of the utility, adjusted as appropriate to reflect the qualifying facility's contribution to the utility for standby service and wheeling charges, other utility program costs, the fact that qualifying facility self-service performance can be precisely metered and monitored, and taking into consideration the unique load characteristics of the qualifying facility compared to other conservation programs.

Specific Authority: 366.051, 350.127(2), F.S.
Law Implemented: 366.051, F.S.
History: New 10/25/90.

25-17.089 Transmission Service for Qualifying Facilities.

(1) Upon request by a qualifying facility, each electric utility in Florida shall provide, subject to the provisions of subsection (3) of this rule, transmission service to wheel as-available energy or firm energy and capacity produced by a Qualifying Facility from the Qualifying Facility to another electric utility.

(2) The rates, terms, and conditions for transmission services as described in subsection (1) and in Rule 25-17.0883 which are provided by an investor-owned utility shall be those approved by the Federal Energy Regulatory Commission.

(3) An electric utility may deny, curtail, or discontinue transmission service to a Qualifying Facility on a non- discriminatory basis if the provision of such service would adversely affect the safety, adequacy, reliability, or cost of providing electric service to the utility's general body of retail and wholesale customers.
Specific Authority: 366.051, 350.127(2), F.S.
Law Implemented: 366.051, 366.055(3), F.S.
History: New 10/25/90.

25-17.090 Reserved.

25-17.091 Governmental Solid Waste Energy and Capacity.
(1) Definitions and Applicability:
(a) "Solid Waste Facility" means a facility owned or operated by, or on behalf of, local government, the purpose of which is to dispose of solid waste, as that term is defined in section 403.703(13), Fla. Stat. (1988), and to generate electricity.
(b) A facility is owned by or operated on behalf of a local government if the power purchase agreement is between the local government and the electric utility.
(c) A solid waste facility shall include a facility which is not owned or operated by a local government but is operated on its behalf. When the power purchase agreement is between a non-governmental entity and an electric utility, the facility is operated by a private entity on behalf of a local government if:

1. One or more local governments have entered into a long-term agreement with the private entity for the disposal of solid waste for which the local governments are responsible and that agreement has a term at least as long as the term of the contract for the purchase of energy and capacity from the facility; and
2. The Commission determines there is no undue risk imposed on the electric ratepayers of the purchasing utility, based on:
   a. The local government's acceptance of responsibility for the private entity's performance of the power purchase contract, or
   b. Such other factors as the Commission deems appropriate, including, without limitation, the issuance of bonds by the local government to finance all, or a substantial portion, of the costs of the facility; the reliability of the solid waste technology; and the financial capability of the private owner and operator.
3. The requirements of subparagraph 2 shall be satisfied if a local government described in subparagraph 1 enters into an agreement with the purchasing utility providing that in the event of a default by the private entity under the power purchase contract, the local government shall perform the private entity's obligations, or cause them to be performed, for the remaining term of the contract, and shall not seek to renegotiate the power purchase contract.

(d) This rule shall apply to all contracts for the purchase of energy or capacity from solid waste facilities entered into, or renegotiated as provided in subsection (3), after October 1, 1988.
(2) Except as provided in subsections (3) and (4) of this rule, the provisions of Rules 25-17.080 - 25-17.089, Florida Administrative Code, are applicable to contracts for the purchase of energy and capacity from a solid waste facility.

(3) Any solid waste facility which has an existing firm energy and capacity contract in effect before October 1, 1988, shall have a one-time option to renegotiate that contract to incorporate any or all of the provisions of subsection (2) and (4) into their contract. This renegotiation shall be based on the unit that the contract was designed to avoid but applying the most recent Commission-approved cost estimates of Rule 25-17.0832(5)(a), Florida Administrative Code, for the same unit type and in-service year to determine the utility's value of avoided capacity over the remaining term of the contract.

(4) Because section 377.709(4), Fla. Stat., requires the local government to refund early capacity payments should a solid waste facility be abandoned, closed down or rendered illegal, a utility may not require risk-related guarantees as required in Rule 25-17.0832, paragraph (2)(c), (2)(d), (3)(e)8, and (3)(f)1. However, at its option, a solid waste facility may provide such risk related guarantee.

(5) Nothing in this rule shall preclude a solid waste facility from electing advance capacity payments authorized pursuant to section 377.709(3)(b), F.S., which advanced capacity payments shall be in lieu of firm capacity payments otherwise authorized pursuant to this rule and Rule 25-17.0832, F.A.C. The provisions of subsection (4) are applicable to solid waste facilities electing advanced capacity payments.

Specific Authority: 350.127(2), 377.709(5), F.S.
Law Implemented: 366.051, 366.055(3), 377.709, F.S.
History: New 8/8/85, formerly 25-17.91, Amended 4/26/89, 10/25/90.

