



Progress Energy

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September 5, 2006

Ms. Blanca S. Bayó, Director
Division of Commission Clerk and
Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Petition for approval of amended standard offer contract tariff and renewable energy tariff, by Progress Energy Florida, Inc.; Docket No. 050807-EQ

Dear Ms. Bayó:

Enclosed for filing on behalf of Progress Energy Florida, Inc. ("PEF") is the original and seven (7) copies of the standard offer contracts required pursuant to Order No. PSC-06-0486-TRF-EQ dated June 6, 2006.

Please call me at (727) 820-5184 should you have any questions.

CMP _____

COM _____

CTR _____

ECR org tariffs

GCL _____

OPC _____

RCA _____

SCR _____

SGA _____

SEC 1

OTH _____

JTB/lms
Enclosures

Sincerely,

John T. Burnett LMS
John T. Burnett

Progress Energy Florida, Inc.
106 E. College Avenue
Suite 800
Tallahassee, FL 32301

RECEIVED & FILED

FPSC-BUREAU OF RECORDS

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

Original
(Sheets 9.400 – 9.467)

STANDARD OFFER CONTRACT FOR THE PURCHASE OF FIRM CAPACITY
AND ENERGY FROM A RENEWABLE ENERGY PRODUCER
OR QUALIFYING FACILITY LESS THAN 100 KW

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STANDARD OFFER CONTRACT FOR THE PURCHASE OF FIRM CAPACITY
AND ENERGY FROM A RENEWABLE ENERGY PRODUCER
OR QUALIFYING FACILITY LESS THAN 100 KW

between

and

PROGRESS ENERGY FLORIDA

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**STANDARD OFFER CONTRACT FOR THE PURCHASE OF FIRM CAPACITY
AND ENERGY FROM A RENEWABLE ENERGY PRODUCER
OR QUALIFYING FACILITY LESS THAN 100 KW**

THIS STANDARD OFFER CONTRACT FOR THE PURCHASE OF FIRM CAPACITY AND ENERGY (hereinafter referred to as the "Contract") is made and entered this ____ day of _____, ____ (hereinafter referred to as the "Execution Date"), by and between _____ (hereinafter the Renewable Energy Provider/Qualifying Facility ("REP/QF")), and Florida Power Corporation d/b/a Progress Energy Florida (hereinafter "PEF"), a private utility corporation organized and existing under the laws of the State of Florida. The REP/QF and PEF shall be individually be identified herein as the "Party" and collectively as the "Parties". This Contract contains five Appendices which are incorporated into and made part of this Contract: Appendix A: Monthly Capacity Payment Calculation; Appendix B: Termination Fee; Appendix C: Detailed Project Information; Appendix D: Rate Schedule REN-PC; and Appendix E: Florida Public Service Commission ("FPSC") Rules 25-17.080 through 25-17.091, F.A.C.

WITNESSETH:

WHEREAS, the REP/QF desires to sell, and PEF desires to purchase electricity to be generated by the REP/QF consistent with Florida Statute Chapter 366.91 (2005) and FPSC Rules 25-17.080 through 25-17.091 F.A.C.; and

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

WHEREAS, the FPSC has approved this Contract for the Purchase of Firm Capacity and Energy from a Renewable Energy Producer or Qualifying Facility less than 100kW; and

WHEREAS, the REP/QF guarantees that the Facility is capable of delivering firm capacity and energy to PEF for the term of this Contract in a manner consistent with the provision of this Contract;

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

1. Definitions

“AFR” means the Facility’s annual fuel requirement.

“AFTR” means the Facility’s annual fuel transportation requirement

“Annual Capacity Billing Factor” or “ACBF” means 12 month rolling average of the Monthly Availability Factor as further defined and explained in Appendix A.

“Appendices” shall mean the schedules, exhibits, and attachments which are appended hereto and are hereby incorporated by reference and made a part of this Contract. Such Appendices include:

“Appendix A” sets forth the Monthly Capacity Payment Calculation.

“Appendix B” sets forth the Termination Fee.

“Appendix C” sets forth the Detailed Project Information.

“Appendix D” sets forth Rate Schedule REN-PC.

“Appendix E” sets forth Florida Public Service Commission ("FPSC") Rules 25-17.080 through 25-17.091, F.A.C.

“As-Available Energy Rate” means the rate calculated by PEF in accordance with FPSC Rule 25-17.0825, F.A.C., and PEF's Rate Schedule COG-1, as they may each be amended from time to time

“Authorization to Construct” means authorization issued by any appropriate Government Agency to construct or reconstruct the Facility granted to REP/QF in accordance with the laws of the State of Florida and any relevant federal law.

“Avoided Unit” means the electrical generating unit described in Section 4 upon which this Contract is based.

“Avoided Unit Energy Cost” has the meaning assigned to it in Appendix D.

“Avoided Unit Fuel Cost” has the meaning assigned to it in Appendix D.

“Avoided Unit Heat Rate” means the average annual heat rate of the Avoided Unit as defined in Section 4.

“Avoided Unit In-Service Date” means the date upon which the Avoided Unit would have started commercial operation as specified in Section 4.

“Avoided Unit Variable O&M” means the Avoided Unit variable operation and maintenance expenses as defined in Section 4. This rate will escalate annually based upon CPI-U. The annual escalation will begin in the payment for January deliveries.

"Base Capacity Payment" or "BCP" means capacity payment rates defined in Appendix D and further defined by the selection of Option A,B,C or D in Section 9.2.

"Base Performance Security Amount" means the dollar amount per MW listed in the Table 1 in Section 11 for years 1-5 associated with the applicable credit class of the Party.

"Base Year" means the year that this Contract was approved by the FPSC.

"Business Day" means any day except a day upon which banks licensed to operate in the State of Florida are authorized, directed or permitted to close, Saturday, Sunday or a weekday that is observed as a public holiday in the State of Florida.

"CAMD" means the Clean Air Markets Division of the Environmental Protection Agency or successor administrator (collectively with any local, state, regional, or federal entity given jurisdiction over a program involving transferability of Environmental Attributes).

"Capacity" means the minimum average hourly net capacity (generator output minus auxiliary load) measured over the Committed Capacity Test Period.

"Capacity Delivery Date" means the first calendar day immediately following the date of the Facility's successful completion of the first Committed Capacity Test.

"Capacity Payment" means the payment defined in Section 9.2 and Appendix A.

"Committed Capacity" or "CC" means the capacity in MW that the REP/QF commits to sell to PEF, the amount of which shall be determined in accordance with Section 7 and Appendix D.

"Committed Capacity Test" means the testing of the capacity of the Facility performed in accordance with the procedures set forth in Section 8.

"Committed Capacity Test Period" means a test period of twenty-four (24) consecutive hours.

"Completed Permits Date" means the date by which the REP/QF must complete licensing, certification, and all federal, state and local governmental, environmental, and licensing approvals required to initiate construction of the Facility. This date is specified in Section 4.

"Completion/Performance Security" means the security described in Section 11.

"Conditions Precedent" shall have the meaning assigned to it in Section 5.

"Consent" means a Governmental Approval or other contract, license, approval, permission, authorization or other right of whatsoever nature (including any renewal or replacement of same) necessary or desirable for the construction of the Facility infrastructure or for the use of the Facility for the generation of electricity or for the transmission of electricity to the Transmission System (including, but not limited to, the Project Consents); or for any other matters relevant to the performance of REP/QF's obligations under this Contract.

"Contract" means this standard offer contract for the purchase of Firm Capacity and Energy from a Renewable Energy Producer or Qualifying Facility with a nameplate capacity of less than 100 kW.

"CPI-U" means the revised monthly consumer price index for All Urban Consumers, U.S. City Average (CPI-U) (All Items 1982-84 = 100) promulgated by the Bureau of Labor Statistics of the United States Department of Labor.

"Creditworthy" with respect to a Party or its credit support provider, as applicable, means a party is rated by at least two (2) of the three (3) following rating agencies Standard & Poors (S&P), Moody's Investor Services (Moody's) and Fitch Rating Services (Fitch). Rating shall be the unsecured, senior long-term debt or deposit obligations (not supported by third party credit enhancement). Both ratings (if company is only rated by 2 of the 3 agencies) or at least two (2) of the three (3) (if company is rated by all three agencies) must be (i) BBB- or greater from S&P (ii) Baa3 or greater from Moody's (iii) BBB- or greater from Fitch.

"Demonstration Period" means a sixty-hour period in which the Committed Capacity Test must be completed.

"Distribution System" means the distribution system consisting of electric lines, electric plant, transformers and switchgear is used for conveying electricity to ultimate consumers, but not including any part of the Transmission System.

"Dispute" shall have the meaning assigned to it in Section 20.9.

"Drop Dead Date" means the date which is twelve (12) months following the Execution Date.

"Eastern Prevailing Time" means the time in effect in the Eastern Time Zone of the United States of America, whether Eastern Standard Time or Eastern Daylight Savings Time.

"Effective Date" has the meaning assigned to it in Section 5.

"Electrical Interconnection Point" means the physical point at which the Facility is connected with the Transmission System or, if REP/QF interconnects with a Transmission System other than PEF's, PEF's interconnection with the Transmission Provider's Transmission System, or such other physical point on which REP/QF and PEF may agree.

"Eligible Collateral" means (i) a Letter of Credit from a Qualified Institution or (ii) cash deposited into a PEF Security Account by REP/QF or REP/QF Security Account by PEF, as the case may be, or (iii) REP/QF Guarantee or PEF Guarantee or a combination of (i), (ii) and/or (iii) as outlined in Section 11.

"Energy" means megawatt-hours generated by the Facility of the character commonly known as three-phase, sixty hertz electric energy that is delivered at a nominal voltage at the Electrical Interconnection Point.

“Environmental Attributes” means all attributes of an environmental or other nature that are created or otherwise arise from the Facility’s generation of electricity from a renewable energy source in contrast with the generation of electricity using nuclear or fossil fuels or other traditional resources. Forms of such attributes include, without limitation, any and all environmental air quality credits, green credits, renewable energy credits (“RECs”), carbon credits, emissions reduction credits, certificates, tags, offsets, allowances, or similar products or rights, howsoever entitled, (i) resulting from the avoidance of the emission of any gas, chemical, or other substance, including but not limited to, mercury, nitrogen oxide, sulfur dioxide, carbon dioxide, carbon monoxide, particulate matter or similar pollutants or contaminants of air, water or soil gas, chemical, or other substance, and (ii) attributable to the generation, purchase, sale or use of Energy from or by the Facility, or otherwise attributable to the Facility during the Term. Environmental Attributes include, without limitation, those currently existing or arising during the Term under local, state, regional, federal, or international legislation or regulation relevant to the avoidance of any emission described in this Contract under any governmental, regulatory or voluntary program, including, but not limited to, the United Nations Framework Convention on Climate Change and related Kyoto Protocol or other programs, laws or regulations involving or administered by the Clean Air Markets Division of the Environmental Protection Agency (“CAMD”) or successor administrator (collectively with any local, state, regional, or federal entity given jurisdiction over a program involving transferability of Environmental Attributes.).

“EPT” means Eastern Prevailing Time.

“Event of Default” has the meaning assigned to it in Section 14.

“Execution Date” has the meaning assigned to it in the opening paragraph of this Contract.

“Exemplary Early Capacity Payment Date” means the exemplary date used to calculate Capacity Payments for Option B and D. This date is specified in Section 4. The actual Capacity Payments for Option B and D will be calculated based upon the Capacity Delivery Date.

“Expiration Date” means the final date upon which this Contract can be executed. This date is specified in Section 4.

“Facility” means all equipment, as described in this Contract, used to produce electric energy and, and all equipment that is owned or controlled by the REP/QF required for parallel operation with the Transmission System. In the case of a cogenerator the Facility includes all equipment that is owned or controlled by the REP/QF to produce useful thermal energy through the sequential use of energy.

“FERC” means the Federal Energy Regulatory Commission or its successor.

"Financial Closing" means the fulfillment of each of the following conditions:

- (a) the execution and delivery of the Financing Documents; and
- (b) all Conditions Precedent to the initial availability for disbursement of funds under the Financing Documents (other than relating to the effectiveness of this Contract) are satisfied or waived.

"Financing Documents" shall mean documentation with respect to any private equity investment in REP/QF, any loan agreements (including agreements for any subordinated debt), notes, bonds, indentures, guarantees, security agreements and hedging agreements relating to the financing or refinancing of the design, development, construction, Testing, Commissioning, operation and maintenance of the Facility or any guarantee by any Financing Party of the repayment of all or any portion of such financing or refinancing.

"Financing Party" means the Persons (including any trustee or agent on behalf of such Persons) providing financing or refinancing to or on behalf of REP/QF for the design, development, construction, testing, commissioning, operation and maintenance of the Facility (whether limited recourse, or with or without recourse).

"Firm Capacity and Energy" has the meaning assigned to it in Appendix D.

"Firm Capacity Rate" has the meaning assigned to it in Appendix D.

"Firm Energy Rate" has the meaning assigned to it in Appendix D.

"Force Majeure" has the meaning given to it in Section 18.

"FPSC" means the Florida Public Service Commission or its successor.

"Government Agency" means the United States of America, or any state or any other political subdivision thereof, including without limitation, any municipality, township or county, and any domestic entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including, without limitation, any corporation or other entity owned or controlled by any of the foregoing.

"Governmental Approval" means any authorization, consent, approval, license, ruling, permit, exemption, variance, order, judgment, instruction, condition, direction, directive, decree, declaration of or regulation by any Government Agency relating to the construction, development, ownership, occupation, start-up, Testing, operation or maintenance of the Facility or to the execution, delivery or performance of this Contract as any of the foregoing are in effect as of the date of this Contract.

"Gross Domestic Product Implicit Price Deflator" or "GDPIPD" has the meaning assigned to it in Section 11.

"IEEE" means the Institute of Electrical and Electronics Engineers, Inc.

“Indemnified Party” has the meaning assigned to it in Section 16.

“Indemnifying Party” has the meaning assigned to it in Section 16.

“Initial Reduction Value” has the meaning assigned to it in Appendix B.

“Insurance Services Office” has the meaning assigned to it in Section 17.

“KVA” means one or more kilovolts-amperes of electricity, as the context requires.

“kW” means one or more kilowatts of electricity, as the context requires.

“kWh” means one or more kilowatthours of electricity, as the context requires.

“Letter of Credit” means a stand-by letter of credit from a Qualified Institution that is acceptable to PEF whose approval may not be unreasonably withheld.

“LOI” means a letter of intent for fuel supply.

“Material Adverse Change” means as to PEF, that PEF or PEF Guarantor, if applicable, or, as to REP/QF, that REP/QF or REP/QF Guarantor, if applicable, any of the following events; (a) such party is no longer Creditworthy or (b) the party of Party’s guarantor, if applicable, defaults on an aggregate of fifty million dollars (\$50,000,000) or five percent (5%) of equity, whichever is less.

“MCPC” means the Monthly Capacity Payment for Option A.

“Monthly Billing Period” means the period beginning on the first calendar day of each calendar month, except that the initial Monthly Billing Period shall consist of the period beginning 12:01 a.m., on the Capacity Delivery Date and ending with the last calendar day of such month.

“Monthly Availability Factor” or “MAF” means the total energy received during the Monthly Billing Period for which the calculation is made, divided by the product of Committed Capacity times the total hours during the Monthly Billing Period.

“Monthly Capacity Payment” or “MCP” means the payment for Capacity calculated in accordance with Appendix A.

“MW” means one or more megawatts of electricity, as the context requires.

“MWh” means one or more megawatt-hours of electricity, as the context requires.

“Option A” means normal Capacity Payments as described in Appendix D.

“Option B” means early Capacity Payments as described in Appendix D.

"Option C" means levelized Capacity Payments as described in Appendix D.

"Option D" means early levelized Capacity Payments as described in Appendix D.

"Party" or "Parties" has the meaning assigned to it in the opening paragraph of this Contract.

"PEF" has the meaning assigned to it in the opening paragraph of this Contract.

"PEF Entities" has the meaning assigned to it in Section 16.

"PEF Guarantee" means a guarantee provided by PEF Guarantor that is acceptable to REP/QF whose approval may not be unreasonably withheld.

"PEF Guarantor" means a party that, at the time of execution and delivery of its PEF Guarantee is a direct or indirect owner of PEF and is (a) Creditworthy or is (b) reasonably acceptable to REP/QF as having verifiable Creditworthiness and a net worth sufficient to secure PEF's obligations.

"PEF Performance Security" has the meaning assigned to it in Section 11.

"PEF Security Account" means an account designated by PEF for the benefit of PEF free and clear of all liens (including liens of any lenders) to be established and maintained at a Qualified Institution pursuant to a control agreement in a form and substance acceptable to PEF whose cost is to be borne by the REP/QF.

"Person" means any individual, partnership, corporation, association, joint stock company trust, joint venture, unincorporated organization, or Governmental Agency (or any department, agency, or political subdivision thereof).

"Project Consents" mean the following Consents, each of which is necessary to REP/QF for the fulfillment of REP/QF's obligations hereunder:

- (a) the Authorization to Construct;
- (b) planning permission and consents in respect of the Facility, and any electricity substation located at the Facility site, including but not limited to, a prevention of significant deterioration permit, a noise, proximity and visual impact permit, and any required zoning permit; and
- (c) any integrated pollution control license.

"Project Contracts" means this Contract, and any other contract required to construct, operate and maintain the Facility. The Project Contracts may include, but are not limited to, the turnkey engineering, procurement and construction contract, the electrical interconnection and operating agreement, the fuel supply agreement, the facility site lease, and the operation and maintenance agreement.

“Prudent Utility Practices” means any of the practices, methods, standards and acts (including, but not limited to, the practices, methods and acts engaged in or approved by a significant portion of owners and operators of power plants of technology, complexity and size similar to the Facility in the United States) that, at a particular time, in the exercise of reasonable judgment in light of the facts known or that should reasonably have been known at the time a decision was made, could have been expected to accomplish the desired result and goals (including such goals as efficiency, reliability, economy and profitability) in a manner consistent with applicable facility design limits and equipment specifications and applicable laws and regulations. Prudent Utility Practice is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but rather to be a spectrum of acceptable practices, methods or acts in each case taking into account the Facility as an independent power project.

“Qualifying Facility” or “QF” means a cogenerator, small power producer, or non-utility generator that has been certified or self-certified by the FERC as meeting certain ownership, operating and efficiency criteria established by the Federal Energy Regulatory Commission pursuant to the Public Utility Regulatory Policies Act of 1978 (“PURPA”), the criteria for which are currently set forth in 18 C.F.R. § 292, *et seq.* (2006), Section 210 of PURPA, 16 U.S.C. § 824a-3 (2005), 16 U.S.C. 796 *et seq.* (2006), and Section 1253 of EPAct 2005, Pub. L. No. 109-58, § 1253, 119 Stat. 594 (2005) or, alternatively, analogous provisions under the laws of the State of Florida.

“Qualified Institution” means the domestic office of a United States commercial bank or trust company or a foreign bank with a United States branch with total assets of at least ten billion dollars (\$10,000,000,000) (which is not an affiliate of either party) having a general long-term senior unsecured debt rating of A- or higher (as rated by Standard & Poors Ratings Group), A3 or higher (as rated by Moody’s Investor Services) or A- or higher (as rated by Fitch Ratings).

“Rate Schedule COG-1” means PEF’s Agreement for Purchase of As-Available Energy and/or Parallel Operation with a Qualifying Facility as approved by the FPSC and as may be amended from time to time.

“REC” means renewable energy credits, green tags, green tickets, renewable certificates, tradable renewable energy credits (“T-REC”) or any tradable certificate that is produced by a renewable generator in addition to and in proportion to the production of electrical energy.

“Reduction Value” has the meaning assigned to it in Appendix B.

“Renewable Facility” means a facility that produces energy from a method that uses one or more of the following fuels or energy sources: hydrogen produced from sources other than fossil fuels, biomass, solar energy, geothermal energy, wind energy, ocean energy, hydroelectric power or waste heat from sulfuric acid manufacturing operations.

“REP/QF Entities” has the meaning assigned to it in Section 16.

“REP/QF Guarantee” means a guarantee provided by REP/QF Guarantor that is acceptable to PEF whose approval may not be unreasonably withheld.

“REP/QF Guarantor” means a party that, at the time of execution and delivery of its REP/QF Guarantee is a direct or indirect owner of REP/QF and is (a) Creditworthy or is (b) reasonably acceptable to PEF as having verifiable Creditworthiness and a net worth sufficient to secure REP/QF’s obligations.

“REP/QF Insurance” has the meaning assigned to it in Section 17.

“REP/QF Performance Security” has the meaning assigned in Section 11.

“REP/QF Security Account” means an account designated by the REP/QF for the benefit of the REP/QF free and clear of all liens (including liens of any lenders) to be established and maintained at a Qualified Institution pursuant to a control agreement in a form and substance acceptable to REP/QF whose cost is to be borne by PEF.

“Security Documentation” has the meaning assigned to it in Section 12.

“Supplemental Eligible Collateral” means additional collateral in the form of Letter of Credit or cash to augment the REP/QF Performance Security in the event of a Material Adverse Change.

“Subscription Limit” means the total capacity required to fully subscribe this Contract .

“Term” has the meaning assigned to it in Section 3.

“Termination Date” means the date upon which this Contract terminates unless terminated earlier in accordance with the provisions hereof. This date is specified in Section 4.

“Termination Fee” means the fee described in Appendix B as it applies to any Capacity Payments made under Option B, C or D.

“Termination Security” has the meaning assigned to it in Section 12.

“Transmission Provider” means the operator(s) of the Transmission System(s) or any successor thereof or any other entity or entities authorized to transmit Energy on behalf of REP/QF from the Electrical Interconnection Point.

“Transmission System” means the system of electric lines comprised wholly or substantially of high voltage lines, associated system protection, system stabilization, voltage transformation, and capacitance, reactance and other electric plant used for conveying electricity from a generating station to a substation, from one generating station to another, from one substation to another, or to or from any Electrical Interconnection Point or to ultimate consumers and shall include any interconnection owned by the Transmission Provider or PEF, but shall in no event include any lines which the Transmission Provider has specified to be part of the Distribution System except for any distribution facilities required to accept capacity and energy from the Facility.

2. Facility; Renewable Facility or Qualifying Facility Status

The Facility's location and generation capabilities are as described in the table below.

TECHNOLOGY AND GENERATOR CAPABILITIES	
Location: Specific legal description (e.g., metes and bounds or other legal description with street address required)	City: County:
Generator Type (Induction or Synchronous)	
Technology	
Fuel Type and Source	
Generator Rating (KVA)	
Maximum Capability (kW)	
Net Output (kW)	
Power Factor (%)	
Operating Voltage (kV)	
Peak Internal Load kW	

The REP/QF's failure to complete the foregoing table in its entirety shall render this Contract null and void and of no further effect.

The Facility must either maintain (i) its status as a Renewable Facility or (ii) its status as a Qualifying Facility with a design capacity of 100 kW or less. The REP/QF shall use the same fuel or energy source and maintain the status as a Renewable Facility or a Qualifying Facility throughout the term of this Contract. REP/QF shall at all times keep PEF informed of any material changes in its business which affects its Renewable Facility or Qualifying Facility status. PEF shall have the right at all times to inspect the Facility and to examine any books, records, or other documents of the REP/QF that PEF deems necessary to verify the Facility's Renewable Facility status or Qualifying Facility status. On or before March 31 of each year during the term of this Contract, the REP/QF shall provide to PEF a certificate signed by an officer of the REP/QF certifying that the REP/QF continuously maintained its status as a Renewable Facility or Qualifying Facility during the prior calendar year.

3. Term of Contract

Except as otherwise provided herein, this Contract shall become effective immediately upon its execution by the Parties and shall end at 12:01 a.m. on the Termination Date, (the "Term") unless terminated earlier in accordance with the provisions hereof. Notwithstanding the foregoing, if the Capacity Delivery Date of the Facility is not accomplished by the REP/QF before the Avoided Unit In-Service Date (or such later date as may be permitted by PEF pursuant to Section 7), this Contract shall be rendered null and void and PEF's shall have no obligations under this Contract.

4. Minimum Specifications and Milestones

As required by FPSC Rule 25-17.0832(4)(e), the minimum specifications pertaining to this Contract and milestone dates are as follows:

Avoided Unit	Pulverized Coal
Avoided Unit Capacity	750 MW
Avoided Unit In-Service Date	June 1, 2013
Avoided Unit Heat Rate	8,712 BTU/kWh
Avoided Unit Variable O&M	0.321¢ per kWh in mid-2010 dollars
Subscription Limit	Avoided Unit Capacity
Capacity Payments begin	Avoided Unit In-Service Date unless Option B, C, or D is selected
Termination Date	May 31, 2023 (10 years)
Minimum Performance Standards – On Peak Availability Factor*	91%
Minimum Performance Standards – Off Peak Availability Factor	91%
Minimum Availability Factor Required to qualify for a Capacity payment	71%
Expiration Date	April 1, 2007 unless extended by the FPSC
Completed Permits Date	June 1, 2012
Exemplary Early Capacity Payment Date	January 1, 2007

* REP/QF performance shall be as measured and/or described in Appendix A.

5. Conditions Precedent

- (a) Unless otherwise waived in writing by PEF, on or before the Drop Dead Date, REP/QF shall satisfy the following Conditions Precedent:
- (i) REP/QF shall have obtained firm transmission service necessary to deliver Capacity and energy from the Facility to the Electrical Interconnection Point;
 - (ii) REP/QF shall have obtained the Project Consents and any other Consents for which it is responsible under the terms hereof;
 - (iii) REP/QF shall have entered into Financing Documents relative to the construction of the Facility and having achieved Financial Closing;
 - (iv) REP/QF shall have entered into the Project Contracts;
 - (v) REP/QF shall have obtained insurance policies or coverage in compliance with Section 17;
 - (vi) REP/QF shall have delivered to PEF (i) a copy of its constitutional documents (certified by its corporate secretary as true, complete and up-to-date) and (ii) a copy of a corporate resolution approving the terms of this Contract and the transactions contemplated hereby and authorizing one or more individuals to execute this Contract on its behalf (such copy to have been certified by its corporate representative as true, complete and up-to-date);
 - (vii) any legislation relevant to the above items being in full force and effect;
 - (viii) in the event the REP/QF is a Qualifying Facility, REP/QF obtaining Qualifying Facility status from either the FPSC or FERC.
- (b) Promptly upon satisfaction (or waiver by PEF in writing) of the Conditions Precedent to be satisfied by REP/QF, PEF shall deliver to REP/QF a certificate evidencing such satisfaction. Subject to there being no Event of Default which has occurred and/or is continuing as at the date upon which the last of such certificates is delivered, the date of such last certificate shall constitute the effective date of this Contract (the "Effective Date")
- (c) Unless all Conditions Precedent are satisfied by REP/QF on or before the Drop Dead Date or such Conditions Precedent are waived in writing by PEF, , this Contract shall terminate on such date and neither Party shall have any further liability to the other Party hereunder.

- (d) REP/QF shall achieve the Capacity Delivery Date on or before the Avoided Unit In-Service Date.
- (e) REP/QF shall ensure that before the initial Committed Capacity Test:
 - (a) the Facility shall have been constructed so that the Committed Capacity Test may be duly and properly undertaken in accordance with Section 7; and
 - (b) an operable physical connection from the Facility to the Transmission System shall have been effected in accordance with the electrical interconnection and operating agreement required by the Transmission Provider, provided, however, that such physical connection shall be made consistent with the terms hereof.

6. Sale of Electricity by the REP/QF

6.1 Consistent with the terms hereof, the REP/QF shall sell to PEF and PEF shall purchase from the REP/QF electric power generated by the Facility. The purchase and sale of electricity pursuant to this Contract shall be a () net billing arrangement or () simultaneous purchase and sale arrangement; provided, however, that no such arrangement shall cause the REP/QF to sell more than the Facility's net output. The billing methodology may be changed at the option of the REP/QF, subject to the provisions of Appendix D.

6.2 Ownership and Offering For Sale Of Renewable Energy Attributes

- a. The REP/QF shall retain any and all rights to own and to sell any and all Environmental Attributes associated with the electric generation of the Facility, provided that: (i) PEF shall have a right of first refusal with respect to any and all bona fide offers to purchase any Environmental Attributes; and (ii) the REP/QF shall not sell Environmental Attributes to any party at a price less than that charged by PEF
- b. Notwithstanding the provisions of the foregoing Section 6.2 (a), in the event that the REP/QF wishes to sell Environmental Attributes to another party at a price less than that already contracted for by PEF, the REP/QF may proceed with such sale so long as (i) the price paid by PEF for any and all future purchases of Environmental Attributes from the REP/QF shall be adjusted to be equal to the lowest price at which the REP/QF agrees to sell Environmental Attributes to another party; and (ii) the REP/QF shall refund to PEF the amount by which any past PEF purchases of Environmental Attributes from the REP/QF exceeds the lowest price that the REP/QF agrees to charge another buyer.

6.3 The REP/QF shall not rely on interruptible standby service for the start up requirements (initial or otherwise) of the Facility.

- 6.4 The REP/QF shall be responsible for the scheduling of required transmission and for all costs, expenses, taxes, fees and charges associated with the delivery of energy to PEF. The REP/QF shall enter into a transmission service agreement with the Transmission Provider in whose service territory the Facility is to be located and the REP/QF shall make any and all transmission-related arrangements (including ancillary services) between the REP/QF and the Transmission Provider for delivery of the Facility's firm Capacity and energy to PEF. The Capacity and energy amounts paid to the REP/QF hereunder do not include transmission losses. The REP/QF shall be responsible for transmission losses that occur prior to the point at which the REP/QF's energy is delivered to PEF. The Parties recognize that the Transmission Provider may be PEF and that if PEF is the Transmission Provider, that the transmission service will be provided under a separate agreement.

7. Committed Capacity/Capacity Delivery Date

- 7.1 In the event that the REP/QF elects to make no commitment as to the quantity or timing of its deliveries to PEF, then its Committed Capacity as defined in the following Section 7.2 shall be zero (0) MW. If the Committed Capacity is zero (0) MW, Sections 7.2 through Section 7.7 and all of Section 8 shall not apply.
- 7.2 If the REP/QF commits to sell capacity to PEF, the amount of which shall be determined in accordance with this Section 7 and Appendix D. Subject to Section 7.4, the Committed Capacity is set at _____ kW, with an expected Capacity Delivery Date on or before the Avoided Unit In-Service Date.
- 7.3 Testing of the Capacity of the Facility (each such test a Committed Capacity Test) shall be performed in accordance with the procedures set forth in Section 8. The Demonstration Period for the first Committed Capacity Test shall commence no earlier than ninety (90) days before the expected Capacity Delivery Date and testing must be completed before the Avoided Unit In-Service Date. The first Committed Capacity Test shall not be successfully completed unless the Facility demonstrates a Capacity of at least one hundred percent (100%) of the Committed Capacity set forth in Section 7.2. Subject to Section 8.1, the REP/QF may schedule and perform up to three (3) Committed Capacity Tests to satisfy the requirements of the Contract with respect to the first Committed Capacity Test.
- 7.4 In addition to the first Committed Capacity Test, PEF shall have the right to require the REP/QF, by notice thereto, to validate the Committed Capacity by means of a Committed Capacity Test at any time, up to two (2) times per year, the results of which shall be provided to PEF within seven (7) calendar days of the conclusion of such test. On and after the date of such requested Committed Capacity Test, and until the completion of a subsequent Committed Capacity Test, the Committed Capacity shall be set at the lower of the Capacity tested or the Committed Capacity as set forth in Section 7.2.

- 7.5 Notwithstanding anything contrary to the terms hereof, the Committed Capacity may not exceed the amount set forth in Section 7.2 without the consent of PEF, which consent shall be granted in PEF's sole discretion.
- 7.6 In no event shall PEF make Capacity Payments to the REP/QF prior to the Capacity Delivery Date.
- 7.7 The REP/QF shall be entitled to receive Capacity Payments beginning on the Capacity Delivery Date, provided the Capacity Delivery Date occurs before the Avoided Unit In-Service Date (or such later date permitted by PEF). If the Capacity Delivery Date does not occur before the Avoided Unit In-Service Date, PEF shall immediately be entitled to draw down the Completion/Performance Security in full.

8. Testing Procedures

- 8.1 The Committed Capacity Test must be completed successfully within the Demonstration Period, which period, including the approximate start time of the Committed Capacity Test, shall be selected and scheduled by the REP/QF by means of a written notice to PEF delivered at least thirty (30) calendar days prior to the start of such period. The provisions of the foregoing sentence shall not apply to any Committed Capacity Test ordered by PEF under any of the provisions of this Contract. PEF shall have the right to be present onsite to monitor firsthand any Committed Capacity Test required or permitted under this Contract.
- 8.2 The Committed Capacity Test results shall be based on a test period of twenty-four (24) consecutive hours (the "Committed Capacity Test Period") at the highest sustained net kW rating at which the Facility can operate without exceeding the design operating conditions, temperature, pressures, and other parameters defined by the applicable manufacturer(s) for steady state operations at the Facility. The Committed Capacity Test Period shall commence at the time designated by the REP/QF pursuant to Section 8.1 or at such time requested by PEF pursuant to Section 7.4; provided, however, that the Committed Capacity Test Period may commence earlier than such time in the event that PEF is notified of, and consents to, such earlier time.
- 8.3 Normal station service use of unit auxiliaries, including, without limitation, cooling towers, heat exchangers, and other equipment required by law, shall be in service during the Committed Capacity Test Period.
- 8.4 The Capacity of the Facility shall be the minimum average hourly net output in kW (generator output minus auxiliary) measured over the Committed Capacity Test Period.

- 8.5 The Committed Capacity Test shall be performed according to standard industry testing procedures for the appropriate technology of the REP/QF.
- 8.6 The results of any Committed Capacity Test, including all data related to Facility operation and performance during testing, shall be submitted to PEF by the REP/QF within seven (7) calendar days of the conclusion of the Committed Capacity Test. The REP/QF shall certify that all such data is accurate and complete.

9. Payment for Electricity Produced by the Facility

9.1 Energy

- 9.1.1 PEF agrees to pay the REP/QF for energy produced by the Facility and delivered to PEF in accordance with the rates and procedures contained in PEF's approved Rate Schedule COG-1 if the Committed Capacity pursuant to Section 7.2 is set to zero. If the Committed Capacity is greater than zero MW, then PEF agrees to pay the REP/QF for energy produced by the Facility and delivered to PEF in accordance with the rates and procedures contained in Appendix D, as it may be amended from time to time. The Parties agree that this Contract shall be subject to all of the provisions contained in Rate Schedule COG-1 or Appendix D whichever applies as approved and on file with the FPSC.
- 9.1.2 PEF may, at its option, limit deliveries under this Contract to 110% of the Committed Capacity as set forth in Section 7. In the event that PEF chooses to limit deliveries, any energy in excess of 110% of the Committed Capacity will be paid for at the rates defined in Rate Schedule COG-1 and shall not be included in the calculations in Appendix A hereto.

9.2 Capacity

PEF agrees to pay the REP/QF for the Capacity described in Section 7 in accordance with the rates and procedures contained in Appendix D, as it may be amended and approved from time to time by the FPSC, and pursuant to the election of Option _____ of Appendix D. The REP/QF understands and agrees that Capacity Payments will only be made if the Capacity Delivery Date occurs before the Avoided Unit In-Service Date and the Facility is delivering firm Capacity and Energy to PEF. Once so selected, this Option, the Firm Capacity Rate and/or the Firm Energy Rate cannot be changed for the term of this Contract.

9.3 Payments for Energy and Capacity

9.3.1 Payments due the REP/QF will be made monthly, and normally by the twentieth Business Day following the end of the billing period. The kilowatt-hours sold by the REP/QF and the applicable avoided energy rate at which payments are being made shall accompany the payment to the REP/QF.

9.3.2 Payments to be made under this Contract shall, for a period of not longer than two (2) years, remain subject to adjustment based on billing adjustments due to error or omission by either Party, provided that such adjustments have been agreed to between the Parties.

10. Electricity Production and Plant Maintenance Schedule

10.1 No later than sixty (60) calendar days prior to the Capacity Delivery Date, and prior to October 1 of each calendar year thereafter during the term of this Contract, the REP/QF shall submit to PEF in writing a detailed plan of the amount of electricity to be generated by the Facility and delivered to PEF for each month of the following calendar year, including the time, duration and magnitude of any scheduled maintenance period(s) or reductions in Capacity.

10.2 By October 31 of each calendar year, PEF shall notify the REP/QF in writing whether the requested scheduled maintenance periods in the detailed plan are acceptable. If PEF does not accept any of the requested scheduled maintenance periods, PEF shall advise the REP/QF of the time period closest to the requested period(s) when the outage(s) can be scheduled. The REP/QF shall only schedule outages during periods approved by PEF, and such approval shall not be unreasonably withheld. Once the schedule for the detailed plan has been established and approved, either Party requesting a subsequent change in such schedule, except when such change is due to Force Majeure, must obtain approval for such change from the other Party. Such approval shall not be unreasonably withheld or delayed. Scheduled maintenance outage days shall be limited to twenty-one (21) days per calendar year. In no event shall maintenance periods be scheduled during the following periods: June 1 through September 15 and December 1 through and including the last day of February.

10.3 The REP/QF shall comply with reasonable requests by PEF regarding day-to-day and hour-by-hour communication between the Parties relative to electricity production and maintenance scheduling.

- 10.4** The Parties recognize that the intent of the availability factor in Section 4 of this Contract is an allowance for scheduled outages, forced outages and forced reductions in the output of the Facility. Therefore, the REP/QF shall provide PEF with notification of any forced outage or reduction in output which shall include the time and date at which the forced outage or reduction occurred, a brief description of the cause of the outage or reduction and the time and date when the forced outage or reduction ceased and the Facility was able to return to normal operation. This notice shall be provided to PEF within seventy-two (72) hours of the end of the forced outage or reduction.

The REP/QF is required to provide the total electrical output to PEF except (i) during a period that was scheduled in Section 10.2, (ii) during a period in which notification of a forced outage or reduction was provided, (iii) during an event of Force Majeure or (iv) during a curtailment period as described in Section 10.5.5. In the event that the REP/QF does not deliver its full electrical output to PEF during an hour not excluded in the previous sentence then the REP/QF shall be charged a rate equal to the PEF's Rate Schedule COG-1 times the difference between the Committed Capacity and the actual energy received by PEF in that hour. If, in PEF's sole judgment, it is determined that the normal operation of the REP/QF requires it to cease operation or reduce its output, the charges in this Section 10.4 may be waived.

10.5 Dispatch and Control

10.5.1 Power supplied by the REP/QF hereunder shall be in the form of three-phase 60 hertz alternating current, at a nominal operating voltage of _____ volts (_____ kV) and power factor dispatchable and controllable in the range of 90% lagging to 90% leading as measured at the interconnection point to maintain system operating parameters, including power factor, as specified from time to time by PEF.

10.5.2 The REP/QF shall operate the Facility with all system protective equipment in service whenever the Facility is connected to, or is operated in parallel with, PEF's system, except for normal testing and repair in accordance with good engineering and operating practices as agreed by the Parties. The REP/QF shall provide adequate system protection and control devices to ensure safe and protected operation of all energized equipment during normal testing and repair. All REP/QF facilities shall meet IEEE and industry standards. The REP/QF shall have independent, third party qualified personnel test, calibrate and certify in writing all protective equipment at least once every twelve (12) months in accordance with good engineering and operating practices. A unit functional trip test shall be performed after each overhaul of the Facility's turbine, generator or boilers and results provided to PEF in writing prior to returning the equipment to service. The specifics of the unit functional trip test will be consistent with good engineering and operating practices as agreed by the Parties.

- 10.5.3** If the Facility is separated from the PEF system for any reason, under no circumstances shall the REP/QF reconnect the Facility to PEF's system without first obtaining PEF'S specific approval.
- 10.5.4** During the term of this Contract, the REP/QF shall employ qualified personnel for managing, operating and maintaining the Facility and for coordinating such with PEF. The REP/QF shall ensure that operating personnel are on duty at all times, twenty-four (24) hours a calendar day and seven (7) calendar days a week. Additionally, during the term of this Contract, the REP/QF shall operate and maintain the Facility in such a manner as to ensure compliance with its obligations hereunder and in accordance with applicable law and Prudent Utility Practices.
- 10.5.5** PEF shall not be obligated to purchase, and may require curtailed or reduced deliveries of energy to the extent allowed under FPSC Rule 25-17.086 and under any curtailment plan which PEF may have on file with the FPSC from time to time.
- 10.5.6** During the term of this Contract, the REP/QF shall maintain sufficient fuel on the site of the Facility to deliver the capacity and energy associated with the Committed Capacity for an uninterrupted seventy-two-(72) hour period. At PEF's request, the REP/QF shall demonstrate this capability to PEF's reasonable satisfaction. During the term of this Contract, the REP/QF's output shall remain within a band of plus or minus ten percent (10%) of the daily output level or levels specified by the plant operator, in ninety percent (90%) of all operating hours under normal operating conditions. This calculation will be adjusted to exclude forced outage periods and periods during which the REP/QF's output is affected by a Force Majeure event.

11. Completion/Performance Security

- 11.1** Simultaneous with the execution of this agreement REP/QF shall deliver to PEF Eligible Collateral in an amount according to Table 1. REP/QF's Performance Security shall be maintained throughout the Term although the amount of Eligible Collateral shall be adjusted from time to time in accordance with Tables 1 and Section 11.4. The listed amounts are considered the initial amounts and use 2006 as the Base Year, with all amounts expressed in US Dollars.

Note: The amounts in the following Tables are for 2006 and are subject to change based on utility cost estimates for any year subsequent to the Base Year.

Table 1

Credit Class	Amount per MW	
	Years 1 - 5	Years 6 - 10
A- and Above	\$45,000	\$30,000
BBB+ to BBB	\$65,000	\$55,000
BBB-	\$90,000	\$80,000
Below BBB-	\$135,000	\$90,000

- 11.2** In the event that a Material Adverse Change occurs in respect of REP/QF, then within two (2) Business Day(s) REP/QF shall deliver to PEF Supplemental Eligible Collateral equal to 50 percent of the current Eligible Collateral amount, provided however, that in the PEF's sole discretion, based on a review of the overall circumstances of REP/QF's Material Adverse Change, the total of the Eligible Collateral and the Supplemental Eligible Collateral may be reduced but in no event shall the amount be less than the Base Performance Security Amount.
- 11.3** PEF Performance Security - In the event that a Material Adverse Change occurs in respect of PEF, within two (2) Business Days, PEF shall deliver to REP/QF Eligible Collateral in the same amount as the REP/QF Performance Security which shall be adjusted at the same times and to the same amounts set forth in Table 1 for the REP/QF Performance Security; provided however, that in REP/QF's sole discretion, base on a review of the overall circumstances or PEF's Material Adverse Change, the Eligible Collateral that PEF is required to provide may be reduced to an amount below that stated in the applicable table but no event less than the Base Performance Security Amount.
- 11.4** Performance Security Annual Adjustments – Both the REP/QF Performance Security and PEF Performance Security (if applicable) shall be adjusted on an annual basis beginning January 1, 2007 and each year of during the term of the Agreement. The values in Table 1 will be adjusted using the change in the Gross Domestic Implicit Price Deflator (GDPIPD) between the Base Year and each year during the term as reported in the Survey of Current Business published in January each year and revised thereafter, by the Bureau of Economic Analysis, United States Department of commerce, Washington, D.C. using the following formula: Current Performance Security amount (CPSA) multiplied by one plus the change in the GDPIPD, $(CPSA \times (1 + \Delta GDPIPD))$

- 11.5 Replacement Collateral, Release of Collateral** - Upon any reduction of the amount of REP/QF Performance Security or PEF Performance Security pursuant to Section 11.2 or 11.3 the beneficiary thereof shall upon two (2) Business Days written request by the other Party release any Eligible or Supplemental Eligible Collateral that is no longer required. The choice of the type of Eligible Collateral by a Party may be selected from time to time by such Party and upon receipt of substitute Eligible Collateral, the holder of the Eligible Collateral for which the substitution is being made shall promptly release such Eligible Collateral. Following any termination of this agreement, the Parties shall mutually agree to a final settlement of all obligations under this Agreement which such period shall not exceed 90 days from such termination date unless extended by mutual agreement between the Parties. After such settlement, any remaining Eligible Collateral posted by a Party that has not been drawn upon by the other Party pursuant to its rights under this Contract shall be returned to such Party. Any dispute between the Parties regarding such final settlement shall be resolved according to applicable procedures set forth in Section 20.9.
- 11.6 Draws, Replenishment** - A Non-Defaulting Party may draw upon Eligible Collateral or Supplemental Eligible Collateral provided by the other Party following the occurrence of an Event of Default by such other Party or pursuant to the other provisions of this Agreement in order to recover any damages to which such Non-Defaulting Party is entitled to under this Contract. In the event of such a draw then, except in the circumstance when this Contract otherwise terminates, the Defaulting Party shall within two (2) Business Days replenish the Eligible Collateral or Supplemental Eligible Collateral to the full amounts required by Table 1.
- 11.7 Reporting** - REP/QF shall promptly notify PEF of any circumstance that results in REP/QF's failure to be in compliance with the REP/QF Performance Security Requirements of Section 11. From time to time, at PEF's written request, REP/QF shall provide PEF with such evidence as PEF may reasonably request, that REP/QF and any REP/QF Guarantor REP/QF Guarantee, Letter of Credit or Security Account is in Full Compliance with this agreement.

PEF shall promptly notify REP/QF of any circumstance that results in PEF's failure to be in compliance with the PEF Performance Security Requirements of Section 11.3. From time to time, at REP/QF's written request, PEF shall provide REP/QF with such evidence as REP/QF may reasonably request, that PEF and any PEF Guarantor, PEF Guarantee, Letter of Credit or Security Account is in Full Compliance with this agreement.

12. Termination Fee

12.1 In the event that the REP/QF receives Capacity Payments pursuant to Option B, Option C, or Option D of Appendix D, then upon the termination of this Contract, the REP/QF shall owe and be liable to PEF for the Termination Fee. The REP/QF's obligation to pay the Termination Fee shall survive the termination of this Contract. PEF shall provide the REP/QF, on a monthly basis, a calculation of the Termination Fee.

12.1.1 The Termination Fee shall be secured by the REP/QF by: (i) an unconditional, irrevocable, direct pay letter(s) of credit issued by a financial institution(s) with an investment grade credit rating in form and substance acceptable to PEF (including provisions (a) permitting partial and full draws and (b) permitting PEF to draw upon such Letter of Credit, in full, if such Letter of Credit is not renewed or replaced at least ten (10) Business Days prior to its expiration date); (ii) a bond issued by a financially sound company in form and substance acceptable to PEF; or (iii) a cash deposit with PEF (any of (i), (ii), or (iii), the "Termination Security"). The specific security instrument selected by the REP/QF for purposes of this Contract is:

- ☐ Unconditional, irrevocable, direct pay letter(s) of credit.
- ☐ Bond.
- ☐ Cash deposit(s) with PEF.

12.1.2 PEF shall have the right and the REP/QF shall be required to monitor the financial condition of (i) the issuer(s) in the case of any Letter of Credit and (ii) the insurer(s), in the case of any bond. In the event the senior debt rating of any issuer(s) or insurer(s) has deteriorated to a level below investment grade, PEF may require the REP/QF to replace the letter(s) of credit or the bond, as applicable. In the event that PEF notifies the REP/QF that it requires such a replacement, the replacement letter(s) of credit or bond, as applicable, must be issued by a financial institution(s) or insurer(s) with an investment grade credit rating, and meet the requirements of Section 12.1.1 within thirty (30) calendar days following such notification. Failure by the REP/QF to comply with the requirements of this Section 12.1.2 shall be grounds for PEF to draw in full on any existing Letter of Credit or bond and to exercise any other remedies it may have hereunder.

12.1.3 After the close of each calendar quarter (March 31, June 30, September 30, and December 31) occurring subsequent to the Capacity Delivery Date, upon PEF's issuance of the Termination Fee calculation as described in Section 12.1, the REP/QF must provide PEF, within ten calendar (10) days, written assurance and documentation (the "Security Documentation"), in form and substance acceptable to PEF, that the amount of the Termination Security is sufficient to cover the balance of the Termination Fee. In addition to the foregoing, at any time during the term of this Contract, PEF shall have the right to request and the REP/QF shall be obligated to deliver within five (5) calendar days of such request, such Security Documentation. Failure by the REP/QF to comply with the requirements of this Section 12.1.3 shall be grounds for PEF to draw in full on any existing Letter of Credit or bond or to retain any cash deposit, and to exercise any other remedies it may have hereunder.

12.1.4 Upon any termination of this Contract following the Capacity Delivery Date, PEF shall be entitled to receive (and in the case of the letter(s) of credit or bond, draw upon such letter(s) of credit or bond) and retain one hundred percent (100%) of the Termination Security.

13. Performance Factor

PEF desires to provide an incentive to the REP/QF to operate the Facility during on-peak and off-peak periods in a manner that approximates the projected performance of the Avoided Unit. A formula to achieve this objective is attached as Appendix A.

14. Default

Notwithstanding the occurrence of any Force Majeure as described in Section 18, each of the following shall constitute an Event of Default:

- (a) the REP/QF changes or modifies the Facility from that provided in Section 2 with respect to its type, location, technology or fuel source, without the prior written approval of PEF;
- (b) after the Capacity Delivery Date, the Facility fails for twelve (12) consecutive months to maintain an Annual Capacity Billing Factor, as described in Appendix A, of at least seventy one percent (71%);
- (c) the REP/QF fails to satisfy its obligations to maintain sufficient fuel on the site of the Facility to deliver the capacity and energy associated with the Committed Capacity for an uninterrupted seventy-two-(72) hour period under Section 10.5.6 hereof;
- (d) the REP/QF fails to provide the Completion/Performance Security and the Termination Fee and to comply with any of the provisions of Sections 11 and 12 hereof

- (e) the REP/QF, or the entity which owns or controls the REP/QF, ceases the conduct of active business; or if proceedings under the federal bankruptcy law or insolvency laws shall be instituted by or for or against the REP/QF or the entity which owns or controls the REP/QF; or if a receiver shall be appointed for the REP/QF or any of its assets or properties, or for the entity which owns or controls the REP/QF; or if any part of the REP/QF's assets shall be attached, levied upon, encumbered, pledged, seized or taken under any judicial process, and such proceedings shall not be vacated or fully stayed within thirty (30) calendar days thereof; or if the REP/QF shall make an assignment for the benefit of creditors, or admit in writing its inability to pay its debts as they become due;
- (f) the REP/QF fails to give proper assurance of adequate performance as specified under this Contract within thirty (30) calendar days after PEF, with reasonable grounds for insecurity, has requested in writing such assurance;
- (g) the REP/QF fails to achieve licensing, certification, and all federal, state and local governmental, environmental, and licensing approvals required to initiate construction of the Facility by no later than the Completed Permits Date;
- (h) the REP/QF fails to comply with the provisions of Section 20.3 hereof;
- (i) any of the representations or warranties made by the REP/QF in this Contract is false or misleading in any material respect as of the time made;
- (j) if, at any time after the Capacity Delivery Date, the REP/QF reduces the Committed Capacity due to an event of Force Majeure and fails to repair the Facility and reset the Committed Capacity to the level set forth in Section 7.2 (as such level may be reduced by Section 7.4) within twelve (12) months following the occurrence of such event of Force Majeure; or
- (k) the REP/QF breaches any material provision of this Contract not specifically mentioned in this Section 14.

15. PEF's Rights in the Event of Default

15.1 Upon the occurrence of any of the Events of Default in Section 14, PEF may, at its option:

15.1.1 immediately terminate this Contract, without penalty or further obligation, except as set forth in Section 15.2, by written notice to the REP/QF, and offset against any payment(s) due from PEF to the REP/QF, any monies otherwise due from the REP/QF to PEF;

15.1.2 enforce the provisions of the Termination Security requirement pursuant to Section 12 hereof; and

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

15.2 Termination shall not affect the liability of either Party for obligations arising prior to such termination or for damages, if any, resulting from any breach of this Contract.

16. Indemnification

16.1 PEF and the REP shall each be responsible for its own facilities. PEF and the REP shall each be responsible for ensuring adequate safeguards for other PEF customers, PEF's and the REP's personnel and equipment, and for the protection of its own generating system. Each Party (the "Indemnifying Party") agrees, to the extent permitted by applicable law, to indemnify, pay, defend, and hold harmless the other Party (the "Indemnifying Party") and its officers, directors, employees, agents and contractors (hereinafter called respectively, "PEF Entities" and "REP Entities") from and against any and all claims, demands, costs or expenses for loss, damage, or injury to persons or property of the Indemnified Party (or to third parties) directly caused by, arising out of, or resulting from:

- (a) a breach by the Indemnifying Party of its covenants, representations, and warranties or obligations hereunder;
- (b) any act or omission by the Indemnifying Party or its contractors, agents, servants or employees in connection with the installation or operation of its generation system or the operation thereof in connection with the other Party's system;
- (c) any defect in, failure of, or fault related to, the Indemnifying Party's generation system;
- (d) the negligence or willful misconduct of the Indemnifying Party or its contractors, agents, servants or employees; or
- (e) any other event or act that is the result of, or proximately caused by, the Indemnifying Party or its contractors, agents, servants or employees related to the Contract or the Parties' performance thereunder.

16.1 Payment by an Indemnified Party to a third party shall not be a condition precedent to the obligations of the Indemnifying Party under Section 16. No Indemnified Party under Section 16 shall settle any claim for which it claims indemnification hereunder without first allowing the Indemnifying Party the right to defend such a claim. The Indemnifying Party shall have no obligations under Section 16 in the event of a breach of the foregoing sentence by the Indemnified Party. Section 16 shall survive termination of this Agreement.