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FPSC DOCKET NO. 950110-EI
EXHIBIT NO. _____DL-2

JOHNSON AND ASSOCIATES
ATTORNEYS AND COUNSELORS

BARRETT G. JOHNSON

KARA TOLLETT OAKLEY

315 SOUTH CALHOUN ST., SUITE 250
TALLAHASSEE, FL 32301
(904) 222-2553

MAILING ADDRESS:
P.O. BOX 1308
TALLAHASSEE, FLORIDA
32302
FAX (904) 222-2702

August 23, 1994

Joseph D. Jenkins
Director, Electric & Gas Division
Florida Public Service Commission
101 East Gaines Street
Tallahassee, Florida 32399

Dear Joe:

The purpose of this letter is to confirm the discussion on August 15, 1994 between you, Bob Trapp and Tom Ballenger of your staff and Bill Nordlund, Brian Dietz and myself regarding the Panda Kathleen cogeneration plant and Panda's standard offer contract with Florida Power Corporation.

As we discussed, Panda's contractual obligation is to be able to produce 74.9 MW under all site conditions for the life of the unit. Panda recently informed FPC by letter of the equipment configurations which will enable Panda to meet its contractual obligation while complying with its various environmental requirements. A copy is attached for your information. We also discussed the fact that under certain site conditions the ABB 11 N 1 and GE Frame 7EA will produce more than 74.9 MW. Since Panda Kathleen's contractual requirement is to be able to produce 74.9 MW under worst case conditions, such as right before a major overhaul and during a heat wave, it is necessarily true that the unit be capable of more than 74.9 MW under best case conditions. As we discussed, under optimal conditions these units can produce in the 115 MW range. Of course, this energy is quite a bargain for the rate payers since it carries no capacity costs to FPC under the Standard Offer Contract.

We also discussed the fact that the operation of Panda-Kathleen in the manner described in this letter and the attached letter to FPC is consistent with Panda's standard offer contract and is not a contract change that would require Florida Public Service Commission approval. Please advise immediately if this is incorrect or if you have any questions.

Sincerely,

Barrett G. Johnson

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DAROL LINDLOFF
Exhibit No. DL-2
Sheet 1 of 1

JOHNSON AND ASSOCIATES

EXHIBIT
-5-

FPSC DOCKET NO. 950110-EI
EXHIBIT NO. _____DL-3

State of Florida

DIVISION OF ELECTRIC & GAS
JOSEPH D. JENKINS
DIRECTOR
(904) 488-8501

Public Service Commission

August 24, 1994

Mr. Barrett G. Johnson
Johnson and Associates
315 South Calhoun Street
Suite 350
Tallahassee, Florida 32301

Dear Mr. Johnson:

This is to confirm receipt of your letter dated August 23, 1994 concerning Panda Kathleen's plans to begin satisfying its contractual obligation with Florida Power Corporation by installing the units described in your letter. Based on the representations, I foresee no reason why this is any type of contract change that should come before the Commission for approval. I discussed this briefly with Florida Power's Bob Dolan and he concurred.

Sincerely,

Joseph D. Jenkins
Director
Division of Electric and Gas

JDJ/ms

Docket 95-0110-EI
DAROL LINDLOFF
Exhibit No. DL-3
Sheet 1 of 1

EXHIBIT
-6-

FPSC DOCKET NO. 950110-EI
EXHIBIT NO. _____DL-4

10:8-92

To: Brian Dicte

From: Darol Lindloff

Subject: PANDA-Kathleen L.P. 74.9 MW
Florida Power Corporation
Purchase of Excess energy

On approximately Tuesday, September 29, I was Requested by Hans to contact someone at FPC regarding their position on purchasing the excess energy above 74.9 MWs from the Kathleen facility. On that same day I spoke with Alan Honey and the conversation revealed the following:

1. He was not Absolutely certain what their position was with the PSC on this matter and would have to take it up with Robert Dolin and the legal dept.

2. He felt they would have to speak with, and get an interpretation from the PSC

3. Because of the sensitivity of the ARK filing they have not pursued any issues regarding PANDA's project.

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P-K000928

Alan said he would talk with his people, ask the PSC and get back to us. I indicated we needed to select the equipment, therefore needed an answer by the end of the week i.e. October 2.

He acknowledged that no equipment configuration would give exactly 74.9 MW all the time and that there would be excess energy. He indicated that FPC would in all likelihood need and want this power if it was within reason. He said 95-100 MW was reasonable. Alan also said that FPC would prefer a facility using the GE LM-6000 machines.

As an editorial side light, we had approached this subject with FPC at the early part of 1992, saying that our interpretation of the contract allowed for the sale of some access energy. They more or less agreed but asked us to soft pedal the issue until the contract was in the bag with the PSC. They did not want anything to cast dispersions on their choice of Panda's project for this standard offer award.

Alan indicated that because the ARK intervention had taken so long they had forgotten to pursue the issue.

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DAROL LINDLOFF
Exhibit No. DL-4
Sheet 3 of 3

P-K000930

FPSC DOCKET NO. 950110-EI
EXHIBIT NO. _____DL-5