17. Insurance

- 17.1** The REP/QF shall procure or cause to be procured and shall maintain throughout the entire Term of this Contract, a policy or policies of liability insurance issued by an insurer acceptable to PEF on a standard "Insurance Services Office" commercial general liability form (such policy or policies, collectively, the "REP/QF Insurance"). An original certificate of insurance shall be delivered to PEF at least fifteen (15) calendar days prior to the start of any interconnection work. At a minimum, the REP/QF Insurance shall contain (a) an endorsement providing coverage, including products liability/completed operations coverage for the term of this Contract, and (b) a broad form contractual liability endorsement covering liabilities (i) which might arise under, or in the performance or nonperformance of, this Contract and the Interconnection Agreement, or (ii) caused by operation of the Facility or any of the REP/QF's equipment or by the REP/QF's failure to maintain the Facility or the REP/QF's equipment in satisfactory and safe operating condition. Effective at least fifteen (15) calendar days prior to the synchronization of the Facility with PEF's system, the REP/QF Insurance shall be amended to include coverage for interruption or curtailment of power supply in accordance with industry standards. Without limiting the foregoing, the REP/QF Insurance must be reasonably acceptable to PEF. Any premium assessment or deductible shall be for the account of the REP/QF and not PEF.
- 17.2** The REP/QF Insurance shall have a minimum limit of one million dollars (\$1,000,000.00) per occurrence, combined single limit, for bodily injury (including death) or property damage.
- 17.3** To the extent that the REP/QF Insurance is on a "claims made" basis, the retroactive date of the policy(ies) shall be the Effective Date of this Contract or such other date as may be agreed upon to protect the interests of the PEF Entities and the REP/QF Entities. Furthermore, to the extent the REP/QF Insurance is on a "claims made" basis, the REP/QF's duty to provide insurance coverage shall survive the termination of this Contract until the expiration of the maximum statutory period of limitations in the State of Florida for actions based in contract or in tort. To the extent the REP/QF Insurance is on an "occurrence" basis, such insurance shall be maintained in effect at all times by the REP/QF during the term of this Contract.
- 17.4** The REP/QF Insurance shall provide that it may not be cancelled or materially altered without at least thirty (30) calendar days' written notice to PEF. The REP/QF shall provide PEF with a copy of any material communication or notice related to the REP/QF Insurance within ten (10) Business Days of the REP/QF's receipt or issuance thereof.

- 17.5 The REP/QF shall be designated as the named insured and PEF shall be designated as an additional named insured under the REP/QF Insurance. The REP/QF Insurance shall be endorsed to be primary to any coverage maintained by PEF.

18. Force Majeure

- 18.1 "Force Majeure" is defined as an event or circumstance that is not reasonably foreseeable, is beyond the reasonable control of and is not caused by the negligence or lack of due diligence of the Party claiming Force Majeure or its contractors or suppliers and adversely affects the performance by that Party of its obligations under or pursuant to this agreement. Such events or circumstances may include, but are not limited to, actions or inactions of civil or military authority (including courts and governmental or administrative agencies), acts of God, war, riot or insurrection, blockades, embargoes, sabotage, epidemics, explosions and fires not originating in the Facility or caused by its operation, hurricanes, floods, strikes, lockouts or other labor disputes or difficulties (not caused by the failure of the affected party to comply with the terms of a collective bargaining agreement). REP/QF equipment breakdown or inability to use equipment caused by its design, construction, operation, maintenance or inability to meet regulatory standards, or otherwise caused by an event originating in the Facility, or a REP/QF failure to obtain on a timely basis and maintain a necessary permit or other regulatory approval, shall not be considered an event of Force Majeure, unless the REP/QF can conclusively demonstrate, to the reasonable satisfaction of PEF, that the event was not reasonably foreseeable, was beyond the REP/QF's reasonable control and was not caused by the negligence or lack of due diligence of the REP/QF or its agents, contractors or suppliers and adversely affects the performance by that Party of its obligations under or pursuant to this agreement.
- 18.2 Except as otherwise provided in this Contract, each Party shall be excused from performance when its nonperformance was caused, directly or indirectly by an event of Force Majeure.
- 18.3 In the event of any delay or nonperformance resulting from an event of Force Majeure, the Party claiming Force Majeure shall notify the other Party in writing within five (5) Business Days of the occurrence of the event of Force Majeure, of the nature cause, date of commencement thereof and the anticipated extent of such delay, and shall indicate whether any deadlines or date(s), imposed hereunder may be affected thereby. The suspension of performance shall be of no greater scope and of no greater duration than the cure for the Force Majeure requires. A Party claiming Force Majeure shall not be entitled to any relief therefore unless and until conforming notice is provided. The Party claiming Force Majeure shall notify the other Party of the cessation of the event of Force Majeure or of the conclusion of the affected Party's cure for the event of Force Majeure in either case within two (2) Business Days thereof.

- 18.4 The Party claiming Force Majeure shall use its best efforts to cure the cause(s) preventing its performance of this Contract; provided, however, the settlement of strikes, lockouts and other labor disputes shall be entirely within the discretion of the affected Party and such Party shall not be required to settle such strikes, lockouts or other labor disputes by acceding to demands which such Party deems to be unfavorable.
- 18.5 If the REP/QF suffers an occurrence of an event of Force Majeure that reduces the generating capability of the Facility below the Committed Capacity, the REP/QF may, upon notice to PEF temporarily adjust the Committed Capacity as provided in Sections 18.5 and 18.6. Such adjustment shall be effective the first calendar day immediately following PEF's receipt of the notice or such later date as may be specified by the REP/QF. Furthermore, such adjustment shall be the minimum amount necessitated by the event of Force Majeure.
- 18.6 If the Facility is rendered completely inoperative as a result of Force Majeure, the REP/QF shall temporarily set the Committed Capacity equal to 0 kW until such time as the Facility can partially or fully operate at the Committed Capacity that existed prior to the Force Majeure. If the Committed Capacity is 0 kW, PEF shall have no obligation to make Capacity Payments hereunder.
- 18.7 If, at any time during the occurrence of an event of Force Majeure or during its cure, the Facility can partially or fully operate, then the REP/QF shall temporarily set the Committed Capacity at the maximum capability that the Facility can reasonably be expected to operate.
- 18.8 Upon the cessation of the event of Force Majeure or the conclusion of the cure for the event of Force Majeure, the Committed Capacity shall be restored to the Committed Capacity that existed immediately prior to the Force Majeure. Notwithstanding any other provisions of this Contract, upon such cessation or cure, PEF shall have right to require a Committed Capacity Test to demonstrate the Facility's compliance with the requirements of this Section 18.7. Any Committed Capacity Test required by PEF under this Section 18.7 shall be additional to any Committed Capacity Test under Section 7.4.
- 18.9 During the occurrence of an event of Force Majeure and a reduction in Committed Capacity under Section 18.4 all Monthly Capacity Payments shall reflect, pro rata, the reduction in Committed Capacity, and the Monthly Capacity Payments will continue to be calculated in accordance with the pay-for-performance provisions in Appendix A.

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

19. Representations, Warranties, and Covenants of REP/QF

The REP/QF represents and warrants that as of the Effective Date:

19.1 Organization, Standing and Qualification

The REP/QF is a _____ (corporation, partnership, or other, as applicable) duly organized and validly existing in good standing under the laws of _____ and has all necessary power and authority to carry on its business as presently conducted to own or hold under lease its properties and to enter into and perform its obligations under this Contract and all other related documents and agreements to which it is or shall be a Party. The REP/QF is duly qualified or licensed to do business in the State of Florida and in all other jurisdictions wherein the nature of its business and operations or the character of the properties owned or leased by it makes such qualification or licensing necessary and where the failure to be so qualified or licensed would impair its ability to perform its obligations under this Contract or would result in a material liability to or would have a material adverse effect on PEF.

19.2 Due Authorization, No Approvals, No Defaults

Each of the execution, delivery and performance by the REP/QF of this Contract has been duly authorized by all necessary action on the part of the REP/QF, does not require any approval, except as has been heretofore obtained, of the _____ (shareholders, partners, or others, as applicable) of the REP/QF or any consent of or approval from any trustee, lessor or holder of any indebtedness or other obligation of the REP/QF, except for such as have been duly obtained, and does not contravene or constitute a default under any law, the _____ (articles of incorporation, bylaws, or other as applicable) of the REP/QF, or any agreement, judgment, injunction, order, decree or other instrument binding upon the REP/QF, or subject the Facility or any component part thereof to any lien other than as contemplated or permitted by this Contract.

19.3 Compliance with Laws

The REP/QF has knowledge of all laws and business practices that must be followed in performing its obligations under this Contract. The REP/QF is in compliance with all laws, except to the extent that failure to comply therewith would not, in the aggregate, have a material adverse effect on the REP/QF or PEF.

19.4 Governmental Approvals

Except as expressly contemplated herein, neither the execution and delivery by the REP/QF of this Contract, nor the consummation by the REP/QF of any of the transaction contemplated thereby, requires the consent or approval of, the giving of notice to, the registration with, the recording or filing of any document with, or the taking of any other action with respect to governmental authority, except with respect to permits (a) which have already been obtained and are in full force and effect or (b) are not yet required (and with respect to which the REP/QF has no reason to believe that the same will not be readily obtainable in the ordinary course of business upon due application therefore).

19.5 No Suits, Proceedings

There are no actions, suits, proceedings or investigations pending or, to the knowledge of the REP/QF, threatened against it at law or in equity before any court or tribunal of the United States or any other jurisdiction which individually or in the aggregate could result in any materially adverse effect on the REP/QF's business, properties, or assets or its condition, financial or otherwise, or in any impairment of its ability to perform its obligations under this Contract. The REP/QF has no knowledge of a violation or default with respect to any law which could result in any such materially adverse effect or impairment.

19.6 Environmental Matters

To the best of its knowledge after diligent inquiry, the REP/QF knows of no (a) existing violations of any environmental laws at the Facility, including those governing hazardous materials or (b) pending, ongoing, or unresolved administrative or enforcement investigations, compliance orders, claims, demands, actions, or other litigation brought by governmental authorities or other third parties alleging violations of any environmental law or permit which would materially and adversely affect the operation of the Facility as contemplated by this Contract.

20. General Provisions**20.1 Project Viability**

To assist PEF in assessing the REP/QF's financial and technical viability, the REP/QF shall provide the information and documents requested in Appendix C or substantially similar documents, to the extent the documents apply to the type of Facility covered by this Contract and to the extent the documents are available. All documents to be considered by PEF must be submitted at the time this Contract is presented to PEF. Failure to provide the following such documents may result in a determination of non-viability by PEF.

20.2 Permits

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

20.3 Project Management

If requested by PEF, the REP/QF shall submit to PEF its integrated project schedule for PEF's review within sixty (60) calendar days from the execution of this Contract, and a start-up and test schedule for the Facility at least sixty (60) calendar days prior to start-up and testing of the Facility. These schedules shall identify key licensing, permitting, construction and operating milestone dates and activities. If requested by PEF, the REP/QF shall submit progress reports in a form satisfactory to PEF every calendar month until the Capacity Delivery Date and shall notify PEF of any changes in such schedules within ten (10) calendar days after such changes are determined. PEF shall have the right to monitor the construction, start-up and testing of the Facility, either on-site or off-site. PEF's technical review and inspections of the Facility and resulting requests, if any, shall not be construed as endorsing the design thereof or as any warranty as to the safety, durability or reliability of the Facility.

The REP/QF shall provide PEF with the final designer's/manufacturer's generator capability curves, protective relay types, proposed protective relay settings, main one-line diagrams, protective relay functional diagrams, and alternating current and direct elementary diagrams for review and inspection at PEF no later than one hundred eighty (180) calendar days prior to the initial synchronization date.

20.4 Assignment

The REP/QF may not assign this Contract, without PEF's prior written approval, which approval may be withheld at PEF's sole discretion.

20.5 Disclaimer

In executing this Contract, PEF does not, nor should it be construed, to extend its credit or financial support for benefit of any third parties lending money to or having other transactions with the REP/QF or any assigns of this Contract.

20.6 Notification

All formal notices relating to this Contract shall be deemed duly given when delivered in person, or sent by registered or certified mail, or sent by fax if followed immediately with a copy sent by registered or certified mail, to the individuals designated below. The Parties designate the following individuals to be notified or to whom payment shall be sent until such time as either Party furnishes the other Party written instructions to contact another individual:

For the REP/QF:

For PEF:

Progress Energy Florida
Cogeneration Manager BT 9G
100 Central Avenue
St. Petersburg, FL 33701

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

Florida Power Corporation
d/b/a Progress Energy Florida, Inc.
100 Central Avenue
St. Petersburg, FL 33701

Attention: Cogeneration Manager BT 9G

20.7 Applicable Law

This Contract shall be construed in accordance with and governed by the laws of the State of Florida, and the rights of the parties shall be construed in accordance with the laws of the State of Florida.

20.8 Taxation

In the event that PEF becomes liable for additional taxes, including interest and/or penalties arising from an Internal Revenue Services determination, through audit, ruling or other authority, that PEF's payments to the REP/QF for Capacity under Options B, C, or D of the Appendix D are not fully deductible when paid (additional tax liability), PEF may bill the REP/QF monthly for the costs, including carrying charges, interest and/or penalties, associated with the fact that all or a portion of these Capacity Payments are not currently deductible for federal and/or state income tax purposes. PEF, at its option, may offset or recoup these costs against amounts due the REP/QF hereunder. These costs would be calculated so as to place PEF in the same economic position in which it would have been if the entire Capacity Payments had been deductible in the period in which the payments were made. If PEF decides to appeal the Internal Revenue Service's determination, the decision as to whether the appeal should be made through the administrative or judicial process or both, and all subsequent decisions pertaining to the appeal (both substantive and procedural), shall rest exclusively with PEF.

20.9 Resolution of Disputes**20.9.1 Notice of Dispute**

In the event that any dispute, controversy or claim arising out of or relating to this Contract or the breach, termination or validity thereof should arise between the Parties (a "Dispute"), the Party may declare a Dispute by delivering to the other Party a written notice identifying the disputed issue.

20.9.2 Resolution by Parties

Upon receipt of a written notice claiming a Disputed, executives of both Parties shall meet at a mutually agreeable time and place within ten (10) Business Days after delivery of such notice and thereafter as often as they reasonably deem necessary, to exchange relevant information and to attempt to resolve the Dispute. In such meetings and exchanges, a Party shall have the right to designate as confidential any information that such Party offers. No confidential information exchanged in such meetings for the purpose of resolving a Dispute may be used by a Party in litigation against the other Party. If the matter has not been resolved within thirty (30) Days of the disputing Party's notice having been issued, or if the Parties fail to meet within ten (10) Business Days as required above, either Party may initiate binding arbitration in St. Petersburg, Florida, conducted in accordance with the then current American Arbitration Association's ("AAA") Large, Complex Commercial Rules or other mutually agreed upon procedures.

20.10 Limitation of Liability

IN NO EVENT SHALL PEF, ITS PARENT CORPORATION, OFFICERS, DIRECTORS, EMPLOYEES, AND AGENTS BE LIABLE FOR ANY INCIDENTAL, INDIRECT, SPECIAL, CONSEQUENTIAL, EXEMPLARY, PUNITIVE, OR MULTIPLE DAMAGES RESULTING FROM ANY CLAIM OR CAUSE OF ACTION, WHETHER BROUGHT IN CONTRACT, TORT (INCLUDING, BUT NOT LIMITED TO, NEGLIGENCE OR STRICT LIABILITY), OR ANY OTHER LEGAL THEORY.

20.11 Severability

If any part of this Contract, for any reason, is declared invalid or unenforceable by a public authority of appropriate jurisdiction, then such decision shall not affect the validity of the remainder of the Contract, which remainder shall remain in force and effect as if this Contract had been executed without the invalid or unenforceable portion.

20.12 Complete Agreement and Amendments

All previous communications or agreements between the Parties, whether verbal or written, with reference to the subject matter of this Contract are hereby abrogated. No amendment or modification to this Contract shall be binding unless it shall be set forth in writing and duly executed by both Parties. This Contract constitutes the entire agreement between the Parties.

20.13 Survival of Contract

Subject to the requirements of Section 20.4, this Contract, as it may be amended from time to time, shall be binding upon, and inure to the benefit of, the Parties' respective successors-in-interest and legal representatives.

20.14 Record Retention

The REP/QF shall maintain for a period of five (5) years from the date of termination hereof all records relating to the performance of its obligations hereunder, and to cause all REP/QF Entities to retain for the same period all such records.

20.15 No Waiver

No waiver of any of the terms and conditions of this Contract shall be effective unless in writing and signed by the Party against whom such waiver is sought to be enforced. Any wavier of the terms hereof shall be effective only in the specific instance and for the specific purpose given. The failure of a Party to insist, in any instance, on the strict performance of any of the terms and conditions hereof shall not be construed as a waiver of such Party's right in the future to insist on such strict performance.

20.16 Set-Off

PEF may at any time, but shall be under no obligation to, set off or recoup any and all sums due from the REP/QF against sums due to the REP/QF hereunder without undergoing any legal process.

IN WITNESS WHEREOF, the REP/QF and PEF executed this Contract on the later of the dates set forth below.

REP/QF**FLORIDA POWER CORORPATION d/b/a
PROGRESS ENERGY FLORIDA, INC.**_____
Signature_____
Signature_____
Print Name_____
Print Name_____
Title_____
Title_____
Date_____
Date

APPENDIX A
TO
PROGRESS ENERGY FLORIDA
RENEWABLE OR QUALIFYING FACILITY STANDARD OFFER CONTRACT
MONTHLY CAPACITY PAYMENT CALCULATION

Capitalized terms not otherwise defined herein have the meaning ascribed to them in the Standard Offer Contract for the Purchase of Firm Capacity and Energy from a Renewable Energy Producer of Qualifying Facility Less Than 100 kW.

- A. In the event that the ACBF is less than 71%, then no Monthly Capacity Payment shall be due. That is:

$$\text{MCP} = 0$$

- B. In the event that the ACBF is equal to or greater than 71% but less than 91%, then the Monthly Capacity Payment shall be calculated by using the following formula:

$$\text{MCP} = \text{BCP} [5 \times (\text{ACBF} - .91)] \times \text{CC}$$

- C. In the event that the ACBF is equal to or greater than 91%, then the Monthly Capacity Payment shall be calculated by using the following formula:

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

Where:

MCP = Monthly Capacity Payment in dollars.

BCP = Base Capacity Payment in \$/kW/Month as specified in Appendix D.

CC = Committed Capacity in kW.

ACBF = Annual Capacity Billing Factor. The ACBF shall be the electric energy actually received by PEF for the 12 consecutive months preceding the date of calculation excluding any energy received during an event of Force Majeure in which the Committed Capacity is temporarily set equal to 0 kW, divided by the product of the Committed Capacity and the number of hours in the 12 consecutive months preceding the date of calculation excluding the hours during an event of Force Majeure in which the Committed Capacity is temporarily set equal to 0 kW. If an event of Force Majeure occurs during the 12 consecutive months preceding the date of calculation in which the Committed Capacity is temporarily set to a value greater than 0 kW then the 12 month rolling average will be pro-rated accordingly. During the first 12 consecutive Monthly Billing Periods commencing with the first Monthly Billing Period in which Capacity Payments are to be made, the calculation of 12-month rolling average ACBF shall be performed as follows (a) during the first Monthly Billing Period, the ACBF shall be equal to the Monthly Availability Factor; (b) thereafter, the calculation of the ACBF shall be computed by electric energy actually received by PEF for the number of full consecutive months preceding the date of calculation excluding any energy received during an event of Force Majeure in which the Committed Capacity is temporarily set equal to 0 kW, divided by the product of the Committed Capacity and the number of hours in the number of full consecutive months preceding the date of calculation excluding the hours during an event of Force Majeure in which the Committed Capacity is temporarily set equal to 0 kW. If an event of Force Majeure occurs during the months preceding the date of calculation in which the Committed Capacity is temporarily set to a value greater than 0 kW then the 12 month rolling average will be pro-rated accordingly. This calculation shall be performed at the end of each Monthly Billing Period until enough Monthly Billing Periods have elapsed to calculate a true 12-month rolling average ACBF.

MAF = Monthly Availability Factor. The total energy received during the Monthly Billing Period for which the calculation is made, divided by the product of Committed Capacity times the total hours during the Monthly Billing Period.

Monthly Billing Period = The period beginning on the first calendar day of each calendar month, except that the initial Monthly Billing Period shall consist of the period beginning 12:01 a.m., on the Capacity Delivery Date and ending with the last calendar day of such month.

**APPENDIX B
TO
PROGRESS ENERGY FLORIDA'S STANDARD OFFER CONTRACT
TERMINATION FEE**

Capitalized terms not otherwise defined herein have the meaning ascribed to them in the Standard Offer Contract for the Purchase of Firm Capacity and Energy from a Renewable Energy Producer of Qualifying Facility Less Than 100 kW.

The "Termination Fee" shall be the sum of the values for each month beginning with the month in which the Capacity Delivery Date occurs through the month of the Termination Date (or month of calculation, as the case may be) computed according to the following formula:

$$\sum_{i=1}^n (MCP_i - MCPC_i) \cdot (1 + r)^{(n-i)}$$

with: MCPC = 0 for all periods prior to the in-service date of the Avoided Unit:

where

i = number of Monthly Billing Period commencing with the Capacity Delivery Date (i.e., the month in which Capacity Delivery Date occurs = 1; the month following this month in which Capacity Delivery Date occurs = 2 etc.)

n = the number of Monthly Billing Periods which have elapsed from the month in which the Capacity Delivery Date occurs through the month of termination (or month of calculation, as the case may be)

r = PEF's incremental after-tax avoided cost of capital (defined as r in Appendix D). MCP_i = Monthly Capacity Payment paid to REPQF corresponding to the Monthly Billing Period i , calculated in accordance with Appendix A.

$MCPC_i$ = Monthly Capacity Payment for Option A corresponding to the Monthly Billing Period i , calculated in accordance with this Contract.

In the event that for any Monthly Billing Period, the computation of the value of the Termination Fee for such Monthly Billing Period (as set forth above) yields a value equal to or greater than zero, the amount of the Termination Fee shall be increased by the amount of such value.

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

- a. In the event that in the applicable Monthly Billing Period the Annual Capacity Billing Factor, as defined in Appendix A is less than 71%, then the Initial Reduction Value shall be adjusted to equal zero (Reduction Value = 0), and the Termination Fee shall not be reduced for the applicable Monthly Billing Period.
- b. In the event that in the applicable Monthly Billing Period the Annual Capacity Billing Factor, as defined in Appendix A, is equal to or greater than 71% but less than 91%, then the Reduction Value shall be determined as follows:

$$\text{Reduction Value} = \text{Initial Reduction Value} \times [5 \times (\text{ACBF} - .91)]$$

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

- c. In the event that in the applicable Monthly Billing Period the Annual Capacity Billing Factor, as defined in Appendix A, is equal to or greater than 91%, then the Initial Reduction Value shall not be adjusted (Reduction Value = Initial Reduction Value), and the Termination Fee shall be reduced for the applicable Monthly Billing period by the amount of the Initial Reduction Value.

In no event shall PEF be liable to the REP/QF at any time for any amount by which the Termination Fee, adjusted in accordance with the foregoing, is less than zero (0).

**APPENDIX C
TO
PROGRESS ENERGY FLORIDA'S STANDARD OFFER CONTRACT**

DETAILED PROJECT INFORMATION

Capitalized terms not otherwise defined herein have the meaning ascribed to them in the Standard Offer Contract for the Purchase of Firm Capacity and Energy from a Renewable Energy Producer of Qualifying Facility Less Than 100 kW.

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

I. FACILITY DESCRIPTION

- Project Name
- Project Location

- * Street Address
- * Size Plot Plan
- * Legal Description of Site

- Generating Technology
- Primary Fuel
- Alternate Fuel (if applicable)
- Committed Capacity
- Expected In-Service Date

- Contact Person

- * Individual's Name and Title
- * Company Name
- * Address
- * Telephone Number
- * Fax Number

II. PROJECT PARTICIPANTS

- Indicate the entities responsible for the following project management activities and provide a detailed description of the experience and capabilities of the entities:

- * Project Development
 - * Siting and Licensing the Facility
 - * Designing the Facility
 - * Constructing the Facility
 - * Securing the Fuel Supply
 - * Operating the Facility
- Provide details on all electrical facilities which are currently under construction or operational which were developed by the REP/QF.
 - Describe the financing structure for the projects identified above, including the type of financing used, the permanent financing term, the major lenders and the percentage of equity invested at Financial Closing.

III. FUEL SUPPLY

- Describe all fuels to be used to generate electricity at the Facility. Indicate the specific physical and chemical characteristics of each fuel type (*e.g.* Btu content, sulfur content, ash content, etc.). Identify special considerations regarding fuel supply origin, source and handling, storage and processing requirements.
- Provide AFR necessary to support planned levels of generation and list the assumptions used to determine these quantities.
- Provide a summary of the status of the fuel supply arrangements in place to meet the AFR, in each year of the proposed operating life of the Facility. Use the categories below to describe the current arrangement for securing the AFR.

<u>Category</u>	<u>Description of Fuel Supply Arrangement</u>
owned =	fuel is from a fully developed source owned by one or more of the project participants
contract =	fully executed firm fuel contract exists between the developer(s) and fuel supplier(s)
LOI =	a letter of intent for fuel supply exists between developer(s) and fuel supplier(s)
SPP =	small power production facility will burn biomass, waste, or another renewable resource
spot =	fuel supply will be purchased on the spot market
none =	no firm fuel supply arrangement currently in place
other =	fuel supply arrangement which does not fit any of the above categories (please describe)

- Indicate the percentage of the Facility's AFR which is covered by the above fuel supply arrangement(s) for each proposed operating year. The percent of AFR covered for each operating year must total 100%. For fuel supply arrangements identified as owned, contract, or LOI, provide documentation to support this category and explain the fuel price mechanism of the arrangement. In addition, indicate whether or not the fuel price includes deliver and, if so, to what location.

- Describe fuel transportation networks available for delivering all primary and secondary fuel to the Facility site. Indicate the mode, route and distance of each segment of the journey, from fuel source to the Facility site. Discuss the current status and pertinent factors impacting future availability of the transportation network.
- Provide AFTR necessary to support planned levels of generation and list the assumptions used to determine these quantities.
- Provide a summary of the status of the fuel transportation arrangements in place to meet the AFTR in each year of the proposed operating life of the Facility. Use the categories below to describe the current arrangement for securing the AFTR.

owned = fuel transport via a fully developed system owned by one or more of the project participants
contract = fully executed firm transportation contract exists between the developer(s) and fuel transporter(s)
LOI = a letter of intent for fuel transport exists between developer(s) and fuel transporter(s)
spot = fuel transportation will be purchased on the spot market
none = no firm fuel transportation arrangement currently in place
other = fuel transportation arrangement which does not fit any of the above categories (please describe)

- Provide the maximum, minimum and average fuel inventory levels to be maintained for primary and secondary fuels at the Facility site. List the assumptions used in determining the inventory levels.
- Provide information regarding REP/QF's plans to maintain sufficient on site fuel to deliver capacity and energy for an uninterrupted seventy-two (72) hour period.

IV. PLANT DISPATCHABILITY/CONTROLLABILITY

- Provide the following operating characteristics and a detailed explanation supporting the performance capabilities indicated:
 - * Ramp Rate (MW/minute)
 - * Peak Capability (% above Committed Capacity)
 - * Minimum power level (% of Committed Capacity)
 - * Facility Turnaround Time, Hot to Hot (hours)
 - * Start-up Time from Cold Shutdown (hours)
 - * Unit Cycling (# cycles/yr.)
 - * MW and MVAR Control (ACC, Manual, Other (please explain))

V. SITING AND LICENSING

- Provide a licensing/permitting milestone schedule, which lists all permits, licenses and variances, required to site the Facility. The milestone schedule shall also identify key milestone dates for baseline monitoring, application preparation, agency review, certification and licensing/siting board approval, and agency permit issuance.
- Provide a licensing/permitting plan that addresses the issues of air emission, water use, wastewater discharge, wetlands, endangered species, protected properties, surrounding land use, zoning for the Facility, associated linear facilities and support of and opposition to the Facility.
- List the emission/effluent discharge limits the Facility will meet and describe in detail the pollution control equipment to be used to meet these limits.

VI. FACILITY DEVELOPMENT AND PERFORMANCE

- Submit a detailed engineering, procurement, construction, startup and commercial operation schedule. The schedule shall include milestones for site acquisition, engineering phases, selection of the major equipment vendors, architect engineer, and Facility operator, steam host integration and delivery of major equipment. A discussion of the current status of each milestone should also be included where applicable.
- Attach a diagram of the power block arrangement. Provide a list of the major equipment vendors and the name and model number of the major equipment to be installed.
- Provide a detailed description of the proposed environmental control technology for the Facility and describe the capabilities of the proposed technology.
- Attach preliminary flow diagrams for the steam system, water system, and fuel system, and a main electrical one line diagram for the Facility.
- State the expected heat rate (HHV) at 75 degrees Fahrenheit for loads of 100%, 75% and 50%. In addition, attach a preliminary heat balance for the Facility.

VII. FINANCIAL

- Provide PEF with assurances that the proposed REP/QF project is financially viable in accordance with FPSC Rule 25-17.0832(4)(c) by attaching a detailed pro-forma cash flow analysis. The pro-forma must include, at a minimum, the following assumptions for each year of the project.

- Annual Project Revenues

- * Capacity Payments (\$ and \$/kW/Mo.)
- * Variable O&M (\$ and \$/MWh)
- * Energy (\$ and \$/MWh)
- * Tipping Fees (\$ and \$/ton)
- * Interest Income
- * Other Revenues
- * Variable O&M Escalation (%/yr.)
- * Energy Escalation (%/yr.)
- * Tipping Fee Escalation (%/yr.)

- Annual Project Expense

- * Fixed O&M (\$ and \$/kW/Mo.)
- * Variable O&M (\$ and \$/MWh)
- * Energy (\$ and \$/MWh)
- * Property Taxes (\$)
- * Insurance (\$)
- * Emission Compliance (\$ and \$/MWh)
- * Depreciation (\$ and %/yr.)
- * Other Expenses (\$)
- * Fixed O&M Escalation (%/yr.)
- * Variable O&M Escalation (%/yr.)
- * Energy Escalation (%/yr.)

- Other Project Information

- * Installed Cost of the Facility (\$ and \$/kW)
- * Committed Capacity (kW)
- * Average Heat Rate - HHV (MBTU/kWh)
- * Federal Income Tax Rate (%)
- * Facility Capacity Factor (%)
- * Energy Sold to PEF (MWh)

- Permanent Financing

- * Permanent Financing Term (yr.)
- * Project Capital Structure (percentage of long-term debt, subordinated debt, tax exempt debt and equity)
- * Financing Costs (cost of long-term debt, subordinated debt, tax exempt debt and equity)
- * Annual Interest Expense
- * Annual Debt Service (\$)
- * Amortization Schedule (beginning balance, interest expense, principal reduction, ending balance)

- Provide details of the financing plan for the project and indicate whether the project will be non-recourse project financed. If it will not be project financed please explain the alternative financing arrangement.
- Submit financial statements for the last two years on the principals of the project, and provide an illustration of the project ownership structure.

APPENDIX D
TO
PROGRESS ENERGY FLORIDA RENEWABLE OR QUALIFYING FACILITY
STANDARD OFFER CONTRACT
RATE SCHEDULE REN-PC

Capitalized terms not otherwise defined herein have the meaning ascribed to them in the Standard Offer Contract for the Purchase of Firm Capacity and Energy from a Renewable Energy Producer of Qualifying Facility Less Than 100 kW.

SCHEDULE

REN-PC, Firm Capacity and Energy from a Renewable Energy Provider ("REP") or a Qualifying Facility ("QF")

AVAILABLE

PEF will, under the provisions of this schedule and the Contract to which this Appendix is attached and incorporated into by reference, purchase firm capacity and energy offered by a REP/QF as defined in the contract. PEF's obligation to contract to purchase firm capacity from such REP/QF by means of this schedule and the Contract will continue only as long as, and the extent that, the subscription limit is not exceeded and, in any event, no later than the Expiration Date unless extended by the FPSC.

APPLICABLE

To REP/QFs as defined in the Contract producing capacity and energy for sale to PEF on a firm basis pursuant to the terms and conditions of this schedule and the Contract. "Firm Capacity and Energy" are described by FPSC Rule 25-17.0832, F.A.C., and are capacity and energy produced and sold by a REP/QF pursuant to the Contract provisions addressing (among other things) quantity, time and reliability of delivery.

CHARACTER OF SERVICE

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

LIMITATION

Purchases under this schedule are subject to FPSC Rules 25-17.080 through 25-17.091, F.A.C., and are limited to those REP/QFs which:

- A. Are defined in the Contract;
- B. Execute a Contract;
- C. Provide capacity which would not result in the Subscription Limit to be exceeded.

RATES FOR PURCHASES BY PEF

Firm Capacity and Energy are purchased at unit cost, in dollars per kilowatt per month and cents per kilowatt-hour, respectively, based on the value of deferring additional capacity required by PEF. For the purpose of this schedule, an Avoided Unit has been designated by PEF. PEF's next Avoided Unit has been identified in Section 4 of the Contract. Schedule 1 to this Appendix describes the methodology used to calculate payment schedules, general terms, and conditions applicable to the Contract filed and approved pursuant to FPSC Rules 25-17.080 through 25-17.091, F.A.C.

A. Firm Capacity Rates

Four options, A through D, as set forth below, are available for payments of firm capacity that is produced by a REP/QF and delivered to PEF. Once selected, an option shall remain in effect for the term of the Contract. Exemplary payment schedules, shown below, contain the monthly rate per kilowatt of firm Capacity which the REP/QF has contractually committed to deliver to PEF and are based on a contract term which extends through the Termination Date in Section 4 of the Contract. Payment schedules for other contract terms will be made available to any REP/QF upon request and may be calculated based on the methodologies described in Schedule 1. The currently approved parameters used to calculate the following schedule of payments are found in Schedule 2 to this Appendix.

Option A - Fixed Value of Deferral Payments - Normal Capacity

Payment schedules under this option are based on the value of a year-by-year deferral of PEF's Avoided Unit with an in-service date as of the Avoided Unit In-Service Date in Section 4 of the Contract, calculated in accordance with FPSC Rule 25-17.0832, F.A.C., as described in Schedule 1. Once this option is selected, the current schedule of payments shall remain fixed and in effect throughout the term of the Contract. The payment schedule for this option follows the description of Option D.

Option B - Fixed Value of Deferral Payments - Early Capacity

Payment schedules under this option are based upon the early capital cost component of the value of a year-by-year deferral of the Avoided Unit. The term "early" with respect to Option B means that these payments can start prior to the anticipated in-service date of the Avoided Unit; provided, however, that under no circumstances may payments begin before this REP/QF is delivering Firm Capacity and Energy to PEF pursuant to the terms of the Contract. When this option is selected, the Capacity Payments shall be made monthly commencing no earlier than the Capacity Delivery Date of the REP/QF and calculated as shown on Schedule 1. Capacity Payments under Option B do not result in a prepayment or create a future benefit.

The REP/QF shall select the month and year in which the deliveries of firm capacity and energy to PEF are to commence and Capacity Payments are to start. PEF will provide the REP/QF with a schedule of capacity payment rates based on the month and year in which the deliveries of firm capacity and energy are to commence and the term of the Contract. The exemplary payment schedule following Option D is based on a contract term that begins on the Exemplary Early Capacity Payment Date in Section 4 of the Contract.

Option C - Fixed Value of Deferral Payment - Levelized Capacity

Payment schedules under this option are based upon the levelized capital cost component of the value of a year-by-year deferral of the Avoided Unit. The capital portion of Capacity Payments under this option shall consist of equal monthly payments over the term of the Contract, calculated as shown on Schedule 1. 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. These calculations are shown in Schedule 1. The payment schedule for this option follows Option D. Capacity Payments under Option C do not result in a prepayment or create a future benefit.

Option D - Fixed Value of Deferral Payment - Early Levelized Capacity

Payment schedules under this option are based upon the early levelized capital cost component of the value of a year-by-year deferral of the Avoided Unit. The capital portion of Capacity Payments under this option shall consist of equal monthly payments over the term of the Renewable or Qualifying Facility Standard Offer Contract, calculated as shown on Schedule 1. The fixed operation and maintenance expense shall be calculated as shown in Schedule 1. At the option of the REP/QF, payments for early levelized capacity shall commence at any time after the specified early capacity date and before the anticipated in-service date of PEF's Avoided Unit, provided that the REP/QF is delivering firm capacity and energy to PEF pursuant to the terms of the Contract. The term "early" with respect to Option D means that Capacity Payments may begin earlier than the anticipated in-service date of PEF's avoided unit. Capacity Payments under Option D do not result in a prepayment or create a future benefit.

EXAMPLE MONTHLY CAPACITY PAYMENT IN \$/kW/MONTH
PEF'S June 1, 2013 Pulverized Coal
Renewable or Qualifying Facility Standard Offer Contract Avoided Capacity Payments

(\$/kW/MONTH)

Contract Year	<u>Option A</u>	<u>Option B</u>	<u>Option C</u>	<u>Option D</u>
	Normal Capacity Payment Starting on the Avoided Unit In-Service Date	Early Capacity Payment Starting on the Exemplary Capacity Payment Date	Levelized Capacity Payment Starting on the Avoided Unit In-Service Date	Early Levelized Capacity Payment Starting on the Exemplary Capacity Payment Date
2007	-	6.71	-	7.58
2008	-	6.88	-	7.61
2009	-	7.05	-	7.65
2010	-	7.23	-	7.69
2011	-	7.41	-	7.72
2012	-	7.59	-	7.76
2013	14.88	7.78	16.08	7.80
2014	15.25	7.98	16.16	7.85
2015	15.63	8.18	16.24	7.89
2016	16.02	8.38	16.32	7.93
2017	16.42	8.59	16.41	7.98
2018	16.83	8.81	16.50	8.02
2019	17.25	9.03	16.59	8.07
2020	17.68	9.25	16.68	8.12
2021	18.12	9.48	16.77	8.17
2022	18.58	9.72	16.87	8.22

B. Energy Rates

Payments Prior to the Avoided Unit In-Service Date

The energy rate, in cents per kilowatt-hour (¢/kWh), shall be based on PEF's actual hourly avoided energy costs which are calculated by PEF in accordance with FPSC Rule 25-17.0825, F.A.C.

The calculation of payments to the REP/QF shall be based on the sum over all hours of the billing period, of the product of each hour's avoided energy cost times the amount of energy (kWh) delivered to PEF from the Facility for that hour. All purchases shall be adjusted for losses from the point of metering to the point of interconnection.

Payments Starting on Avoided Unit In-Service Date

The calculation of payments to the REP/QF for energy delivered to PEF on and after the Avoided Unit In-Service Date shall be the sum, over all hours of the Monthly Billing Period, of the product of (a) each hour's Firm Energy Rate (¢/kWh); and (b) the amount of energy (kWh) delivered to PEF from the Facility during that hour.

The Firm Energy Rate shall be, on an hour-by-hour basis, PEF's Avoided Unit Energy Cost. For any other period during which energy is delivered by the REP/QF to PEF, the Firm Energy Rate in cents per kilowatt hour (¢/kWh) shall be the following on an hour-by-hour basis: the lesser of (a) the As-Available Energy Rate and (b) the Avoided Unit Energy Cost. The Avoided Unit Energy Cost, in cents per kilowatt - hour (¢/kWh) shall be defined as the product of (a) the Avoided Unit Fuel Cost and (b) the Avoided Unit Heat Rate; plus (c) the Avoided Unit Variable O&M.

For the purposes of this agreement, the Avoided Unit Fuel Cost shall be defined as the average inventory chargeout price in \$/MMBTU of coal burned at Crystal River Units 4 & 5 as determined from PEF's fuel cost recovery schedules as submitted to the FPSC.

ESTIMATED AS-AVAILABLE ENERGY COST

For informational purposes only, the estimated incremental avoided energy costs for the next four semi-annual periods are as follows. The following estimates include variable operation and maintenance expenses.

<u>Applicable Period</u>	<u>Average ¢/KWH</u>
October 1, 2006 - March 31, 2007	7.1
April 1, 2007 - September 30, 2007	9.6
October 1, 2007 - March 31, 2008	8.3
April 1, 2008 - September 30, 2008	9.2

ESTIMATED UNIT FUEL COST

The estimated unit fuel costs listed below are associated with the Avoided Unit and are based on current estimates of the price of coal.

\$/MMBTU

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
3.50	3.65	3.58	2.98	3.07	3.15	3.24	3.34	3.43

DELIVERY VOLTAGE ADJUSTMENT

PEF's average system line losses are analyzed annually for the prior calendar year, and delivery efficiencies are developed for the transmission, distribution primary, and distribution secondary voltage levels. This analysis is provided in the PEF's semi-annual fuel cost recovery filing with the FPSC in Exhibit Schedule E1. An adjustment factor, calculated as the reciprocal of the appropriate delivery efficiency factor, is applicable to the above determined energy costs if the REP/QF is within PEF's service territory to reflect the delivery voltage level at which REP/QF energy is received by the PEF.

The current delivery voltage adjustment factors are:

<u>Delivery Voltage</u>	<u>Adjustment Factor</u>
Transmission Voltage Delivery	1.0202
Primary Voltage Delivery	1.0317
Secondary Voltage Delivery	1.0656

PERFORMANCE CRITERIA

Payments for firm Capacity are conditioned on the REP/QF's ability to maintain the following performance criteria:

A. Capacity Delivery Date

The Capacity Delivery Date shall be no later than the Avoided Unit In-Service Date.

B. Availability and Capacity Factor

The Facility's availability and capacity factor are used in the determination of firm Capacity Payments through a performance based calculation as detailed in Appendix A to the Contract.

METERING REQUIREMENTS

The REP/QFs within the territory served by PEF shall be required to purchase from PEF hourly recording meters to measure their energy deliveries to PEF. Energy purchases from the REP/QFs outside the territory of PEF shall be measured as the quantities scheduled for interchange to PEF by the entity delivering Firm Capacity and Energy to PEF.

For the purpose of this Contract, the on-peak hours shall be those hours occurring April 1 through October 31, from 11:00 a.m. to 10:00 p.m., and November 1 through March 31, from 6:00 a.m. to 12:00 noon and 5:00 p.m. to 10:00 p.m. prevailing Eastern time. PEF shall have the right to change such On-Peak Hours by providing the REP/QF a minimum of thirty calendar days' advance written notice.

BILLING OPTIONS

A REP/QF, upon entering into this Contract for the sale of firm capacity and energy or prior to delivery of as-available energy, may elect to make either simultaneous purchases from and sales to PEF, or net sales to PEF; provided, however, that no such arrangement shall cause the REP/QF to sell more than the Facility's net output. A decision on billing methods may only be changed: 1) when a REP/QF selling as-available energy enters into this Contract for the sale of firm capacity and energy; 2) when a Contract expires or is lawfully terminated by either the REP/QF or PEF; 3) when the REP/QF is selling as-available energy and has not changed billing methods within the last twelve months; 4) when the election to change billing methods will not contravene the provisions of FPSC Rule 25-17.0832 or a contract between the REP/QF and PEF.

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

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

CHARGES TO RENEWABLE ENERGY PROVIDER

The REP/QF shall be responsible for all applicable charges as currently approved or as they may be approved by the Florida Public Service Commission, including, but not limited to:

A. Retail Service Charges

The REP/QF shall be responsible for all FPSC approved charges for any retail service that may be provided by PEF. The REP/QF shall be billed \$74.42 monthly for the costs of meter reading, billing, and other administrative costs.

B. Interconnection Charge for Non-Variable Utility Expenses

The REP/QF shall bear the cost required for interconnection, including the metering. The REP/QF shall have the option of (i) payment in full for the interconnection costs including the time value of money during the construction of the interconnection facilities and providing a surety bond, Letter of Credit or comparable assurance of payment acceptable to PEF adequate to cover the interconnection cost estimates, (ii) payment of monthly invoices from PEF for actual costs progressively incurred by PEF in installing the interconnection facilities, or (iii) upon a showing of credit worthiness, making equal monthly installment payments over a period no longer than thirty six (36) months toward the full cost of interconnection. In the latter case, PEF shall assess 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.

C. Interconnection Charge for Variable Utility Expenses

The REP/QF shall be billed monthly for the variable utility expenses associated with the operation, maintenance and repair of the interconnection facilities. These include (a) PEF's inspections of the interconnection facilities and (b) maintenance of any equipment beyond that which would be required to provide normal electric service to the REP/QF if no sales to PEF were involved.

The REP/QF may pay a monthly charge equal to a percentage of the installed cost of the interconnection facilities. This monthly rate is stated in the Agreement for the Purchase of As-Available Energy and/or Parallel Operation With a Qualifying Facility as filed with the Florida Public Service Commission and may be amended periodically. The current rate is 0.5% per month of the installed cost of the interconnection facilities.

TERMS OF SERVICE

- A. It shall be the REP/QF's responsibility to inform PEF of any change in its electric generation capability.
- B. Any electric service delivered by PEF to a REP/QF located in PEF's service area shall be subject to the following terms and conditions:
 - (1) A REP/QF shall be metered separately and billed under the applicable retail rate schedule(s), whose terms and conditions shall pertain.
 - (2) A security deposit will be required in accordance with FPSC Rules 25-17.082(5) and 25-6.097, F.A.C., and the following:
 - (i) In the first year of operation, the security deposit should be based upon the singular month in which the REP/QF's projected purchases from PEF exceed, by the greatest amount, PEF's estimated purchases from the REP/QF. The security deposit should be equal to twice the amount of the difference estimated for that month. The deposit is required upon interconnection.
 - (ii) For each year thereafter, a review of the actual sales and purchases between the REP/QF and PEF will be conducted to determine the actual month of maximum difference. The security deposit should be adjusted to equal twice the greatest amount by which the actual monthly purchases by the REP/QF exceed the actual sales in PEF in that month.
 - (3) PEF shall specify the point of interconnection and voltage level.
 - (4) The REP/QF must enter into an interconnection to PEF's system. Specific features of the REP/QF and its interconnection to PEF's facilities will be considered by PEF in preparing the interconnection agreement.
- C. Service under this rate schedule is subject to the rules and regulations of the FPSC.

**SCHEDULE 1
TO RATE SCHEDULE REN-PC****CALCULATION OF VALUE OF DEFERRAL PAYMENTS****APPLICABILITY**

This Schedule 1 provides a detailed description of the methodology used by PEF to calculate the monthly values of deferring or avoiding the Avoided Unit identified in the Contract. When used in conjunction with the current FPSC-approved cost parameters associated with the Avoided Unit contained in Schedule 2, a REP/QF may determine the applicable value of deferral capacity payment rate associated with the timing and operation of its particular facility should the REP/QF enter into a Contract with PEF.

Also contained in this Schedule 1 is the discussion of the types and forms of surety bond requirements or equivalent assurance for payment of the Termination Fee acceptable to PEF in the event of contractual default by a REP/QF.

CALCULATION OF VALUE OF DEFERRAL OPTION A

FPSC Rule 25-17.0832(5) specifies that avoided capacity costs, in dollars per kilowatt per month, associated with capacity sold to a utility by a REP/QF pursuant to Contract shall be defined as the year-by-year value of deferral of the Avoided Unit. The year-by-year value of deferral shall be the difference in revenue requirements associated with deferring the Avoided Unit one year, and shall be calculated as follows:

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

Where, for a one year deferral:

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

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

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

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 for the Avoided Unit which 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;
- i_o = annual escalation rate associated with the operation and maintenance expense of the Avoided Unit;
- 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 the Avoided Unit In-Service Date and ending with the Termination Date.

CALCULATION OF FIXED VALUE OF DEFERRAL PAYMENTS - EARLY CAPACITY-OPTION B

Under the fixed value of deferral Option A, payments for firm capacity shall not commence until the in-service date of the Avoided unit(s). At the option of the REP/QF, however, PEF may begin making payments for capacity consisting of the capital cost component of the value of a year-by-year deferral of the Avoided Unit prior to the anticipated in-service date of the Avoided Unit. When such payments for capacity are elected, the avoided capital cost component of Capacity Payments shall be paid monthly commencing no earlier than the Capacity Delivery Date of the REP/QF, and shall be calculated as follows:

$$A_M = [A_c (1 + i_p)^{(m-1)} + A_o (1 + i_o)^{(m-1)}] / 12 \quad \text{for } m = 1 \text{ to } t$$

Where:

- A_M = monthly payments to be made to the REP/QF for each month of the contract year n , in dollars per kilowatt per month in which REP/QF delivers capacity pursuant to the early capacity option;
- i_p = annual escalation rate associated with the plant cost of the Avoided Unit;
- i_o = annual escalation rate associated with the operation and maintenance expense of the Avoided Unit;

m = year for which the fixed value of deferral payments under the early capacity option are made to a REP/QF, starting in year one and ending in the year t ;

t = the Term, in years, of the Contract:

A_c = $F [(1 - R) / (1 - R^t)]$

Where:

F = the cumulative present value, in the year that the contractual payments will begin, of the avoided capital cost component of Capacity Payments which would have been made had Capacity Payments commenced with the Avoided Unit In-Service Date;

R = $(1 + i_p) / (1 + r)$

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

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

Where:

G = The cumulative present value, in the year that the contractual payments will begin, of the avoided fixed operation and maintenance expense component of Capacity Payments which would have been made had Capacity Payments commenced with the Avoided Unit In-Service Date.

R = $(1 + i_o) / (1 + r)$

The currently approved parameters applicable to the formulas above are found in Schedule 2.

**CALCULATION OF FIXED VALUE OF DEFERRAL PAYMENTS -
LEVELIZED AND EARLY LEVELIZED CAPACITY - OPTION C & OPTION D,
RESPECTIVELY**

Monthly fixed value of deferral payments for levelized and early levelized capacity shall be calculated as follows:

$$P_L = (F / 12) \cdot [r / 1 - (1 + r)^{-t}] + O$$

Where:

- P_L = the monthly levelized capacity payment, starting on or prior to the in-service date of PEF's Avoided Unit(s);
- F = the cumulative present value, in the year that the contractual payments will begin, of the avoided capital cost component of the Capacity Payments which would have been made had the Capacity Payments not been levelized;
- r = the annual discount rate, defined as PEF's incremental after-tax cost of capital;
- t = the Term, in years of the Contract
- O = the monthly fixed operation and maintenance component of the Capacity Payments, calculated in accordance with calculation of the fixed value of deferral payments for the levelized capacity or the early levelized capacity options.

RISK-RELATED GUARANTEES

With the exception of governmental solid waste facilities covered by FPSC Rule 25-17.091, FPSC Rule 25-17.0832 paragraph (4)(e)10 requires that, when fixed value or deferral payments - early capacity, levelized capacity, or early levelized capacity are elected, the REP/QF must provide a surety bond or equivalent assurance of securing the payment of a Termination Fee in the event the REP/QF is unable to meet the terms and conditions of its Contract. Depending on the nature of the REP/QF's operation, financial health and solvency, and its ability to meet the terms and conditions of the Contract, one of the following may constitute an equivalent assurance of payment:

- (1) Bond;
- (2) Cash deposit(s) with PEF;
- (3) Unconditional, irrevocable, direct pay Letter of Credit;
- (4) Unsecured promise by a municipal, county or state government to repay payment for early or levelized capacity in the event of default, in conjunction with a legally binding commitment from such government allowing the utility to levy a surcharge on either the electric bills of the government's electricity consuming facilities or the constituent electric customers of such government to assure that payments for early or levelized capacity are repaid;
- (5) Unsecured promise by a privately-owned REP/QF to repay payments for early or levelized capacity in the event of default, in conjunction with a legally binding commitment from the owner(s) of the REP/QF, parent company, and/or subsidiary companies located in Florida to assure that payments for early, levelized or early levelized capacity are repaid; or
- (6) Other guarantees acceptable to PEF.

PEF will cooperate with each REP/QF applying for fixed value of deferral payments under the early, levelized or early levelized capacity options to determine the exact form of an "equivalent assurance" for payment of the Termination Fee to be required based on the particular aspects of the REP/QF. PEF will endeavor to accommodate an equivalent assurance of repayment which is in the best interests of both the REP/QF and PEF's ratepayers.

**SCHEDULE 2
TO RATE SCHEDULE REN-PC
CAPACITY OPTION PARAMETERS**

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

Where, for one year deferral:

		<u>Value</u>
VAC_m	= PEF's value of avoided capacity and O&M, in dollars per kilowatt per month, during month m;	\$14.88
K	= present value of carrying charges for one dollar of investment over L years with carrying charges computed using average annual rate base and assumed to be paid at the middle of each year and present valued to the middle of the first year;	1.448
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 ;	\$1,651.57
O_n	= total fixed operation and maintenance expense, for the year n , in mid-year dollars per kilowatt per year, of the Avoided Unit;	\$37.97
i_p	= annual escalation rate associated with the plant cost of the Avoided Unit;	2.5%
i_o	= annual escalation rate associated with the operation and maintenance expense of the Avoided Unit;	2.5%
r	= annual discount rate, defined as PEF's incremental after-tax cost of capital;	8.10%
L	= expected life of the Avoided Unit;	40
n	= year for which the Avoided Unit is deferred starting with the Avoided Unit In-Service Date and ending with the Termination Date.	2013

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

A_m	=	monthly avoided capital cost component of Capacity Payments to be made to the REP/QF starting as early as six years prior to the Avoided Unit In-Service Date, in dollars per kilowatt per month;	\$5.28
i_p	=	annual escalation rate associated with the plant cost of the Avoided Unit;	2.5%
n	=	year for which early Capacity Payments to a REP/QF are to begin;	2007
F	=	the cumulative present value of the avoided capital cost component of Capacity Payments which would have been made had Capacity Payments commenced with the anticipated in-service date of the Avoided Unit and continued for a period of 10 years;	\$649.08
r	=	annual discount rate, defined as PEF's incremental after-tax cost of capital;	8.10%
t	=	the Term, in years, of the Contract for the purchase of firm capacity commencing prior to the in-service date of the Avoided Unit;	16
G	=	the cumulative present value of the avoided fixed operation and maintenance expense component of Capacity Payments which would have been made had Capacity Payments commenced with the anticipated in-service date of the Avoided Unit and continued until the Termination Date.	\$54.09

**APPENDIX E
FPSC RULES 25-17.080 THROUGH 25-17.091
ARE PROVIDED IN SECTION VIII
ON THIS TARIFF BOOK**

Clean Copy

(Sheets 9.500 – 9.900)

STANDARD OFFER CONTRACT FOR THE PURCHASE OF FIRM CAPACITY
AND ENERGY FROM A RENEWABLE ENERGY PRODUCER
OR QUALIFYING FACILITY LESS THAN 100 KW

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STANDARD OFFER CONTRACT FOR THE PURCHASE OF FIRM CAPACITY
AND ENERGY FROM A RENEWABLE ENERGY PRODUCER
OR QUALIFYING FACILITY LESS THAN 100 KW

between

and

PROGRESS ENERGY FLORIDA

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**STANDARD OFFER CONTRACT FOR THE PURCHASE OF FIRM CAPACITY
AND ENERGY FROM A RENEWABLE ENERGY PRODUCER
OR QUALIFYING FACILITY LESS THAN 100 KW**

THIS STANDARD OFFER CONTRACT FOR THE PURCHASE OF FIRM CAPACITY AND ENERGY (hereinafter referred to as the **"Contract"**) is made and entered this ____ day of _____, ____ (hereinafter referred to as the **"Execution Date"**), by and between _____ (hereinafter the Renewable Energy Provider/Qualifying Facility (**"REP/QF"**)), and Florida Power Corporation d/b/a Progress Energy Florida (hereinafter **"PEF"**), a private utility corporation organized and existing under the laws of the State of Florida. The REP/QF and PEF shall be individually be identified herein as the **"Party"** and collectively as the **"Parties"**. This Contract contains five Appendices which are incorporated into and made part of this Contract: Appendix A: Monthly Capacity Payment Calculation; Appendix B: Termination Fee; Appendix C: Detailed Project Information; Appendix D: Rate Schedule REN-CT; and Appendix E: Florida Public Service Commission (**"FPSC"**) Rules 25-17.080 through 25-17.091, F.A.C.

WITNESSETH:

WHEREAS, the REP/QF desires to sell, and PEF desires to purchase electricity to be generated by the REP/QF consistent with Florida Statute Chapter 366.91 (2005) and FPSC Rules 25-17.080 through 25-17.091 F.A.C.; and

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

WHEREAS, the FPSC has approved this Contract for the Purchase of Firm Capacity and Energy from a Renewable Energy Producer or Qualifying Facility less than 100kW; and

WHEREAS, the REP/QF guarantees that the Facility is capable of delivering firm capacity and energy to PEF for the term of this Contract in a manner consistent with the provision of this Contract;

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

1. Definitions

“AFR” means the Facility’s annual fuel requirement.

“AFTR” means the Facility’s annual fuel transportation requirement

“Annual Capacity Billing Factor” or “ACBF” means 12 month rolling average of the Monthly Availability Factor as further defined and explained in Appendix A.

“Appendices” shall mean the schedules, exhibits, and attachments which are appended hereto and are hereby incorporated by reference and made a part of this Contract. Such Appendices include:

“Appendix A” sets forth the Monthly Capacity Payment Calculation.

“Appendix B” sets forth the Termination Fee.

“Appendix C” sets forth the Detailed Project Information.

“Appendix D” sets forth Rate Schedule REN-CT.

“Appendix E” sets forth Florida Public Service Commission ("FPSC") Rules 25-17.080 through 25-17.091, F.A.C.

“As-Available Energy Rate” means the rate calculated by PEF in accordance with FPSC Rule 25-17.0825, F.A.C., and PEF's Rate Schedule COG-1, as they may each be amended from time to time

“Authorization to Construct” means authorization issued by any appropriate Government Agency to construct or reconstruct the Facility granted to REP/QF in accordance with the laws of the State of Florida and any relevant federal law.

“Avoided Unit” means the electrical generating unit described in Section 4 upon which this Contract is based.

“Avoided Unit Energy Cost” has the meaning assigned to it in Appendix D.

“Avoided Unit Fuel Cost” has the meaning assigned to it in Appendix D.

“Avoided Unit Heat Rate” means the average annual heat rate of the Avoided Unit as defined in Section 4.

“Avoided Unit In-Service Date” means the date upon which the Avoided Unit would have started commercial operation as specified in Section 4.

“Avoided Unit Variable O&M” means the Avoided Unit variable operation and maintenance expenses as defined in Section 4. This rate will escalate annually based upon CPI-U. The annual escalation will begin in the payment for January deliveries.

“Base Capacity Payment” or “BCP” means capacity payment rates defined in Appendix D and further defined by the selection of Option A,B,C or D in Section 9.2.

“Base Performance Security Amount” means the dollar amount per MW listed in the Table 1 in Section 11 for years 1-5 associated with the applicable credit class of the Party.

“Base Year” means the year that this Contract was approved by the FPSC.

“Business Day” means any day except a day upon which banks licensed to operate in the State of Florida are authorized, directed or permitted to close, Saturday, Sunday or a weekday that is observed as a public holiday in the State of Florida.

“CAMD” means the Clean Air Markets Division of the Environmental Protection Agency or successor administrator (collectively with any local, state, regional, or federal entity given jurisdiction over a program involving transferability of Environmental Attributes).

“Capacity” means the minimum average hourly net capacity (generator output minus auxiliary load) measured over the Committed Capacity Test Period.

“Capacity Delivery Date” means the first calendar day immediately following the date of the Facility's successful completion of the first Committed Capacity Test.

“Capacity Payment” means the payment defined in Section 9.2 and Appendix A.

“Committed Capacity” or “CC” means the capacity in MW that the REP/QF commits to sell to PEF, the amount of which shall be determined in accordance with Section 7 and Appendix D.

“Committed Capacity Test” means the testing of the capacity of the Facility performed in accordance with the procedures set forth in Section 8.

“Committed Capacity Test Period” means a test period of twenty-four (24) consecutive hours.

“Completed Permits Date” means the date by which the REP/QF must complete licensing, certification, and all federal, state and local governmental, environmental, and licensing approvals required to initiate construction of the Facility. This date is specified in Section 4.

“Completion/Performance Security” means the security described in Section 11.

“Conditions Precedent” shall have the meaning assigned to it in Section 5.

“Consent” means a Governmental Approval or other contract, license, approval, permission, authorization or other right of whatsoever nature (including any renewal or replacement of same) necessary or desirable for the construction of the Facility infrastructure or for the use of the Facility for the generation of electricity or for the transmission of electricity to the Transmission System (including, but not limited to, the Project Consents); or for any other matters relevant to the performance of REP/QF's obligations under this Contract.

“Contract” means this standard offer contract for the purchase of Firm Capacity and Energy from a Renewable Energy Producer or Qualifying Facility with a nameplate capacity of less than 100 kW.

“CPI-U” means the revised monthly consumer price index for All Urban Consumers, U.S. City Average (CPI-U) (All Items 1982-84 = 100) promulgated by the Bureau of Labor Statistics of the United States Department of Labor.

“Creditworthy” with respect to a Party or its credit support provider, as applicable, means a party is rated by at least two (2) of the three (3) following rating agencies Standard & Poors (S&P), Moody’s Investor Services (Moody’s) and Fitch Rating Services (Fitch). Rating shall be the unsecured, senior long-term debt or deposit obligations (not supported by third party credit enhancement). Both ratings (if company is only rated by 2 of the 3 agencies) or at least two (2) of the three (3) (if company is rated by all three agencies) must be (i) BBB- or greater from S&P (ii) Baa3 or greater from Moody’s (iii) BBB- or greater from Fitch.

“Demonstration Period” means a sixty-hour period in which the Committed Capacity Test must be completed.

“Distribution System” means the distribution system consisting of electric lines, electric plant, transformers and switchgear is used for conveying electricity to ultimate consumers, but not including any part of the Transmission System.

“Dispute” shall have the meaning assigned to it in Section 20.9.

“Drop Dead Date” means the date which is twelve (12) months following the Execution Date.

“Eastern Prevailing Time” means the time in effect in the Eastern Time Zone of the United States of America, whether Eastern Standard Time or Eastern Daylight Savings Time.

“Effective Date” has the meaning assigned to it in Section 5.

“Electrical Interconnection Point” means the physical point at which the Facility is connected with the Transmission System or, if REP/QF interconnects with a Transmission System other than PEF’s, PEF’s interconnection with the Transmission Provider’s Transmission System, or such other physical point on which REP/QF and PEF may agree.

“Eligible Collateral” means (i) a Letter of Credit from a Qualified Institution or (ii) cash deposited into a PEF Security Account by REP/QF or REP/QF Security Account by PEF, as the case may be, or (iii) REP/QF Guarantee or PEF Guarantee or a combination of (i), (ii) and/or (iii) as outlined in Section 11.

“Energy” means megawatt-hours generated by the Facility of the character commonly known as three-phase, sixty hertz electric energy that is delivered at a nominal voltage at the Electrical Interconnection Point.

“Environmental Attributes” means all attributes of an environmental or other nature that are created or otherwise arise from the Facility’s generation of electricity from a renewable energy source in contrast with the generation of electricity using nuclear or fossil fuels or other traditional resources. Forms of such attributes include, without limitation, any and all environmental air quality credits, green credits, renewable energy credits (“RECs”), carbon credits, emissions reduction credits, certificates, tags, offsets, allowances, or similar products or rights, howsoever entitled, (i) resulting from the avoidance of the emission of any gas, chemical, or other substance, including but not limited to, mercury, nitrogen oxide, sulfur dioxide, carbon dioxide, carbon monoxide, particulate matter or similar pollutants or contaminants of air, water or soil gas, chemical, or other substance, and (ii) attributable to the generation, purchase, sale or use of Energy from or by the Facility, or otherwise attributable to the Facility during the Term. Environmental Attributes include, without limitation, those currently existing or arising during the Term under local, state, regional, federal, or international legislation or regulation relevant to the avoidance of any emission described in this Contract under any governmental, regulatory or voluntary program, including, but not limited to, the United Nations Framework Convention on Climate Change and related Kyoto Protocol or other programs, laws or regulations involving or administered by the Clean Air Markets Division of the Environmental Protection Agency (“CAMD”) or successor administrator (collectively with any local, state, regional, or federal entity given jurisdiction over a program involving transferability of Environmental Attributes.).

“EPT” means Eastern Prevailing Time.

“Event of Default” has the meaning assigned to it in Section 14.

“Execution Date” has the meaning assigned to it in the opening paragraph of this Contract.

“Exemplary Early Capacity Payment Date” means the exemplary date used to calculate Capacity Payments for Option B and D. This date is specified in Section 4. The actual Capacity Payments for Option B and D will be calculated based upon the Capacity Delivery Date.

“Expiration Date” means the final date upon which this Contract can be executed. This date is specified in Section 4.

“Facility” means all equipment, as described in this Contract, used to produce electric energy and, and all equipment that is owned or controlled by the REP/QF required for parallel operation with the Transmission System. In the case of a cogenerator the Facility includes all equipment that is owned or controlled by the REP/QF to produce useful thermal energy through the sequential use of energy.

“FERC” means the Federal Energy Regulatory Commission or its successor.

“Financial Closing” means the fulfillment of each of the following conditions:

- (a) the execution and delivery of the Financing Documents; and
- (b) all Conditions Precedent to the initial availability for disbursement of funds under the Financing Documents (other than relating to the effectiveness of this Contract) are satisfied or waived.

“Financing Documents” shall mean documentation with respect to any private equity investment in REP/QF, any loan agreements (including agreements for any subordinated debt), notes, bonds, indentures, guarantees, security agreements and hedging agreements relating to the financing or refinancing of the design, development, construction, Testing, Commissioning, operation and maintenance of the Facility or any guarantee by any Financing Party of the repayment of all or any portion of such financing or refinancing.

“Financing Party” means the Persons (including any trustee or agent on behalf of such Persons) providing financing or refinancing to or on behalf of REP/QF for the design, development, construction, testing, commissioning, operation and maintenance of the Facility (whether limited recourse, or with or without recourse).

“Firm Capacity and Energy” has the meaning assigned to it in Appendix D.

“Firm Capacity Rate” has the meaning assigned to it in Appendix D.

“Firm Energy Rate” has the meaning assigned to it in Appendix D.

“Force Majeure” has the meaning given to it in Section 18.

“FPSC” means the Florida Public Service Commission or its successor.

“Government Agency” means the United States of America, or any state or any other political subdivision thereof, including without limitation, any municipality, township or county, and any domestic entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including, without limitation, any corporation or other entity owned or controlled by any of the foregoing.

“Governmental Approval” means any authorization, consent, approval, license, ruling, permit, exemption, variance, order, judgment, instruction, condition, direction, directive, decree, declaration of or regulation by any Government Agency relating to the construction, development, ownership, occupation, start-up, Testing, operation or maintenance of the Facility or to the execution, delivery or performance of this Contract as any of the foregoing are in effect as of the date of this Contract.

“Gross Domestic Product Implicit Price Deflator” or “GDPIPD” has the meaning assigned to it in Section 11.

“IEEE” means the Institute of Electrical and Electronics Engineers, Inc.

“Indemnified Party” has the meaning assigned to it in Section 16.

“Indemnifying Party” has the meaning assigned to it in Section 16.

“Initial Reduction Value” has the meaning assigned to it in Appendix B.

“Insurance Services Office” has the meaning assigned to it in Section 17.

“KVA” means one or more kilovolts-amperes of electricity, as the context requires.

“kW” means one or more kilowatts of electricity, as the context requires.

“kWh” means one or more kilowatthours of electricity, as the context requires.

“Letter of Credit” means a stand-by letter of credit from a Qualified Institution that is acceptable to PEF whose approval may not be unreasonably withheld.

“LOI” means a letter of intent for fuel supply.

“Material Adverse Change” means as to PEF, that PEF or PEF Guarantor, if applicable, or, as to REP/QF, that REP/QF or REP/QF Guarantor, if applicable, any of the following events; (a) such party is no longer Creditworthy or (b) the party of Party’s guarantor, if applicable, defaults on an aggregate of fifty million dollars (\$50,000,000) or five percent (5%) of equity, whichever is less.

“MCPC” means the Monthly Capacity Payment for Option A.

“Monthly Billing Period” means the period beginning on the first calendar day of each calendar month, except that the initial Monthly Billing Period shall consist of the period beginning 12:01 a.m., on the Capacity Delivery Date and ending with the last calendar day of such month.

“Monthly Availability Factor” or “MAF” means the total energy received during the Monthly Billing Period for which the calculation is made, divided by the product of Committed Capacity times the total hours during the Monthly Billing Period.

“Monthly Capacity Payment” or “MCP” means the payment for Capacity calculated in accordance with Appendix A.

“MW” means one or more megawatts of electricity, as the context requires.

“MWh” means one or more megawatt-hours of electricity, as the context requires.

“Option A” means normal Capacity Payments as described in Appendix D.

“Option B” means early Capacity Payments as described in Appendix D.

“Option C” means levelized Capacity Payments as described in Appendix D.

“Option D” means early levelized Capacity Payments as described in Appendix D.

“Party” or “Parties” has the meaning assigned to it in the opening paragraph of this Contract.

“PEF” has the meaning assigned to it in the opening paragraph of this Contract.

“PEF Entities” has the meaning assigned to it in Section 16.

“PEF Guarantee” means a guarantee provided by PEF Guarantor that is acceptable to REP/QF whose approval may not be unreasonably withheld.

“PEF Guarantor” means a party that, at the time of execution and delivery of its PEF Guarantee is a direct or indirect owner of PEF and is (a) Creditworthy or is (b) reasonably acceptable to REP/QF as having verifiable Creditworthiness and a net worth sufficient to secure PEF’s obligations.

“PEF Performance Security” has the meaning assigned to it in Section 11.

“PEF Security Account” means an account designated by PEF for the benefit of PEF free and clear of all liens (including liens of any lenders) to be established and maintained at a Qualified Institution pursuant to a control agreement in a form and substance acceptable to PEF whose cost is to be borne by the REP/QF.

“Person” means any individual, partnership, corporation, association, joint stock company trust, joint venture, unincorporated organization, or Governmental Agency (or any department, agency, or political subdivision thereof).

“Project Consents” mean the following Consents, each of which is necessary to REP/QF for the fulfillment of REP/QF’s obligations hereunder:

- (a) the Authorization to Construct;
- (b) planning permission and consents in respect of the Facility, and any electricity substation located at the Facility site, including but not limited to, a prevention of significant deterioration permit, a noise, proximity and visual impact permit, and any required zoning permit; and
- (c) any integrated pollution control license.

“Project Contracts” means this Contract, and any other contract required to construct, operate and maintain the Facility. The Project Contracts may include, but are not limited to, the turnkey engineering, procurement and construction contract, the electrical interconnection and operating agreement, the fuel supply agreement, the facility site lease, and the operation and maintenance agreement.

“Prudent Utility Practices” means any of the practices, methods, standards and acts (including, but not limited to, the practices, methods and acts engaged in or approved by a significant portion of owners and operators of power plants of technology, complexity and size similar to the Facility in the United States) that, at a particular time, in the exercise of reasonable judgment in light of the facts known or that should reasonably have been known at the time a decision was made, could have been expected to accomplish the desired result and goals (including such goals as efficiency, reliability, economy and profitability) in a manner consistent with applicable facility design limits and equipment specifications and applicable laws and regulations. Prudent Utility Practice is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but rather to be a spectrum of acceptable practices, methods or acts in each case taking into account the Facility as an independent power project.

“Qualifying Facility” or “QF” means a cogenerator, small power producer, or non-utility generator that has been certified or self-certified by the FERC as meeting certain ownership, operating and efficiency criteria established by the Federal Energy Regulatory Commission pursuant to the Public Utility Regulatory Policies Act of 1978 (“PURPA”), the criteria for which are currently set forth in 18 C.F.R. § 292, *et seq.* (2006), Section 210 of PURPA, 16 U.S.C. § 824a-3 (2005), 16 U.S.C. 796 *et seq.* (2006), and Section 1253 of EPAct 2005, Pub. L. No. 109-58, § 1253, 119 Stat. 594 (2005) or, alternatively, analogous provisions under the laws of the State of Florida.

“Qualified Institution” means the domestic office of a United States commercial bank or trust company or a foreign bank with a United States branch with total assets of at least ten billion dollars (\$10,000,000,000) (which is not an affiliate of either party) having a general long-term senior unsecured debt rating of A- or higher (as rated by Standard & Poors Ratings Group), A3 or higher (as rated by Moody’s Investor Services) or A- or higher (as rated by Fitch Ratings).

“Rate Schedule COG-1” means PEF’s Agreement for Purchase of As-Available Energy and/or Parallel Operation with a Qualifying Facility as approved by the FPSC and as may be amended from time to time.

“REC” means renewable energy credits, green tags, green tickets, renewable certificates, tradable renewable energy credits (“T-REC”) or any tradable certificate that is produced by a renewable generator in addition to and in proportion to the production of electrical energy.

“Reduction Value” has the meaning assigned to it in Appendix B.

“Renewable Facility” means a facility that produces energy from a method that uses one or more of the following fuels or energy sources: hydrogen produced from sources other than fossil fuels, biomass, solar energy, geothermal energy, wind energy, ocean energy, hydroelectric power or waste heat from sulfuric acid manufacturing operations.

“REP/QF Entities” has the meaning assigned to it in Section 16.

“REP/QF Guarantee” means a guarantee provided by REP/QF Guarantor that is acceptable to PEF whose approval may not be unreasonably withheld.

“REP/QF Guarantor” means a party that, at the time of execution and delivery of its REP/QF Guarantee is a direct or indirect owner of REP/QF and is (a) Creditworthy or is (b) reasonably acceptable to PEF as having verifiable Creditworthiness and a net worth sufficient to secure REP/QF’s obligations.

“REP/QF Insurance” has the meaning assigned to it in Section 17.

“REP/QF Performance Security” has the meaning assigned in Section 11.

“REP/QF Security Account” means an account designated by the REP/QF for the benefit of the REP/QF free and clear of all liens (including liens of any lenders) to be established and maintained at a Qualified Institution pursuant to a control agreement in a form and substance acceptable to REP/QF whose cost is to be borne by PEF.

“Security Documentation” has the meaning assigned to it in Section 12.

“Supplemental Eligible Collateral” means additional collateral in the form of Letter of Credit or cash to augment the REP/QF Performance Security in the event of a Material Adverse Change.

“Subscription Limit” means the total capacity required to fully subscribe this Contract .

“Term” has the meaning assigned to it in Section 3.

“Termination Date” means the date upon which this Contract terminates unless terminated earlier in accordance with the provisions hereof. This date is specified in Section 4.

“Termination Fee” means the fee described in Appendix B as it applies to any Capacity Payments made under Option B, C or D.

“Termination Security” has the meaning assigned to it in Section 12.

“Transmission Provider” means the operator(s) of the Transmission System(s) or any successor thereof or any other entity or entities authorized to transmit Energy on behalf of REP/QF from the Electrical Interconnection Point.

“Transmission System” means the system of electric lines comprised wholly or substantially of high voltage lines, associated system protection, system stabilization, voltage transformation, and capacitance, reactance and other electric plant used for conveying electricity from a generating station to a substation, from one generating station to another, from one substation to another, or to or from any Electrical Interconnection Point or to ultimate consumers and shall include any interconnection owned by the Transmission Provider or PEF, but shall in no event include any lines which the Transmission Provider has specified to be part of the Distribution System except for any distribution facilities required to accept capacity and energy from the Facility.

2. Facility; Renewable Facility or Qualifying Facility Status

The Facility's location and generation capabilities are as described in the table below.

TECHNOLOGY AND GENERATOR CAPABILITIES	
Location: Specific legal description (e.g., metes and bounds or other legal description with street address required)	City: County:
Generator Type (Induction or Synchronous)	
Technology	
Fuel Type and Source	
Generator Rating (KVA)	
Maximum Capability (kW)	
Net Output (kW)	
Power Factor (%)	
Operating Voltage (kV)	
Peak Internal Load kW	

The REP/QF's failure to complete the foregoing table in its entirety shall render this Contract null and void and of no further effect.

The Facility must either maintain (i) its status as a Renewable Facility or (ii) its status as a Qualifying Facility with a design capacity of 100 kW or less. The REP/QF shall use the same fuel or energy source and maintain the status as a Renewable Facility or a Qualifying Facility throughout the term of this Contract. REP/QF shall at all times keep PEF informed of any material changes in its business which affects its Renewable Facility or Qualifying Facility status. PEF shall have the right at all times to inspect the Facility and to examine any books, records, or other documents of the REP/QF that PEF deems necessary to verify the Facility's Renewable Facility status or Qualifying Facility status. On or before March 31 of each year during the term of this Contract, the REP/QF shall provide to PEF a certificate signed by an officer of the REP/QF certifying that the REP/QF continuously maintained its status as a Renewable Facility or Qualifying Facility during the prior calendar year.

3. Term of Contract

Except as otherwise provided herein, this Contract shall become effective immediately upon its execution by the Parties and shall end at 12:01 a.m. on the Termination Date, (the "Term") unless terminated earlier in accordance with the provisions hereof. Notwithstanding the foregoing, if the Capacity Delivery Date of the Facility is not accomplished by the REP/QF before the Avoided Unit In-Service Date (or such later date as may be permitted by PEF pursuant to Section 7), this Contract shall be rendered null and void and PEF's shall have no obligations under this Contract.

4. Minimum Specifications and Milestones

As required by FPSC Rule 25-17.0832(4)(e), the minimum specifications pertaining to this Contract and milestone dates are as follows:

Avoided Unit	Combustion Turbine
Avoided Unit Capacity	191 MW
Avoided Unit In-Service Date	June 1, 2010
Avoided Unit Heat Rate	10,579 BTU/kWh
Avoided Unit Variable O&M	1.064¢ per kWh in mid-2010 dollars
Subscription Limit	Avoided Unit Capacity
Capacity Payments begin	Avoided Unit In-Service Date unless Option B, C, or D is selected
Termination Date	May 31, 2020 (10 years)
Minimum Performance Standards – On Peak Availability Factor*	89%
Minimum Performance Standards – Off Peak Availability Factor	89%
Minimum Availability Factor Required to qualify for a Capacity payment	69%
Expiration Date	April 1, 2007 unless extended by the FPSC
Completed Permits Date	June 1, 2009
Exemplary Early Capacity Payment Date	January 1, 2007

* REP/QF performance shall be as measured and/or described in Appendix A.

5. Conditions Precedent

- (a) Unless otherwise waived in writing by PEF, on or before the Drop Dead Date, REP/QF shall satisfy the following Conditions Precedent:
- (i) REP/QF shall have obtained firm transmission service necessary to deliver Capacity and energy from the Facility to the Electrical Interconnection Point;
 - (ii) REP/QF shall have obtained the Project Consents and any other Consents for which it is responsible under the terms hereof;
 - (iii) REP/QF shall have entered into Financing Documents relative to the construction of the Facility and having achieved Financial Closing;
 - (iv) REP/QF shall have entered into the Project Contracts;
 - (v) REP/QF shall have obtained insurance policies or coverage in compliance with Section 17;
 - (vi) REP/QF shall have delivered to PEF (i) a copy of its constitutional documents (certified by its corporate secretary as true, complete and up-to-date) and (ii) a copy of a corporate resolution approving the terms of this Contract and the transactions contemplated hereby and authorizing one or more individuals to execute this Contract on its behalf (such copy to have been certified by its corporate representative as true, complete and up-to-date);
 - (vii) any legislation relevant to the above items being in full force and effect;
 - (viii) in the event the REP/QF is a Qualifying Facility, REP/QF obtaining Qualifying Facility status from either the FPSC or FERC.
- (b) Promptly upon satisfaction (or waiver by PEF in writing) of the Conditions Precedent to be satisfied by REP/QF, PEF shall deliver to REP/QF a certificate evidencing such satisfaction. Subject to there being no Event of Default which has occurred and/or is continuing as at the date upon which the last of such certificates is delivered, the date of such last certificate shall constitute the effective date of this Contract (the "Effective Date")
- (c) Unless all Conditions Precedent are satisfied by REP/QF on or before the Drop Dead Date or such Conditions Precedent are waived in writing by PEF, , this Contract shall terminate on such date and neither Party shall have any further liability to the other Party hereunder.

- (d) REP/QF shall achieve the Capacity Delivery Date on or before the Avoided Unit In-Service Date.
- (e) REP/QF shall ensure that before the initial Committed Capacity Test:
 - (a) the Facility shall have been constructed so that the Committed Capacity Test may be duly and properly undertaken in accordance with Section 7; and
 - (b) an operable physical connection from the Facility to the Transmission System shall have been effected in accordance with the electrical interconnection and operating agreement required by the Transmission Provider, provided, however, that such physical connection shall be made consistent with the terms hereof.

6. Sale of Electricity by the REP/QF

6.1 Consistent with the terms hereof, the REP/QF shall sell to PEF and PEF shall purchase from the REP/QF electric power generated by the Facility. The purchase and sale of electricity pursuant to this Contract shall be a () net billing arrangement or () simultaneous purchase and sale arrangement; provided, however, that no such arrangement shall cause the REP/QF to sell more than the Facility's net output. The billing methodology may be changed at the option of the REP/QF, subject to the provisions of Appendix D.

6.2 Ownership and Offering For Sale Of Renewable Energy Attributes

- a. The REP/QF shall retain any and all rights to own and to sell any and all Environmental Attributes associated with the electric generation of the Facility, provided that: (i) PEF shall have a right of first refusal with respect to any and all bona fide offers to purchase any Environmental Attributes; and (ii) the REP/QF shall not sell Environmental Attributes to any party at a price less than that charged by PEF
- b. Notwithstanding the provisions of the foregoing Section 6.2 (a), in the event that the REP/QF wishes to sell Environmental Attributes to another party at a price less than that already contracted for by PEF, the REP/QF may proceed with such sale so long as (i) the price paid by PEF for any and all future purchases of Environmental Attributes from the REP/QF shall be adjusted to be equal to the lowest price at which the REP/QF agrees to sell Environmental Attributes to another party; and (ii) the REP/QF shall refund to PEF the amount by which any past PEF purchases of Environmental Attributes from the REP/QF exceeds the lowest price that the REP/QF agrees to charge another buyer.

6.3 The REP/QF shall not rely on interruptible standby service for the start up requirements (initial or otherwise) of the Facility.

- 6.4 The REP/QF shall be responsible for the scheduling of required transmission and for all costs, expenses, taxes, fees and charges associated with the delivery of energy to PEF. The REP/QF shall enter into a transmission service agreement with the Transmission Provider in whose service territory the Facility is to be located and the REP/QF shall make any and all transmission-related arrangements (including ancillary services) between the REP/QF and the Transmission Provider for delivery of the Facility's firm Capacity and energy to PEF. The Capacity and energy amounts paid to the REP/QF hereunder do not include transmission losses. The REP/QF shall be responsible for transmission losses that occur prior to the point at which the REP/QF's energy is delivered to PEF. The Parties recognize that the Transmission Provider may be PEF and that if PEF is the Transmission Provider, that the transmission service will be provided under a separate agreement.

7. Committed Capacity/Capacity Delivery Date

- 7.1 In the event that the REP/QF elects to make no commitment as to the quantity or timing of its deliveries to PEF, then its Committed Capacity as defined in the following Section 7.2 shall be zero (0) MW. If the Committed Capacity is zero (0) MW, Sections 7.2 through Section 7.7 and all of Section 8 shall not apply.
- 7.2 If the REP/QF commits to sell capacity to PEF, the amount of which shall be determined in accordance with this Section 7 and Appendix D. Subject to Section 7.4, the Committed Capacity is set at _____ kW, with an expected Capacity Delivery Date on or before the Avoided Unit In-Service Date.
- 7.3 Testing of the Capacity of the Facility (each such test a Committed Capacity Test) shall be performed in accordance with the procedures set forth in Section 8. The Demonstration Period for the first Committed Capacity Test shall commence no earlier than ninety (90) days before the expected Capacity Delivery Date and testing must be completed before the Avoided Unit In-Service Date. The first Committed Capacity Test shall not be successfully completed unless the Facility demonstrates a Capacity of at least one hundred percent (100%) of the Committed Capacity set forth in Section 7.2. Subject to Section 8.1, the REP/QF may schedule and perform up to three (3) Committed Capacity Tests to satisfy the requirements of the Contract with respect to the first Committed Capacity Test.
- 7.4 In addition to the first Committed Capacity Test, PEF shall have the right to require the REP/QF, by notice thereto, to validate the Committed Capacity by means of a Committed Capacity Test at any time, up to two (2) times per year, the results of which shall be provided to PEF within seven (7) calendar days of the conclusion of such test. On and after the date of such requested Committed Capacity Test, and until the completion of a subsequent Committed Capacity Test, the Committed Capacity shall be set at the lower of the Capacity tested or the Committed Capacity as set forth in Section 7.2.

- 7.5 Notwithstanding anything contrary to the terms hereof, the Committed Capacity may not exceed the amount set forth in Section 7.2 without the consent of PEF, which consent shall be granted in PEF's sole discretion.
- 7.6 In no event shall PEF make Capacity Payments to the REP/QF prior to the Capacity Delivery Date.
- 7.7 The REP/QF shall be entitled to receive Capacity Payments beginning on the Capacity Delivery Date, provided the Capacity Delivery Date occurs before the Avoided Unit In-Service Date (or such later date permitted by PEF). If the Capacity Delivery Date does not occur before the Avoided Unit In-Service Date, PEF shall immediately be entitled to draw down the Completion/Performance Security in full.

8. Testing Procedures

- 8.1 The Committed Capacity Test must be completed successfully within the Demonstration Period, which period, including the approximate start time of the Committed Capacity Test, shall be selected and scheduled by the REP/QF by means of a written notice to PEF delivered at least thirty (30) calendar days prior to the start of such period. The provisions of the foregoing sentence shall not apply to any Committed Capacity Test ordered by PEF under any of the provisions of this Contract. PEF shall have the right to be present onsite to monitor firsthand any Committed Capacity Test required or permitted under this Contract.
- 8.2 The Committed Capacity Test results shall be based on a test period of twenty-four (24) consecutive hours (the "Committed Capacity Test Period") at the highest sustained net kW rating at which the Facility can operate without exceeding the design operating conditions, temperature, pressures, and other parameters defined by the applicable manufacturer(s) for steady state operations at the Facility. The Committed Capacity Test Period shall commence at the time designated by the REP/QF pursuant to Section 8.1 or at such time requested by PEF pursuant to Section 7.4; provided, however, that the Committed Capacity Test Period may commence earlier than such time in the event that PEF is notified of, and consents to, such earlier time.
- 8.3 Normal station service use of unit auxiliaries, including, without limitation, cooling towers, heat exchangers, and other equipment required by law, shall be in service during the Committed Capacity Test Period.
- 8.4 The Capacity of the Facility shall be the minimum average hourly net output in kW (generator output minus auxiliary) measured over the Committed Capacity Test Period.

- 8.5 The Committed Capacity Test shall be performed according to standard industry testing procedures for the appropriate technology of the REP/QF.
- 8.6 The results of any Committed Capacity Test, including all data related to Facility operation and performance during testing, shall be submitted to PEF by the REP/QF within seven (7) calendar days of the conclusion of the Committed Capacity Test. The REP/QF shall certify that all such data is accurate and complete.

9. Payment for Electricity Produced by the Facility

9.1 Energy

- 9.1.1 PEF agrees to pay the REP/QF for energy produced by the Facility and delivered to PEF in accordance with the rates and procedures contained in PEF's approved Rate Schedule COG-1 if the Committed Capacity pursuant to Section 7.2 is set to zero. If the Committed Capacity is greater than zero MW, then PEF agrees to pay the REP/QF for energy produced by the Facility and delivered to PEF in accordance with the rates and procedures contained in Appendix D, as it may be amended from time to time. The Parties agree that this Contract shall be subject to all of the provisions contained in Rate Schedule COG-1 or Appendix D whichever applies as approved and on file with the FPSC.
- 9.1.2 PEF may, at its option, limit deliveries under this Contract to 110% of the Committed Capacity as set forth in Section 7. In the event that PEF chooses to limit deliveries, any energy in excess of 110% of the Committed Capacity will be paid for at the rates defined in Rate Schedule COG-1 and shall not be included in the calculations in Appendix A hereto.

9.2 Capacity

PEF agrees to pay the REP/QF for the Capacity described in Section 7 in accordance with the rates and procedures contained in Appendix D, as it may be amended and approved from time to time by the FPSC, and pursuant to the election of Option _____ of Appendix D. The REP/QF understands and agrees that Capacity Payments will only be made if the Capacity Delivery Date occurs before the Avoided Unit In-Service Date and the Facility is delivering firm Capacity and Energy to PEF. Once so selected, this Option, the Firm Capacity Rate and/or the Firm Energy Rate cannot be changed for the term of this Contract.

9.3 Payments for Energy and Capacity

9.3.1 Payments due the REP/QF will be made monthly, and normally by the twentieth Business Day following the end of the billing period. The kilowatt-hours sold by the REP/QF and the applicable avoided energy rate at which payments are being made shall accompany the payment to the REP/QF.

9.3.2 Payments to be made under this Contract shall, for a period of not longer than two (2) years, remain subject to adjustment based on billing adjustments due to error or omission by either Party, provided that such adjustments have been agreed to between the Parties.

10. Electricity Production and Plant Maintenance Schedule

10.1 No later than sixty (60) calendar days prior to the Capacity Delivery Date, and prior to October 1 of each calendar year thereafter during the term of this Contract, the REP/QF shall submit to PEF in writing a detailed plan of the amount of electricity to be generated by the Facility and delivered to PEF for each month of the following calendar year, including the time, duration and magnitude of any scheduled maintenance period(s) or reductions in Capacity.

10.2 By October 31 of each calendar year, PEF shall notify the REP/QF in writing whether the requested scheduled maintenance periods in the detailed plan are acceptable. If PEF does not accept any of the requested scheduled maintenance periods, PEF shall advise the REP/QF of the time period closest to the requested period(s) when the outage(s) can be scheduled. The REP/QF shall only schedule outages during periods approved by PEF, and such approval shall not be unreasonably withheld. Once the schedule for the detailed plan has been established and approved, either Party requesting a subsequent change in such schedule, except when such change is due to Force Majeure, must obtain approval for such change from the other Party. Such approval shall not be unreasonably withheld or delayed. Scheduled maintenance outage days shall be limited to twenty-one (21) days per calendar year. In no event shall maintenance periods be scheduled during the following periods: June 1 through September 15 and December 1 through and including the last day of February.

10.3 The REP/QF shall comply with reasonable requests by PEF regarding day-to-day and hour-by-hour communication between the Parties relative to electricity production and maintenance scheduling.

- 10.4** The Parties recognize that the intent of the availability factor in Section 4 of this Contract is an allowance for scheduled outages, forced outages and forced reductions in the output of the Facility. Therefore, the REP/QF shall provide PEF with notification of any forced outage or reduction in output which shall include the time and date at which the forced outage or reduction occurred, a brief description of the cause of the outage or reduction and the time and date when the forced outage or reduction ceased and the Facility was able to return to normal operation. This notice shall be provided to PEF within seventy-two (72) hours of the end of the forced outage or reduction.

The REP/QF is required to provide the total electrical output to PEF except (i) during a period that was scheduled in Section 10.2, (ii) during a period in which notification of a forced outage or reduction was provided, (iii) during an event of Force Majeure or (iv) during a curtailment period as described in Section 10.5.5. In the event that the REP/QF does not deliver its full electrical output to PEF during an hour not excluded in the previous sentence then the REP/QF shall be charged a rate equal to the PEF's Rate Schedule COG-1 times the difference between the Committed Capacity and the actual energy received by PEF in that hour. If, in PEF's sole judgment, it is determined that the normal operation of the REP/QF requires it to cease operation or reduce its output, the charges in this Section 10.4 may be waived.

10.5 Dispatch and Control

10.5.1 Power supplied by the REP/QF hereunder shall be in the form of three-phase 60 hertz alternating current, at a nominal operating voltage of _____ volts (_____ kV) and power factor dispatchable and controllable in the range of 90% lagging to 90% leading as measured at the interconnection point to maintain system operating parameters, including power factor, as specified from time to time by PEF.

10.5.2 The REP/QF shall operate the Facility with all system protective equipment in service whenever the Facility is connected to, or is operated in parallel with, PEF's system, except for normal testing and repair in accordance with good engineering and operating practices as agreed by the Parties. The REP/QF shall provide adequate system protection and control devices to ensure safe and protected operation of all energized equipment during normal testing and repair. All REP/QF facilities shall meet IEEE and industry standards. The REP/QF shall have independent, third party qualified personnel test, calibrate and certify in writing all protective equipment at least once every twelve (12) months in accordance with good engineering and operating practices. A unit functional trip test shall be performed after each overhaul of the Facility's turbine, generator or boilers and results provided to PEF in writing prior to returning the equipment to service. The specifics of the unit functional trip test will be consistent with good engineering and operating practices as agreed by the Parties.

- 10.5.3** If the Facility is separated from the PEF system for any reason, under no circumstances shall the REP/QF reconnect the Facility to PEF's system without first obtaining PEF'S specific approval.
- 10.5.4** During the term of this Contract, the REP/QF shall employ qualified personnel for managing, operating and maintaining the Facility and for coordinating such with PEF. The REP/QF shall ensure that operating personnel are on duty at all times, twenty-four (24) hours a calendar day and seven (7) calendar days a week. Additionally, during the term of this Contract, the REP/QF shall operate and maintain the Facility in such a manner as to ensure compliance with its obligations hereunder and in accordance with applicable law and Prudent Utility Practices.
- 10.5.5** PEF shall not be obligated to purchase, and may require curtailed or reduced deliveries of energy to the extent allowed under FPSC Rule 25-17.086 and under any curtailment plan which PEF may have on file with the FPSC from time to time.
- 10.5.6** During the term of this Contract, the REP/QF shall maintain sufficient fuel on the site of the Facility to deliver the capacity and energy associated with the Committed Capacity for an uninterrupted seventy-two- (72) hour period. At PEF's request, the REP/QF shall demonstrate this capability to PEF's reasonable satisfaction. During the term of this Contract, the REP/QF's output shall remain within a band of plus or minus ten percent (10%) of the daily output level or levels specified by the plant operator, in ninety percent (90%) of all operating hours under normal operating conditions. This calculation will be adjusted to exclude forced outage periods and periods during which the REP/QF's output is affected by a Force Majeure event.

11. Completion/Performance Security

- 11.1** Simultaneous with the execution of this agreement REP/QF shall deliver to PEF Eligible Collateral in an amount according to Table 1. REP/QF's Performance Security shall be maintained throughout the Term although the amount of Eligible Collateral shall be adjusted from time to time in accordance with Tables 1 and Section 11.4. The listed amounts are considered the initial amounts and use 2006 as the Base Year, with all amounts expressed in US Dollars.

Note: The amounts in the following Tables are for 2006 and are subject to change based on utility cost estimates for any year subsequent to the Base Year.

Table 1

Credit Class	Amount per MW	
	Years 1 - 5	Years 6 - 10
A- and Above	\$45,000	\$30,000
BBB+ to BBB	\$65,000	\$55,000
BBB-	\$90,000	\$80,000
Below BBB-	\$135,000	\$90,000

- 11.2** In the event that a Material Adverse Change occurs in respect of REP/QF, then within two (2) Business Day(s) REP/QF shall deliver to PEF Supplemental Eligible Collateral equal to 50 percent of the current Eligible Collateral amount, provided however, that in the PEF's sole discretion, based on a review of the overall circumstances of REP/QF's Material Adverse Change, the total of the Eligible Collateral and the Supplemental Eligible Collateral may be reduced but in no event shall the amount be less than the Base Performance Security Amount.
- 11.3** PEF Performance Security - In the event that a Material Adverse Change occurs in respect of PEF, within two (2) Business Days, PEF shall deliver to REP/QF Eligible Collateral in the same amount as the REP/QF Performance Security which shall be adjusted at the same times and to the same amounts set forth in Table 1 for the REP/QF Performance Security; provided however, that in REP/QF's sole discretion, base on a review of the overall circumstances or PEF's Material Adverse Change, the Eligible Collateral that PEF is required to provide may be reduced to an amount below that stated in the applicable table but no event less than the Base Performance Security Amount.
- 11.4** Performance Security Annual Adjustments – Both the REP/QF Performance Security and PEF Performance Security (if applicable) shall be adjusted on an annual basis beginning January 1, 2007 and each year of during the term of the Agreement. The values in Table 1 will be adjusted using the change in the Gross Domestic Implicit Price Deflator (GDPIPD) between the Base Year and each year during the term as reported in the Survey of Current Business published in January each year and revised thereafter, by the Bureau of Economic Analysis, United States Department of commerce, Washington, D.C. using the following formula: Current Performance Security amount (CPSA) multiplied by one plus the change in the GDPIPD, $(CPSA \times (1 + \Delta GDPIPD))$

- 11.5** Replacement Collateral, Release of Collateral - Upon any reduction of the amount of REP/QF Performance Security or PEF Performance Security pursuant to Section 11.2 or 11.3 the beneficiary thereof shall upon two (2) Business Days written request by the other Party release any Eligible or Supplemental Eligible Collateral that is no longer required. The choice of the type of Eligible Collateral by a Party may be selected from time to time by such Party and upon receipt of substitute Eligible Collateral, the holder of the Eligible Collateral for which the substitution is being made shall promptly release such Eligible Collateral. Following any termination of this agreement, the Parties shall mutually agree to a final settlement of all obligations under this Agreement which such period shall not exceed 90 days from such termination date unless extended by mutual agreement between the Parties. After such settlement, any remaining Eligible Collateral posted by a Party that has not been drawn upon by the other Party pursuant to its rights under this Contract shall be returned to such Party. Any dispute between the Parties regarding such final settlement shall be resolved according to applicable procedures set forth in Section 20.9.
- 11.6** Draws, Replenishment - A Non-Defaulting Party may draw upon Eligible Collateral or Supplemental Eligible Collateral provided by the other Party following the occurrence of an Event of Default by such other Party or pursuant to the other provisions of this Agreement in order to recover any damages to which such Non-Defaulting Party is entitled to under this Contract. In the event of such a draw then, except in the circumstance when this Contract otherwise terminates, the Defaulting Party shall within two (2) Business Days replenish the Eligible Collateral or Supplemental Eligible Collateral to the full amounts required by Table 1.
- 11.7** Reporting - REP/QF shall promptly notify PEF of any circumstance that results in REP/QF's failure to be in compliance with the REP/QF Performance Security Requirements of Section 11. From time to time, at PEF's written request, REP/QF shall provide PEF with such evidence as PEF may reasonably request, that REP/QF and any REP/QF Guarantor REP/QF Guarantee, Letter of Credit or Security Account is in Full Compliance with this agreement.

PEF shall promptly notify REP/QF of any circumstance that results in PEF's failure to be in compliance with the PEF Performance Security Requirements of Section 11.3. From time to time, at REP/QF's written request, PEF shall provide REP/QF with such evidence as REP/QF may reasonably request, that PEF and any PEF Guarantor, PEF Guarantee, Letter of Credit or Security Account is in Full Compliance with this agreement.

12. Termination Fee

12.1 In the event that the REP/QF receives Capacity Payments pursuant to Option B, Option C, or Option D of Appendix D, then upon the termination of this Contract, the REP/QF shall owe and be liable to PEF for the Termination Fee. The REP/QF's obligation to pay the Termination Fee shall survive the termination of this Contract. PEF shall provide the REP/QF, on a monthly basis, a calculation of the Termination Fee.

12.1.1 The Termination Fee shall be secured by the REP/QF by: (i) an unconditional, irrevocable, direct pay letter(s) of credit issued by a financial institution(s) with an investment grade credit rating in form and substance acceptable to PEF (including provisions (a) permitting partial and full draws and (b) permitting PEF to draw upon such Letter of Credit, in full, if such Letter of Credit is not renewed or replaced at least ten (10) Business Days prior to its expiration date); (ii) a bond issued by a financially sound company in form and substance acceptable to PEF; or (iii) a cash deposit with PEF (any of (i), (ii), or (iii), the "Termination Security"). The specific security instrument selected by the REP/QF for purposes of this Contract is:

- ☐ Unconditional, irrevocable, direct pay letter(s) of credit.
- ☐ Bond.
- ☐ Cash deposit(s) with PEF.

12.1.2 PEF shall have the right and the REP/QF shall be required to monitor the financial condition of (i) the issuer(s) in the case of any Letter of Credit and (ii) the insurer(s), in the case of any bond. In the event the senior debt rating of any issuer(s) or insurer(s) has deteriorated to a level below investment grade, PEF may require the REP/QF to replace the letter(s) of credit or the bond, as applicable. In the event that PEF notifies the REP/QF that it requires such a replacement, the replacement letter(s) of credit or bond, as applicable, must be issued by a financial institution(s) or insurer(s) with an investment grade credit rating, and meet the requirements of Section 12.1.1 within thirty (30) calendar days following such notification. Failure by the REP/QF to comply with the requirements of this Section 12.1.2 shall be grounds for PEF to draw in full on any existing Letter of Credit or bond and to exercise any other remedies it may have hereunder.

12.1.3 After the close of each calendar quarter (March 31, June 30, September 30, and December 31) occurring subsequent to the Capacity Delivery Date, upon PEF's issuance of the Termination Fee calculation as described in Section 12.1, the REP/QF must provide PEF, within ten calendar (10) days, written assurance and documentation (the "Security Documentation"), in form and substance acceptable to PEF, that the amount of the Termination Security is sufficient to cover the balance of the Termination Fee. In addition to the foregoing, at any time during the term of this Contract, PEF shall have the right to request and the REP/QF shall be obligated to deliver within five (5) calendar days of such request, such Security Documentation. Failure by the REP/QF to comply with the requirements of this Section 12.1.3 shall be grounds for PEF to draw in full on any existing Letter of Credit or bond or to retain any cash deposit, and to exercise any other remedies it may have hereunder.

12.1.4 Upon any termination of this Contract following the Capacity Delivery Date, PEF shall be entitled to receive (and in the case of the letter(s) of credit or bond, draw upon such letter(s) of credit or bond) and retain one hundred percent (100%) of the Termination Security.

13. Performance Factor

PEF desires to provide an incentive to the REP/QF to operate the Facility during on-peak and off-peak periods in a manner that approximates the projected performance of the Avoided Unit. A formula to achieve this objective is attached as Appendix A.

14. Default

Notwithstanding the occurrence of any Force Majeure as described in Section 18, each of the following shall constitute an Event of Default:

- (a) the REP/QF changes or modifies the Facility from that provided in Section 2 with respect to its type, location, technology or fuel source, without the prior written approval of PEF;
- (b) after the Capacity Delivery Date, the Facility fails for twelve (12) consecutive months to maintain an Annual Capacity Billing Factor, as described in Appendix A, of at least sixty nine percent (69%);
- (c) the REP/QF fails to satisfy its obligations to maintain sufficient fuel on the site of the Facility to deliver the capacity and energy associated with the Committed Capacity for an uninterrupted seventy-two-(72) hour period under Section 10.5.6 hereof;
- (d) the REP/QF fails to provide the Completion/Performance Security and the Termination Fee and to comply with any of the provisions of Sections 11 and 12 hereof

- (e) the REP/QF, or the entity which owns or controls the REP/QF, ceases the conduct of active business; or if proceedings under the federal bankruptcy law or insolvency laws shall be instituted by or for or against the REP/QF or the entity which owns or controls the REP/QF; or if a receiver shall be appointed for the REP/QF or any of its assets or properties, or for the entity which owns or controls the REP/QF; or if any part of the REP/QF's assets shall be attached, levied upon, encumbered, pledged, seized or taken under any judicial process, and such proceedings shall not be vacated or fully stayed within thirty (30) calendar days thereof; or if the REP/QF shall make an assignment for the benefit of creditors, or admit in writing its inability to pay its debts as they become due;
- (f) the REP/QF fails to give proper assurance of adequate performance as specified under this Contract within thirty (30) calendar days after PEF, with reasonable grounds for insecurity, has requested in writing such assurance;
- (g) the REP/QF fails to achieve licensing, certification, and all federal, state and local governmental, environmental, and licensing approvals required to initiate construction of the Facility by no later than the Completed Permits Date;
- (h) the REP/QF fails to comply with the provisions of Section 20.3 hereof;
- (i) any of the representations or warranties made by the REP/QF in this Contract is false or misleading in any material respect as of the time made;
- (j) if, at any time after the Capacity Delivery Date, the REP/QF reduces the Committed Capacity due to an event of Force Majeure and fails to repair the Facility and reset the Committed Capacity to the level set forth in Section 7.2 (as such level may be reduced by Section 7.4) within twelve (12) months following the occurrence of such event of Force Majeure; or
- (k) the REP/QF breaches any material provision of this Contract not specifically mentioned in this Section 14.

15. PEF's Rights in the Event of Default

15.1 Upon the occurrence of any of the Events of Default in Section 14, PEF may, at its option:

- 15.1.1** immediately terminate this Contract, without penalty or further obligation, except as set forth in Section 15.2, by written notice to the REP/QF, and offset against any payment(s) due from PEF to the REP/QF, any monies otherwise due from the REP/QF to PEF;
- 15.1.2** enforce the provisions of the Termination Security requirement pursuant to Section 12 hereof; and

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

15.2 Termination shall not affect the liability of either Party for obligations arising prior to such termination or for damages, if any, resulting from any breach of this Contract.

16. Indemnification

16.1 PEF and the REP/QF shall each be responsible for its own facilities. PEF and the REP/QF shall each be responsible for ensuring adequate safeguards for other PEF customers, PEF's and the REP/QF's personnel and equipment, and for the protection of its own generating system. Each Party (the "Indemnifying Party") agrees, to the extent permitted by applicable law, to indemnify, pay, defend, and hold harmless the other Party (the "Indemnified Party") and its officers, directors, employees, agents and contractors (hereinafter called respectively, "PEF Entities" and "REP/QF Entities") from and against any and all claims, demands, costs or expenses for loss, damage, or injury to persons or property of the Indemnified Party (or to third parties) directly caused by, arising out of, or resulting from:

- (a) a breach by the Indemnifying Party of its covenants, representations, and warranties or obligations hereunder;
- (b) any act or omission by the Indemnifying Party or its contractors, agents, servants or employees in connection with the installation or operation of its generation system or the operation thereof in connection with the other Party's system;
- (c) any defect in, failure of, or fault related to, the Indemnifying Party's generation system;
- (d) the negligence or willful misconduct of the Indemnifying Party or its contractors, agents, servants or employees; or
- (e) any other event or act that is the result of, or proximately caused by, the Indemnifying Party or its contractors, agents, servants or employees related to the Contract or the Parties' performance thereunder.

16.2 Payment by an Indemnified Party to a third party shall not be a condition precedent to the obligations of the Indemnifying Party under Section 16. No Indemnified Party under Section 16 shall settle any claim for which it claims indemnification hereunder without first allowing the Indemnifying Party the right to defend such a claim. The Indemnifying Party shall have no obligations under Section 16 in the event of a breach of the foregoing sentence by the Indemnified Party. Section 16 shall survive termination of this Agreement.

17. Insurance

- 17.1** The REP/QF shall procure or cause to be procured and shall maintain throughout the entire Term of this Contract, a policy or policies of liability insurance issued by an insurer acceptable to PEF on a standard "Insurance Services Office" commercial general liability form (such policy or policies, collectively, the "REP/QF Insurance"). An original certificate of insurance shall be delivered to PEF at least fifteen (15) calendar days prior to the start of any interconnection work. At a minimum, the REP/QF Insurance shall contain (a) an endorsement providing coverage, including products liability/completed operations coverage for the term of this Contract, and (b) a broad form contractual liability endorsement covering liabilities (i) which might arise under, or in the performance or nonperformance of, this Contract and the Interconnection Agreement, or (ii) caused by operation of the Facility or any of the REP/QF's equipment or by the REP/QF's failure to maintain the Facility or the REP/QF's equipment in satisfactory and safe operating condition. Effective at least fifteen (15) calendar days prior to the synchronization of the Facility with PEF's system, the REP/QF Insurance shall be amended to include coverage for interruption or curtailment of power supply in accordance with industry standards. Without limiting the foregoing, the REP/QF Insurance must be reasonably acceptable to PEF. Any premium assessment or deductible shall be for the account of the REP/QF and not PEF.
- 17.2** The REP/QF Insurance shall have a minimum limit of one million dollars (\$1,000,000.00) per occurrence, combined single limit, for bodily injury (including death) or property damage.
- 17.3** To the extent that the REP/QF Insurance is on a "claims made" basis, the retroactive date of the policy(ies) shall be the Effective Date of this Contract or such other date as may be agreed upon to protect the interests of the PEF Entities and the REP/QF Entities. Furthermore, to the extent the REP/QF Insurance is on a "claims made" basis, the REP/QF's duty to provide insurance coverage shall survive the termination of this Contract until the expiration of the maximum statutory period of limitations in the State of Florida for actions based in contract or in tort. To the extent the REP/QF Insurance is on an "occurrence" basis, such insurance shall be maintained in effect at all times by the REP/QF during the term of this Contract.
- 17.4** The REP/QF Insurance shall provide that it may not be cancelled or materially altered without at least thirty (30) calendar days' written notice to PEF. The REP/QF shall provide PEF with a copy of any material communication or notice related to the REP/QF Insurance within ten (10) Business Days of the REP/QF's receipt or issuance thereof.

- 17.5 The REP/QF shall be designated as the named insured and PEF shall be designated as an additional named insured under the REP/QF Insurance. The REP/QF Insurance shall be endorsed to be primary to any coverage maintained by PEF.

18. Force Majeure

- 18.1 "Force Majeure" is defined as an event or circumstance that is not reasonably foreseeable, is beyond the reasonable control of and is not caused by the negligence or lack of due diligence of the Party claiming Force Majeure or its contractors or suppliers and adversely affects the performance by that Party of its obligations under or pursuant to this agreement. Such events or circumstances may include, but are not limited to, actions or inactions of civil or military authority (including courts and governmental or administrative agencies), acts of God, war, riot or insurrection, blockades, embargoes, sabotage, epidemics, explosions and fires not originating in the Facility or caused by its operation, hurricanes, floods, strikes, lockouts or other labor disputes or difficulties (not caused by the failure of the affected party to comply with the terms of a collective bargaining agreement). REP/QF equipment breakdown or inability to use equipment caused by its design, construction, operation, maintenance or inability to meet regulatory standards, or otherwise caused by an event originating in the Facility, or a REP/QF failure to obtain on a timely basis and maintain a necessary permit or other regulatory approval, shall not be considered an event of Force Majeure, unless the REP/QF can conclusively demonstrate, to the reasonable satisfaction of PEF, that the event was not reasonably foreseeable, was beyond the REP/QF's reasonable control and was not caused by the negligence or lack of due diligence of the REP/QF or its agents, contractors or suppliers and adversely affects the performance by that Party of its obligations under or pursuant to this agreement.
- 18.2 Except as otherwise provided in this Contract, each Party shall be excused from performance when its nonperformance was caused, directly or indirectly by an event of Force Majeure.
- 18.3 In the event of any delay or nonperformance resulting from an event of Force Majeure, the Party claiming Force Majeure shall notify the other Party in writing within five (5) Business Days of the occurrence of the event of Force Majeure, of the nature cause, date of commencement thereof and the anticipated extent of such delay, and shall indicate whether any deadlines or date(s), imposed hereunder may be affected thereby. The suspension of performance shall be of no greater scope and of no greater duration than the cure for the Force Majeure requires. A Party claiming Force Majeure shall not be entitled to any relief therefore unless and until conforming notice is provided. The Party claiming Force Majeure shall notify the other Party of the cessation of the event of Force Majeure or of the conclusion of the affected Party's cure for the event of Force Majeure in either case within two (2) Business Days thereof.

- 18.4 The Party claiming Force Majeure shall use its best efforts to cure the cause(s) preventing its performance of this Contract; provided, however, the settlement of strikes, lockouts and other labor disputes shall be entirely within the discretion of the affected Party and such Party shall not be required to settle such strikes, lockouts or other labor disputes by acceding to demands which such Party deems to be unfavorable.
- 18.5 If the REP/QF suffers an occurrence of an event of Force Majeure that reduces the generating capability of the Facility below the Committed Capacity, the REP/QF may, upon notice to PEF temporarily adjust the Committed Capacity as provided in Sections 18.5 and 18.6. Such adjustment shall be effective the first calendar day immediately following PEF's receipt of the notice or such later date as may be specified by the REP/QF. Furthermore, such adjustment shall be the minimum amount necessitated by the event of Force Majeure.
- 18.6 If the Facility is rendered completely inoperative as a result of Force Majeure, the REP/QF shall temporarily set the Committed Capacity equal to 0 kW until such time as the Facility can partially or fully operate at the Committed Capacity that existed prior to the Force Majeure. If the Committed Capacity is 0 kW, PEF shall have no obligation to make Capacity Payments hereunder.
- 18.7 If, at any time during the occurrence of an event of Force Majeure or during its cure, the Facility can partially or fully operate, then the REP/QF shall temporarily set the Committed Capacity at the maximum capability that the Facility can reasonably be expected to operate.
- 18.8 Upon the cessation of the event of Force Majeure or the conclusion of the cure for the event of Force Majeure, the Committed Capacity shall be restored to the Committed Capacity that existed immediately prior to the Force Majeure. Notwithstanding any other provisions of this Contract, upon such cessation or cure, PEF shall have right to require a Committed Capacity Test to demonstrate the Facility's compliance with the requirements of this Section 18.7. Any Committed Capacity Test required by PEF under this Section 18.7 shall be additional to any Committed Capacity Test under Section 7.4.
- 18.9 During the occurrence of an event of Force Majeure and a reduction in Committed Capacity under Section 18.4 all Monthly Capacity Payments shall reflect, pro rata, the reduction in Committed Capacity, and the Monthly Capacity Payments will continue to be calculated in accordance with the pay-for-performance provisions in Appendix A.

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

19. Representations, Warranties, and Covenants of REP/QF

The REP/QF represents and warrants that as of the Effective Date:

19.1 Organization, Standing and Qualification

The REP/QF is a _____ (corporation, partnership, or other, as applicable) duly organized and validly existing in good standing under the laws of _____ and has all necessary power and authority to carry on its business as presently conducted to own or hold under lease its properties and to enter into and perform its obligations under this Contract and all other related documents and agreements to which it is or shall be a Party. The REP/QF is duly qualified or licensed to do business in the State of Florida and in all other jurisdictions wherein the nature of its business and operations or the character of the properties owned or leased by it makes such qualification or licensing necessary and where the failure to be so qualified or licensed would impair its ability to perform its obligations under this Contract or would result in a material liability to or would have a material adverse effect on PEF.

19.2 Due Authorization, No Approvals, No Defaults

Each of the execution, delivery and performance by the REP/QF of this Contract has been duly authorized by all necessary action on the part of the REP/QF, does not require any approval, except as has been heretofore obtained, of the _____ (shareholders, partners, or others, as applicable) of the REP/QF or any consent of or approval from any trustee, lessor or holder of any indebtedness or other obligation of the REP/QF, except for such as have been duly obtained, and does not contravene or constitute a default under any law, the _____ (articles of incorporation, bylaws, or other as applicable) of the REP/QF, or any agreement, judgment, injunction, order, decree or other instrument binding upon the REP/QF, or subject the Facility or any component part thereof to any lien other than as contemplated or permitted by this Contract.

19.3 Compliance with Laws

The REP/QF has knowledge of all laws and business practices that must be followed in performing its obligations under this Contract. The REP/QF is in compliance with all laws, except to the extent that failure to comply therewith would not, in the aggregate, have a material adverse effect on the REP/QF or PEF.

19.4 Governmental Approvals

Except as expressly contemplated herein, neither the execution and delivery by the REP/QF of this Contract, nor the consummation by the REP/QF of any of the transaction contemplated thereby, requires the consent or approval of, the giving of notice to, the registration with, the recording or filing of any document with, or the taking of any other action with respect to governmental authority, except with respect to permits (a) which have already been obtained and are in full force and effect or (b) are not yet required (and with respect to which the REP/QF has no reason to believe that the same will not be readily obtainable in the ordinary course of business upon due application therefore).

19.5 No Suits, Proceedings

There are no actions, suits, proceedings or investigations pending or, to the knowledge of the REP/QF, threatened against it at law or in equity before any court or tribunal of the United States or any other jurisdiction which individually or in the aggregate could result in any materially adverse effect on the REP/QF's business, properties, or assets or its condition, financial or otherwise, or in any impairment of its ability to perform its obligations under this Contract. The REP/QF has no knowledge of a violation or default with respect to any law which could result in any such materially adverse effect or impairment.

19.6 Environmental Matters

To the best of its knowledge after diligent inquiry, the REP/QF knows of no (a) existing violations of any environmental laws at the Facility, including those governing hazardous materials or (b) pending, ongoing, or unresolved administrative or enforcement investigations, compliance orders, claims, demands, actions, or other litigation brought by governmental authorities or other third parties alleging violations of any environmental law or permit which would materially and adversely affect the operation of the Facility as contemplated by this Contract.

20. General Provisions

20.1 Project Viability

To assist PEF in assessing the REP/QF's financial and technical viability, the REP/QF shall provide the information and documents requested in Appendix C or substantially similar documents, to the extent the documents apply to the type of Facility covered by this Contract and to the extent the documents are available. All documents to be considered by PEF must be submitted at the time this Contract is presented to PEF. Failure to provide the following such documents may result in a determination of non-viability by PEF.

20.2 Permits

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

20.3 Project Management

If requested by PEF, the REP/QF shall submit to PEF its integrated project schedule for PEF's review within sixty (60) calendar days from the execution of this Contract, and a start-up and test schedule for the Facility at least sixty (60) calendar days prior to start-up and testing of the Facility. These schedules shall identify key licensing, permitting, construction and operating milestone dates and activities. If requested by PEF, the REP/QF shall submit progress reports in a form satisfactory to PEF every calendar month until the Capacity Delivery Date and shall notify PEF of any changes in such schedules within ten (10) calendar days after such changes are determined. PEF shall have the right to monitor the construction, start-up and testing of the Facility, either on-site or off-site. PEF's technical review and inspections of the Facility and resulting requests, if any, shall not be construed as endorsing the design thereof or as any warranty as to the safety, durability or reliability of the Facility.

The REP/QF shall provide PEF with the final designer's/manufacturer's generator capability curves, protective relay types, proposed protective relay settings, main one-line diagrams, protective relay functional diagrams, and alternating current and direct elementary diagrams for review and inspection at PEF no later than one hundred eighty (180) calendar days prior to the initial synchronization date.

20.4 Assignment

The REP/QF may not assign this Contract, without PEF's prior written approval, which approval may be withheld at PEF's sole discretion.

20.5 Disclaimer

In executing this Contract, PEF does not, nor should it be construed, to extend its credit or financial support for benefit of any third parties lending money to or having other transactions with the REP/QF or any assigns of this Contract.

20.6 Notification

All formal notices relating to this Contract shall be deemed duly given when delivered in person, or sent by registered or certified mail, or sent by fax if followed immediately with a copy sent by registered or certified mail, to the individuals designated below. The Parties designate the following individuals to be notified or to whom payment shall be sent until such time as either Party furnishes the other Party written instructions to contact another individual:

For the REP/QF:

For PEF:

Progress Energy Florida
Cogeneration Manager BT 9G
100 Central Avenue
St. Petersburg, FL 33701

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

Florida Power Corporation
d/b/a Progress Energy Florida, Inc.
100 Central Avenue
St. Petersburg, FL 33701

Attention: Cogeneration Manager BT 9G

20.7 Applicable Law

This Contract shall be construed in accordance with and governed by the laws of the State of Florida, and the rights of the parties shall be construed in accordance with the laws of the State of Florida.

20.8 Taxation

In the event that PEF becomes liable for additional taxes, including interest and/or penalties arising from an Internal Revenue Services determination, through audit, ruling or other authority, that PEF's payments to the REP/QF for Capacity under Options B, C, or D are not fully deductible when paid (additional tax liability), PEF may bill the REP/QF monthly for the costs, including carrying charges, interest and/or penalties, associated with the fact that all or a portion of these Capacity Payments are not currently deductible for federal and/or state income tax purposes. PEF at its option, may offset or recoup these costs against amounts due the REP/QF hereunder. These costs would be calculated so as to place PEF in the same economic position in which it would have been if the entire Capacity Payments had been deductible in the period in which the payments were made. If PEF decides to appeal the Internal Revenue Service's determination, the decision as to whether the appeal should be made through the administrative or judicial process or both, and all subsequent decisions pertaining to the appeal (both substantive and procedural), shall rest exclusively with PEF.

20.9 Resolution of Disputes

20.9.1 Notice of Dispute

In the event that any dispute, controversy or claim arising out of or relating to this Contract or the breach, termination or validity thereof should arise between the Parties (a "Dispute"), the Party may declare a Dispute by delivering to the other Party a written notice identifying the disputed issue.

20.9.2 Resolution by Parties

Upon receipt of a written notice claiming a Disputed, executives of both Parties shall meet at a mutually agreeable time and place within ten (10) Business Days after delivery of such notice and thereafter as often as they reasonably deem necessary, to exchange relevant information and to attempt to resolve the Dispute. In such meetings and exchanges, a Party shall have the right to designate as confidential any information that such Party offers. No confidential information exchanged in such meetings for the purpose of resolving a Dispute may be used by a Party in litigation against the other Party. If the matter has not been resolved within thirty (30) Days of the disputing Party's notice having been issued, or if the Parties fail to meet within ten (10) Business Days as required above, either Party may initiate binding arbitration in St. Petersburg, Florida, conducted in accordance with the then current American Arbitration Association's ("AAA") Large, Complex Commercial Rules or other mutually agreed upon procedures.

20.10 Limitation of Liability

IN NO EVENT SHALL PEF, ITS PARENT CORPORATION, OFFICERS, DIRECTORS, EMPLOYEES, AND AGENTS BE LIABLE FOR ANY INCIDENTAL, INDIRECT, SPECIAL, CONSEQUENTIAL, EXEMPLARY, PUNITIVE, OR MULTIPLE DAMAGES RESULTING FROM ANY CLAIM OR CAUSE OF ACTION, WHETHER BROUGHT IN CONTRACT, TORT (INCLUDING, BUT NOT LIMITED TO, NEGLIGENCE OR STRICT LIABILITY), OR ANY OTHER LEGAL THEORY.

20.11 Severability

If any part of this Contract, for any reason, is declared invalid or unenforceable by a public authority of appropriate jurisdiction, then such decision shall not affect the validity of the remainder of the Contract, which remainder shall remain in force and effect as if this Contract had been executed without the invalid or unenforceable portion.

20.12 Complete Agreement and Amendments

All previous communications or agreements between the Parties, whether verbal or written, with reference to the subject matter of this Contract are hereby abrogated. No amendment or modification to this Contract shall be binding unless it shall be set forth in writing and duly executed by both Parties. This Contract constitutes the entire agreement between the Parties.

20.13 Survival of Contract

Subject to the requirements of Section 20.4, this Contract, as it may be amended from time to time, shall be binding upon, and inure to the benefit of, the Parties' respective successors-in-interest and legal representatives.

20.14 Record Retention

The REP/QF shall maintain for a period of five (5) years from the date of termination hereof all records relating to the performance of its obligations hereunder, and to cause all REP/QF Entities to retain for the same period all such records.

20.15 No Waiver

No waiver of any of the terms and conditions of this Contract shall be effective unless in writing and signed by the Party against whom such waiver is sought to be enforced. Any wavier of the terms hereof shall be effective only in the specific instance and for the specific purpose given. The failure of a Party to insist, in any instance, on the strict performance of any of the terms and conditions hereof shall not be construed as a waiver of such Party's right in the future to insist on such strict performance.

20.16 Set-Off

PEF may at any time, but shall be under no obligation to, set off or recoup any and all sums due from the REP/QF against sums due to the REP/QF hereunder without undergoing any legal process.



IN WITNESS WHEREOF, the REP/QF and PEF executed this Contract on the later of the dates set forth below.

REP/QF

**FLORIDA POWER CORORPATION d/b/a
PROGRESS ENERGY FLORIDA, INC.**

Signature

Signature

Print Name

Print Name

Title

Title

Date

Date

APPENDIX A
TO
PROGRESS ENERGY FLORIDA
RENEWABLE OR QUALIFYING FACILITY STANDARD OFFER CONTRACT
MONTHLY CAPACITY PAYMENT CALCULATION

Capitalized terms not otherwise defined herein have the meaning ascribed to them in the Standard Offer Contract for the Purchase of Firm Capacity and Energy from a Renewable Energy Producer of Qualifying Facility Less Than 100 kW.

- A. In the event that the ACBF is less than 69%, then no Monthly Capacity Payment shall be due. That is:

$$\text{MCP} = 0$$

- B. In the event that the ACBF is equal to or greater than 69% but less than 89%, then the Monthly Capacity Payment shall be calculated by using the following formula:

$$\text{MCP} = \text{BCP} [5 \times (\text{ACBF} - .69)] \times \text{CC}$$

- C. In the event that the ACBF is equal to or greater than 89%, then the Monthly Capacity Payment shall be calculated by using the following formula:

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

Where:

MCP = Monthly Capacity Payment in dollars.

BCP = Base Capacity Payment in \$/kW/Month as specified in Appendix D.

CC = Committed Capacity in kW.

- ACBF = Annual Capacity Billing Factor. The ACBF shall be the electric energy actually received by PEF for the 12 consecutive months preceding the date of calculation excluding any energy received during an event of Force Majeure in which the Committed Capacity is temporarily set equal to 0 kW, divided by the product of the Committed Capacity and the number of hours in the 12 consecutive months preceding the date of calculation excluding the hours during an event of Force Majeure in which the Committed Capacity is temporarily set equal to 0 kW. If an event of Force Majeure occurs during the 12 consecutive months preceding the date of calculation in which the Committed Capacity is temporarily set to a value greater than 0 kW then the 12 month rolling average will be pro-rated accordingly. During the first 12 consecutive Monthly Billing Periods commencing with the first Monthly Billing Period in which Capacity Payments are to be made, the calculation of 12-month rolling average ACBF shall be performed as follows (a) during the first Monthly Billing Period, the ACBF shall be equal to the Monthly Availability Factor; (b) thereafter, the calculation of the ACBF shall be computed by electric energy actually received by PEF for the number of full consecutive months preceding the date of calculation excluding any energy received during an event of Force Majeure in which the Committed Capacity is temporarily set equal to 0 kW, divided by the product of the Committed Capacity and the number of hours in the number of full consecutive months preceding the date of calculation excluding the hours during an event of Force Majeure in which the Committed Capacity is temporarily set equal to 0 kW. If an event of Force Majeure occurs during the months preceding the date of calculation in which the Committed Capacity is temporarily set to a value greater than 0 kW then the 12 month rolling average will be pro-rated accordingly. This calculation shall be performed at the end of each Monthly Billing Period until enough Monthly Billing Periods have elapsed to calculate a true 12-month rolling average ACBF.
- MAF = Monthly Availability Factor. The total energy received during the Monthly Billing Period for which the calculation is made, divided by the product of Committed Capacity times the total hours during the Monthly Billing Period.
- Monthly Billing Period = The period beginning on the first calendar day of each calendar month, except that the initial Monthly Billing Period shall consist of the period beginning 12:01 a.m., on the Capacity Delivery Date and ending with the last calendar day of such month.

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**APPENDIX B
TO
PROGRESS ENERGY FLORIDA'S STANDARD OFFER CONTRACT
TERMINATION FEE**

Capitalized terms not otherwise defined herein have the meaning ascribed to them in the Standard Offer Contract for the Purchase of Firm Capacity and Energy from a Renewable Energy Producer of Qualifying Facility Less Than 100 kW.

The "Termination Fee" shall be the sum of the values for each month beginning with the month in which the Capacity Delivery Date occurs through the month of the Termination Date (or month of calculation, as the case may be) computed according to the following formula:

$$\sum_{i=1}^n (MCP_i - MCPC_i) \cdot (1 + r)^{(n-i)}$$

with: MCPC = 0 for all periods prior to the in-service date of the Avoided Unit:

where

i = number of Monthly Billing Period commencing with the Capacity Delivery Date (i.e., the month in which Capacity Delivery Date occurs = 1; the month following this month in which Capacity Delivery Date occurs = 2 etc.)

n = the number of Monthly Billing Periods which have elapsed from the month in which the Capacity Delivery Date occurs through the month of termination (or month of calculation, as the case may be)

r = PEF's incremental after-tax avoided cost of capital (defined as r in Appendix D). MCP_i = Monthly Capacity Payment paid to REPQF corresponding to the Monthly Billing Period i , calculated in accordance with Appendix A.

$MCPC_i$ = Monthly Capacity Payment for Option A corresponding to the Monthly Billing Period i , calculated in accordance with this Contract.

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

- a. In the event that in the applicable Monthly Billing Period the Annual Capacity Billing Factor, as defined in Appendix A is less than 69%, then the Initial Reduction Value shall be adjusted to equal zero (Reduction Value = 0), and the Termination Fee shall not be reduced for the applicable Monthly Billing Period.
- b. In the event that in the applicable Monthly Billing Period the Annual Capacity Billing Factor, as defined in Appendix A, is equal to or greater than 69% but less than 89%, then the Reduction Value shall be determined as follows:

$$\text{Reduction Value} = \text{Initial Reduction Value} \times [5 \times (\text{ACBF} - .69)]$$

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

- c. In the event that in the applicable Monthly Billing Period the Annual Capacity Billing Factor, as defined in Appendix A, is equal to or greater than 89%, then the Initial Reduction Value shall not be adjusted (Reduction Value = Initial Reduction Value), and the Termination Fee shall be reduced for the applicable Monthly Billing period by the amount of the Initial Reduction Value.

In no event shall PEF be liable to the REP/QF at any time for any amount by which the Termination Fee, adjusted in accordance with the foregoing, is less than zero (0).

**APPENDIX C
TO
PROGRESS ENERGY FLORIDA'S STANDARD OFFER CONTRACT
DETAILED PROJECT INFORMATION**

Capitalized terms not otherwise defined herein have the meaning ascribed to them in the Standard Offer Contract for the Purchase of Firm Capacity and Energy from a Renewable Energy Producer of Qualifying Facility Less Than 100 kW.

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

I. FACILITY DESCRIPTION

- Project Name
- Project Location

- * Street Address
- * Size Plot Plan
- * Legal Description of Site

- Generating Technology
- Primary Fuel
- Alternate Fuel (if applicable)
- Committed Capacity
- Expected In-Service Date

- Contact Person

- * Individual's Name and Title
- * Company Name
- * Address
- * Telephone Number
- * Fax Number

II. PROJECT PARTICIPANTS

- Indicate the entities responsible for the following project management activities and provide a detailed description of the experience and capabilities of the entities:

- * Project Development
- * Siting and Licensing the Facility
- * Designing the Facility
- * Constructing the Facility
- * Securing the Fuel Supply
- * Operating the Facility

- Provide details on all electrical facilities which are currently under construction or operational which were developed by the REP/QF.
- Describe the financing structure for the projects identified above, including the type of financing used, the permanent financing term, the major lenders and the percentage of equity invested at Financial Closing.

III. FUEL SUPPLY

- Describe all fuels to be used to generate electricity at the Facility. Indicate the specific physical and chemical characteristics of each fuel type (*e.g.* Btu content, sulfur content, ash content, etc.). Identify special considerations regarding fuel supply origin, source and handling, storage and processing requirements.
- Provide AFR necessary to support planned levels of generation and list the assumptions used to determine these quantities.
- Provide a summary of the status of the fuel supply arrangements in place to meet the AFR, in each year of the proposed operating life of the Facility. Use the categories below to describe the current arrangement for securing the AFR.

<u>Category</u>	<u>Description of Fuel Supply Arrangement</u>
owned =	fuel is from a fully developed source owned by one or more of the project participants
contract =	fully executed firm fuel contract exists between the developer(s) and fuel supplier(s)
LOI =	a letter of intent for fuel supply exists between developer(s) and fuel supplier(s)
SPP =	small power production facility will burn biomass, waste, or another renewable resource
spot =	fuel supply will be purchased on the spot market
none =	no firm fuel supply arrangement currently in place
other =	fuel supply arrangement which does not fit any of the above categories (please describe)

- Indicate the percentage of the Facility's AFR which is covered by the above fuel supply arrangement(s) for each proposed operating year. The percent of AFR covered for each operating year must total 100%. For fuel supply arrangements identified as owned, contract, or LOI, provide documentation to support this category and explain the fuel price mechanism of the arrangement. In addition, indicate whether or not the fuel price includes deliver and, if so, to what location.

- Describe fuel transportation networks available for delivering all primary and secondary fuel to the Facility site. Indicate the mode, route and distance of each segment of the journey, from fuel source to the Facility site. Discuss the current status and pertinent factors impacting future availability of the transportation network.
- Provide AFTR necessary to support planned levels of generation and list the assumptions used to determine these quantities.
- Provide a summary of the status of the fuel transportation arrangements in place to meet the AFTR in each year of the proposed operating life of the Facility. Use the categories below to describe the current arrangement for securing the AFTR.

owned = fuel transport via a fully developed system owned by one or more of the project participants
contract = fully executed firm transportation contract exists between the developer(s) and fuel transporter(s)
LOI = a letter of intent for fuel transport exists between developer(s) and fuel transporter(s)
spot = fuel transportation will be purchased on the spot market
none = no firm fuel transportation arrangement currently in place
other = fuel transportation arrangement which does not fit any of the above categories (please describe)

- Provide the maximum, minimum and average fuel inventory levels to be maintained for primary and secondary fuels at the Facility site. List the assumptions used in determining the inventory levels.
- Provide information regarding REP/QF's plans to maintain sufficient on site fuel to deliver capacity and energy for an uninterrupted seventy-two (72) hour period.

IV. PLANT DISPATCHABILITY/CONTROLLABILITY

- Provide the following operating characteristics and a detailed explanation supporting the performance capabilities indicated:
 - * Ramp Rate (MW/minute)
 - * Peak Capability (% above Committed Capacity)
 - * Minimum power level (% of Committed Capacity)
 - * Facility Turnaround Time, Hot to Hot (hours)
 - * Start-up Time from Cold Shutdown (hours)
 - * Unit Cycling (# cycles/yr.)
 - * MW and MVAR Control (ACC, Manual, Other (please explain))

V. SITING AND LICENSING

- Provide a licensing/permitting milestone schedule, which lists all permits, licenses and variances, required to site the Facility. The milestone schedule shall also identify key milestone dates for baseline monitoring, application preparation, agency review, certification and licensing/siting board approval, and agency permit issuance.
- Provide a licensing/permitting plan that addresses the issues of air emission, water use, wastewater discharge, wetlands, endangered species, protected properties, surrounding land use, zoning for the Facility, associated linear facilities and support of and opposition to the Facility.
- List the emission/effluent discharge limits the Facility will meet and describe in detail the pollution control equipment to be used to meet these limits.

VI. FACILITY DEVELOPMENT AND PERFORMANCE

- Submit a detailed engineering, procurement, construction, startup and commercial operation schedule. The schedule shall include milestones for site acquisition, engineering phases, selection of the major equipment vendors, architect engineer, and Facility operator, steam host integration and delivery of major equipment. A discussion of the current status of each milestone should also be included where applicable.
- Attach a diagram of the power block arrangement. Provide a list of the major equipment vendors and the name and model number of the major equipment to be installed.
- Provide a detailed description of the proposed environmental control technology for the Facility and describe the capabilities of the proposed technology.
- Attach preliminary flow diagrams for the steam system, water system, and fuel system, and a main electrical one line diagram for the Facility.
- State the expected heat rate (HHV) at 75 degrees Fahrenheit for loads of 100%, 75% and 50%. In addition, attach a preliminary heat balance for the Facility.

VII. FINANCIAL

- Provide PEF with assurances that the proposed REP/QF project is financially viable in accordance with FPSC Rule 25-17.0832(4)(c) by attaching a detailed pro-forma cash flow analysis. The pro-forma must include, at a minimum, the following assumptions for each year of the project.

- Annual Project Revenues

- * Capacity Payments (\$ and \$/kW/Mo.)
- * Variable O&M (\$ and \$/MWh)
- * Energy (\$ and \$/MWh)
- * Tipping Fees (\$ and \$/ton)
- * Interest Income
- * Other Revenues
- * Variable O&M Escalation (%/yr.)
- * Energy Escalation (%/yr.)
- * Tipping Fee Escalation (%/yr.)

- Annual Project Expense

- * Fixed O&M (\$ and \$/kW/Mo.)
- * Variable O&M (\$ and \$/MWh)
- * Energy (\$ and \$/MWh)
- * Property Taxes (\$)
- * Insurance (\$)
- * Emission Compliance (\$ and \$/MWh)
- * Depreciation (\$ and %/yr.)
- * Other Expenses (\$)
- * Fixed O&M Escalation (%/yr.)
- * Variable O&M Escalation (%/yr.)
- * Energy Escalation (%/yr.)

- Other Project Information

- * Installed Cost of the Facility (\$ and \$/kW)
- * Committed Capacity (kW)
- * Average Heat Rate - HHV (MBTU/kWh)
- * Federal Income Tax Rate (%)
- * Facility Capacity Factor (%)
- * Energy Sold to PEF (MWh)

- Permanent Financing

- * Permanent Financing Term (yr.)
- * Project Capital Structure (percentage of long-term debt, subordinated debt, tax exempt debt and equity)
- * Financing Costs (cost of long-term debt, subordinated debt, tax exempt debt and equity)
- * Annual Interest Expense
- * Annual Debt Service (\$)
- * Amortization Schedule (beginning balance, interest expense, principal reduction, ending balance)

- Provide details of the financing plan for the project and indicate whether the project will be non-recourse project financed. If it will not be project financed please explain the alternative financing arrangement.
- Submit financial statements for the last two years on the principals of the project, and provide an illustration of the project ownership structure.

APPENDIX D
TO
PROGRESS ENERGY FLORIDA RENEWABLE OR QUALIFYING FACILITY STANDARD
OFFER CONTRACT
RATE SCHEDULE REN-CT

Capitalized terms not otherwise defined herein have the meaning ascribed to them in the Standard Offer Contract for the Purchase of Firm Capacity and Energy from a Renewable Energy Producer of Qualifying Facility Less Than 100 kW.

SCHEDULE

REN-CT, Firm Capacity and Energy from a Renewable Energy Provider ("REP") or a Qualifying Facility ("QF")

AVAILABLE

PEF will, under the provisions of this schedule and the Contract to which this Appendix is attached and incorporated into by reference, purchase firm capacity and energy offered by a REP/QF as defined in the contract. PEF's obligation to contract to purchase firm capacity from such REP/QF by means of this schedule and the Contract will continue only as long as, and the extent that, the subscription limit is not exceeded and, in any event, no later than the Expiration Date unless extended by the FPSC.

APPLICABLE

To REP/QFs as defined in the Contract producing capacity and energy for sale to PEF on a firm basis pursuant to the terms and conditions of this schedule and the Contract. "Firm Capacity and Energy" are described by FPSC Rule 25-17.0832, F.A.C., and are capacity and energy produced and sold by a REP/QF pursuant to the Contract provisions addressing (among other things) quantity, time and reliability of delivery.

CHARACTER OF SERVICE

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

LIMITATION

Purchases under this schedule are subject to FPSC Rules 25-17.080 through 25-17.091, F.A.C., and are limited to those REP/QFs which:

- A. Are defined in the Contract;
- B. Execute a Contract;
- C. Provide capacity which would not result in the Subscription Limit to be exceeded.

RATES FOR PURCHASES BY PEF

Firm Capacity and Energy are purchased at unit cost, in dollars per kilowatt per month and cents per kilowatt-hour, respectively, based on the value of deferring additional capacity required by PEF. For the purpose of this schedule, an Avoided Unit has been designated by PEF. PEF's next Avoided Unit has been identified in Section 4 of the Contract. Schedule 1 to this Appendix describes the methodology used to calculate payment schedules, general terms, and conditions applicable to the Contract filed and approved pursuant to FPSC Rules 25-17.080 through 25-17.091, F.A.C.

A. Firm Capacity Rates

Four options, A through D, as set forth below, are available for payments of firm capacity that is produced by a REP/QF and delivered to PEF. Once selected, an option shall remain in effect for the term of the Contract. Exemplary payment schedules, shown below, contain the monthly rate per kilowatt of firm Capacity which the REP/QF has contractually committed to deliver to PEF and are based on a contract term which extends through the Termination Date in Section 4 of the Contract. Payment schedules for other contract terms will be made available to any REP/QF upon request and may be calculated based on the methodologies described in Schedule 1. The currently approved parameters used to calculate the following schedule of payments are found in Schedule 2 to this Appendix.

Option A - Fixed Value of Deferral Payments - Normal Capacity

Payment schedules under this option are based on the value of a year-by-year deferral of PEF's Avoided Unit with an in-service date as of the Avoided Unit In-Service Date in Section 4 of the Contract, calculated in accordance with FPSC Rule 25-17.0832, F.A.C., as described in Schedule 1. Once this option is selected, the current schedule of payments shall remain fixed and in effect throughout the term of the Contract. The payment schedule for this option follows the description of Option D.

Option B - Fixed Value of Deferral Payments - Early Capacity

Payment schedules under this option are based upon the early capital cost component of the value of a year-by-year deferral of the Avoided Unit. The term "early" with respect to Option B means that these payments can start prior to the anticipated in-service date of the Avoided Unit; provided, however, that under no circumstances may payments begin before this REP/QF is delivering Firm Capacity and Energy to PEF pursuant to the terms of the Contract. When this option is selected, the Capacity Payments shall be made monthly commencing no earlier than the Capacity Delivery Date of the REP/QF and calculated as shown on Schedule 1. Capacity Payments under Option B do not result in a prepayment or create a future benefit.

The REP/QF shall select the month and year in which the deliveries of firm capacity and energy to PEF are to commence and Capacity Payments are to start. PEF will provide the REP/QF with a schedule of capacity payment rates based on the month and year in which the deliveries of firm capacity and energy are to commence and the term of the Contract. The exemplary payment schedule following Option D is based on a contract term that begins on the Exemplary Early Capacity Payment Date in Section 4 of the Contract.

Option C - Fixed Value of Deferral Payment - Levelized Capacity

Payment schedules under this option are based upon the levelized capital cost component of the value of a year-by-year deferral of the Avoided Unit. The capital portion of Capacity Payments under this option shall consist of equal monthly payments over the term of the Contract, calculated as shown on Schedule 1. 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. These calculations are shown in Schedule 1. The payment schedule for this option follows Option D. Capacity Payments under Option C do not result in a prepayment or create a future benefit.

Option D - Fixed Value of Deferral Payment - Early Levelized Capacity

Payment schedules under this option are based upon the early levelized capital cost component of the value of a year-by-year deferral of the Avoided Unit. The capital portion of Capacity Payments under this option shall consist of equal monthly payments over the term of the Renewable or Qualifying Facility Standard Offer Contract, calculated as shown on Schedule 1. The fixed operation and maintenance expense shall be calculated as shown in Schedule 1. At the option of the REP/QF, payments for early levelized capacity shall commence at any time after the specified early capacity date and before the anticipated in-service date of PEF's Avoided Unit, provided that the REP/QF is delivering firm capacity and energy to PEF pursuant to the terms of the Contract. The term "early" with respect to Option D means that Capacity Payments may begin earlier than the anticipated in-service date of PEF's avoided unit. Capacity Payments under Option D do not result in a prepayment or create a future benefit.

EXAMPLE MONTHLY CAPACITY PAYMENT IN \$kW/MONTH
PEF'S June 1, 2010 Combustion Turbine
Renewable Or Qualifying Facility Standard Offer Contract Avoided Capacity Payments

(\$/kW/MONTH)

Contract Year	<u>Option A</u>	<u>Option B</u>	<u>Option C</u>	<u>Option D</u>
	Normal Capacity Payment Starting on the Avoided Unit In-Service Date	Early Capacity Payment Starting on the Exemplary Capacity Payment Date	Levelized Capacity Payment Starting on the Avoided Unit In-Service Date	Early Levelized Capacity Payment Starting on the Exemplary Capacity Payment Date
2007	-	2.00	-	2.27
2008	-	2.05	-	2.28
2009	-	2.11	-	2.28
2010	3.00	2.16	3.32	2.28
2011	3.08	2.21	3.32	2.29
2012	3.15	2.27	3.33	2.29
2013	3.23	2.32	3.33	2.29
2014	3.31	2.38	3.34	2.30
2015	3.40	2.44	3.34	2.30
2016	3.48	2.50	3.35	2.31
2017	3.57	2.57	3.36	2.31
2018	3.66	2.63	3.36	2.32
2019	3.75	2.70	3.37	2.32
2020	3.84	2.76	3.37	2.32

B. Energy Rates

Payments Prior to the Avoided Unit In-Service Date

The energy rate, in cents per kilowatt-hour (¢/kWh), shall be based on PEF's actual hourly avoided energy costs which are calculated by PEF in accordance with FPSC Rule 25-17.0825, F.A.C.

The calculation of payments to the REP/QF shall be based on the sum over all hours of the billing period, of the product of each hour's avoided energy cost times the amount of energy (kWh) delivered to PEF from the Facility for that hour. All purchases shall be adjusted for losses from the point of metering to the point of interconnection.

Payments Starting on Avoided Unit In-Service Date

The calculation of payments to the REP/QF for energy delivered to PEF on and after the Avoided Unit In-Service Date shall be the sum, over all hours of the Monthly Billing Period, of the product of (a) each hour's Firm Energy Rate (¢/kWh); and (b) the amount of energy (kWh) delivered to PEF from the Facility during that hour.

The Firm Energy Rate shall be, on an hour-by-hour basis, PEF's Avoided Unit Energy Cost. For any other period during which energy is delivered by the REP/QF to PEF, the Firm Energy Rate in cents per kilowatt hour (¢/kWh) shall be the following on an hour-by-hour basis: the lesser of (a) the As-Available Energy Rate and (b) the Avoided Unit Energy Cost. The Avoided Unit Energy Cost, in cents per kilowatt - hour (¢/kWh) shall be defined as the product of (a) the Avoided Unit Fuel Cost and (b) the Avoided Unit Heat Rate; plus (c) the Avoided Unit Variable O&M.

For the purposes of this agreement, the Avoided Unit Fuel Cost shall be determined from gas prices published in Platts Inside FERC, Gas Market Report, first of the month posting for Florida Gas Transmission Zone 3, plus Gulfstream Natural Gas System's applicable Usage-2 rate (Reservation Charge of \$0.55), Usage-1 rate (Commodity Charge of \$0.02) and the applicable Gulfstream Natural Gas System's Use percentage (not to exceed 1.53%) in accordance with the terms and conditions of Gulfstream Natural Gas System's tariff, as all such charges, surcharges and percentages are in effect from time to time for service under Gulfstream Natural Gas System's Rate Schedule FTS.

ESTIMATED AS-AVAILABLE ENERGY COST

For informational purposes only, the estimated incremental avoided energy costs for the next four semi-annual periods are as follows. The following estimates include variable operation and maintenance expenses.

<u>Applicable Period</u>	<u>Average ¢/KWH</u>
October 1, 2006 - March 31, 2007	7.1
April 1, 2007 - September 30, 2007	9.6
October 1, 2007 - March 31, 2008	8.3
April 1, 2008 - September 30, 2008	9.2

ESTIMATED UNIT FUEL COST

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

\$/MMBTU

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
11.56	11.39	8.32	8.69	8.80	8.75	8.66	8.58	8.93

DELIVERY VOLTAGE ADJUSTMENT

PEF's average system line losses are analyzed annually for the prior calendar year, and delivery efficiencies are developed for the transmission, distribution primary, and distribution secondary voltage levels. This analysis is provided in the PEF's semi-annual fuel cost recovery filing with the FPSC in Exhibit Schedule E1. An adjustment factor, calculated as the reciprocal of the appropriate delivery efficiency factor, is applicable to the above determined energy costs if the REP/QF is within PEF's service territory to reflect the delivery voltage level at which REP/QF energy is received by the PEF.

The current delivery voltage adjustment factors are:

<u>Delivery Voltage</u>	<u>Adjustment Factor</u>
Transmission Voltage Delivery	1.0202
Primary Voltage Delivery	1.0317
Secondary Voltage Delivery	1.0656

PERFORMANCE CRITERIA

Payments for firm Capacity are conditioned on the REP/QF's ability to maintain the following performance criteria:

A. Capacity Delivery Date

The Capacity Delivery Date shall be no later than the Avoided Unit In-Service Date.

B. Availability and Capacity Factor

The Facility's availability and capacity factor are used in the determination of firm Capacity Payments through a performance based calculation as detailed in Appendix A to the Contract.

METERING REQUIREMENTS

The REP/QFs within the territory served by PEF shall be required to purchase from PEF hourly recording meters to measure their energy deliveries to PEF. Energy purchases from the REP/QFs outside the territory of PEF shall be measured as the quantities scheduled for interchange to PEF by the entity delivering Firm Capacity and Energy to PEF.

For the purpose of this Contract, the on-peak hours shall be those hours occurring April 1 through October 31, from 11:00 a.m. to 10:00 p.m., and November 1 through March 31, from 6:00 a.m. to 12:00 noon and 5:00 p.m. to 10:00 p.m. prevailing Eastern time. PEF shall have the right to change such On-Peak Hours by providing the REP/QF a minimum of thirty calendar days' advance written notice.

BILLING OPTIONS

A REP/QF, upon entering into this Contract for the sale of firm capacity and energy or prior to delivery of as-available energy, may elect to make either simultaneous purchases from and sales to PEF, or net sales to PEF; provided, however, that no such arrangement shall cause the REP/QF to sell more than the Facility's net output. A decision on billing methods may only be changed: 1) when a REP/QF selling as-available energy enters into this Contract for the sale of firm capacity and energy; 2) when a Contract expires or is lawfully terminated by either the REP/QF or PEF; 3) when the REP/QF is selling as-available energy and has not changed billing methods within the last twelve months; 4) when the election to change billing methods will not contravene the provisions of FPSC Rule 25-17.0832 or a contract between the REP/QF and PEF.

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

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

CHARGES TO RENEWABLE ENERGY PROVIDER

The REP/QF shall be responsible for all applicable charges as currently approved or as they may be approved by the Florida Public Service Commission, including, but not limited to:

A. Retail Service Charges

The REP/QF shall be responsible for all FPSC approved charges for any retail service that may be provided by PEF. The REP/QF shall be billed \$74.42 monthly for the costs of meter reading, billing, and other administrative costs.

B. Interconnection Charge for Non-Variable Utility Expenses

The REP/QF shall bear the cost required for interconnection, including the metering. The REP/QF shall have the option of (i) payment in full for the interconnection costs including the time value of money during the construction of the interconnection facilities and providing a surety bond, Letter of Credit or comparable assurance of payment acceptable to PEF adequate to cover the interconnection cost estimates, (ii) payment of monthly invoices from PEF for actual costs progressively incurred by PEF in installing the interconnection facilities, or (iii) upon a showing of credit worthiness, making equal monthly installment payments over a period no longer than thirty six (36) months toward the full cost of interconnection. In the latter case, PEF shall assess 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.

C. Interconnection Charge for Variable Utility Expenses

The REP/QF shall be billed monthly for the variable utility expenses associated with the operation, maintenance and repair of the interconnection facilities. These include (a) PEF's inspections of the interconnection facilities and (b) maintenance of any equipment beyond that which would be required to provide normal electric service to the REP/QF if no sales to PEF were involved.

The REP/QF may pay a monthly charge equal to a percentage of the installed cost of the interconnection facilities. This monthly rate is stated in the Agreement for the Purchase of As-Available Energy and/or Parallel Operation With a Qualifying Facility as filed with the Florida Public Service Commission and may be amended periodically. The current rate is 0.5% per month of the installed cost of the interconnection facilities.

TERMS OF SERVICE

- A. It shall be the REP/QF's responsibility to inform PEF of any change in its electric generation capability.
- B. Any electric service delivered by PEF to a REP/QF located in PEF's service area shall be subject to the following terms and conditions:
- (1) A REP/QF shall be metered separately and billed under the applicable retail rate schedule(s), whose terms and conditions shall pertain.
 - (2) A security deposit will be required in accordance with FPSC Rules 25-17.082(5) and 25-6.097, F.A.C., and the following:
 - (i) In the first year of operation, the security deposit should be based upon the singular month in which the REP/QF's projected purchases from PEF exceed, by the greatest amount, PEF's estimated purchases from the REP/QF. The security deposit should be equal to twice the amount of the difference estimated for that month. The deposit is required upon interconnection.
 - (ii) For each year thereafter, a review of the actual sales and purchases between the REP/QF and PEF will be conducted to determine the actual month of maximum difference. The security deposit should be adjusted to equal twice the greatest amount by which the actual monthly purchases by the REP/QF exceed the actual sales in PEF in that month.
 - (3) PEF shall specify the point of interconnection and voltage level.
 - (4) The REP/QF must enter into an interconnection to PEF's system. Specific features of the REP/QF and its interconnection to PEF's facilities will be considered by PEF in preparing the interconnection agreement.
- C. Service under this rate schedule is subject to the rules and regulations of the FPSC.

**SCHEDULE 1
TO RATE SCHEDULE REN-CT****CALCULATION OF VALUE OF DEFERRAL PAYMENTS****APPLICABILITY**

This Schedule 1 provides a detailed description of the methodology used by PEF to calculate the monthly values of deferring or avoiding the Avoided Unit identified in the Contract. When used in conjunction with the current FPSC-approved cost parameters associated with the Avoided Unit contained in Schedule 2, a REP/QF may determine the applicable value of deferral capacity payment rate associated with the timing and operation of its particular facility should the REP/QF enter into a Contract with PEF.

Also contained in this Schedule 1 is the discussion of the types and forms of surety bond requirements or equivalent assurance for payment of the Termination Fee acceptable to PEF in the event of contractual default by a REP/QF.

CALCULATION OF VALUE OF DEFERRAL OPTION A

FPSC Rule 25-17.0832(5) specifies that avoided capacity costs, in dollars per kilowatt per month, associated with capacity sold to a utility by a REP/QF pursuant to Contract shall be defined as the year-by-year value of deferral of the Avoided Unit. The year-by-year value of deferral shall be the difference in revenue requirements associated with deferring the Avoided Unit one year, and shall be calculated as follows:

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

Where, for a one year deferral:

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

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

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

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 for the Avoided Unit which 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;
- i_o = annual escalation rate associated with the operation and maintenance expense of the Avoided Unit;
- 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 the Avoided Unit In-Service Date and ending with the Termination Date.

CALCULATION OF FIXED VALUE OF DEFERRAL PAYMENTS - EARLY CAPACITY-OPTION B

Under the fixed value of deferral Option A, payments for firm capacity shall not commence until the in-service date of the Avoided unit(s). At the option of the REP/QF, however, PEF may begin making payments for capacity consisting of the capital cost component of the value of a year-by-year deferral of the Avoided Unit prior to the anticipated in-service date of the Avoided Unit. When such payments for capacity are elected, the avoided capital cost component of Capacity Payments shall be paid monthly commencing no earlier than the Capacity Delivery Date of the REP/QF, and shall be calculated as follows:

$$A_M = [A_c (1 + i_p)^{(m-1)} + A_o (1 + i_o)^{(m-1)}] / 12 \quad \text{for } m = 1 \text{ to } t$$

Where:

- A_M = monthly payments to be made to the REP/QF for each month of the contract year n , in dollars per kilowatt per month in which REP/QF delivers capacity pursuant to the early capacity option;
- i_p = annual escalation rate associated with the plant cost of the Avoided Unit;
- i_o = annual escalation rate associated with the operation and maintenance expense of the Avoided Unit;

m = year for which the fixed value of deferral payments under the early capacity option are made to a REP/QF, starting in year one and ending in the year t ;

t = the Term, in years, of the Contract:

$$A_c = F [(1 - R) / (1 - R^t)]$$

Where:

F = the cumulative present value, in the year that the contractual payments will begin, of the avoided capital cost component of Capacity Payments which would have been made had Capacity Payments commenced with the Avoided Unit In-Service Date;

$$R = (1 + i_p) / (1 + r)$$

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

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

Where:

G = The cumulative present value, in the year that the contractual payments will begin, of the avoided fixed operation and maintenance expense component of Capacity Payments which would have been made had Capacity Payments commenced with the Avoided Unit In-Service Date.

$$R = (1 + i_o) / (1 + r)$$

The currently approved parameters applicable to the formulas above are found in Schedule 2.

**CALCULATION OF FIXED VALUE OF DEFERRAL PAYMENTS -
LEVELIZED AND EARLY LEVELIZED CAPACITY - OPTION C & OPTION D,
RESPECTIVELY**

Monthly fixed value of deferral payments for levelized and early levelized capacity shall be calculated as follows:

$$P_L = (F / 12) \cdot [r / 1 - (1 + r)^{-t}] + O$$

Where:

- P_L = the monthly levelized capacity payment, starting on or prior to the in-service date of PEF's Avoided Unit(s);
- F = the cumulative present value, in the year that the contractual payments will begin, of the avoided capital cost component of the Capacity Payments which would have been made had the Capacity Payments not been levelized;
- r = the annual discount rate, defined as PEF's incremental after-tax cost of capital;
- t = the Term, in years of the Contract
- O = the monthly fixed operation and maintenance component of the Capacity Payments, calculated in accordance with calculation of the fixed value of deferral payments for the levelized capacity or the early levelized capacity options.

RISK-RELATED GUARANTEES

With the exception of governmental solid waste facilities covered by FPSC Rule 25-17.091, FPSC Rule 25-17.0832 paragraph (4)(e)10 requires that, when fixed value or deferral payments - early capacity, levelized capacity, or early levelized capacity are elected, the REP/QF must provide a surety bond or equivalent assurance of securing the payment of a Termination Fee in the event the REP/QF is unable to meet the terms and conditions of its Contract. Depending on the nature of the REP/QF's operation, financial health and solvency, and its ability to meet the terms and conditions of the Contract, one of the following may constitute an equivalent assurance of payment:

- (1) Bond;
- (2) Cash deposit(s) with PEF;
- (3) Unconditional, irrevocable, direct pay Letter of Credit;
- (4) Unsecured promise by a municipal, county or state government to repay payment for early or levelized capacity in the event of default, in conjunction with a legally binding commitment from such government allowing the utility to levy a surcharge on either the electric bills of the government's electricity consuming facilities or the constituent electric customers of such government to assure that payments for early or levelized capacity are repaid;
- (5) Unsecured promise by a privately-owned REP/QF to repay payments for early or levelized capacity in the event of default, in conjunction with a legally binding commitment from the owner(s) of the REP/QF, parent company, and/or subsidiary companies located in Florida to assure that payments for early, levelized or early levelized capacity are repaid; or
- (6) Other guarantees acceptable to PEF.

PEF will cooperate with each REP/QF applying for fixed value of deferral payments under the early, levelized or early levelized capacity options to determine the exact form of an "equivalent assurance" for payment of the Termination Fee to be required based on the particular aspects of the REP/QF. PEF will endeavor to accommodate an equivalent assurance of repayment which is in the best interests of both the REP/QF and PEF's ratepayers.

**SCHEDULE 2
TO RATE SCHEDULE REN-CT
CAPACITY OPTION PARAMETERS**

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

Where, for one year deferral:

		<u>Value</u>
VAC_m	= PEF's value of avoided capacity and O&M, in dollars per kilowatt per month, during month m;	\$3.00
K	= present value of carrying charges for one dollar of investment over L years with carrying charges computed using average annual rate base and assumed to be paid at the middle of each year and present valued to the middle of the first year;	1.366
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 ;	\$349.59
O_n	= total fixed operation and maintenance expense, for the year n , in mid-year dollars per kilowatt per year, of the Avoided Unit;	\$2.38
i_p	= annual escalation rate associated with the plant cost of the Avoided Unit;	2.5%
i_o	= annual escalation rate associated with the operation and maintenance expense of the Avoided Unit;	2.5%
r	= annual discount rate, defined as PEF's incremental after-tax cost of capital;	8.10%
L	= expected life of the Avoided Unit;	25
n	= year for which the Avoided Unit is deferred starting with the Avoided Unit In-Service Date and ending with the Termination Date.	2010

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

A_m	=	monthly avoided capital cost component of Capacity Payments to be made to the REP/QF starting as early as two years prior to the Avoided Unit In-Service Date, in dollars per kilowatt per month;	\$2.80
i_p	=	annual escalation rate associated with the plant cost of the Avoided Unit;	2.5%
n	=	year for which early Capacity Payments to a REP/QF are to begin;	2007
F	=	the cumulative present value of the avoided capital cost component of Capacity Payments which would have been made had Capacity Payments commenced with the anticipated in-service date of the Avoided Unit and continued for a period of 10 years;	\$210.64
r	=	annual discount rate, defined as PEF's incremental after-tax cost of capital;	8.10%
t	=	the Term, in years, of the Contract for the purchase of firm capacity commencing prior to the in-service date of the Avoided Unit;	14
G	=	the cumulative present value of the avoided fixed operation and maintenance expense component of Capacity Payments which would have been made had Capacity Payments commenced with the anticipated in-service date of the Avoided Unit and continued until the Termination Date.	\$14.93

APPENDIX E
FPSC RULES 25-17.080 THROUGH 25-17.091
ARE PROVIDED IN SECTION VIII
ON THIS TARIFF BOOK

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Legislative Version

(Sheets 9.500 – 9.900)

STANDARD OFFER CONTRACT FOR THE PURCHASE OF FIRM CAPACITY
AND ENERGY FROM A ~~SMALL POWER~~ RENEWABLE ENERGY PRODUCER
OR ~~OTHER QUALIFYING~~
~~FACILITY USING RENEWABLE OR NON FOSSIL FUEL, A QUALIFYING FACILITY~~
~~WITH A DESIGN CAPACITY OF LESS THAN 100 KW OR LESS,~~
~~OR A SOLID WASTE FACILITY~~

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SECTION No. IX
~~THIRD~~FOURTH REVISED SHEET NO. 9.500
CANCELS ~~SECOND~~~~THIRD~~ REVISED SHEET NO. 9.500

ISSUED BY: Lori J. Cross, Manager, Utility Regulatory Planning Mark A. Myers, Vice President, Finance
EFFECTIVE:



Progress Energy

SECTION No. IX
~~THIRD-FOURTH~~ REVISED SHEET NO. 9.501
CANCELS ~~SECOND-THIRD~~ REVISED SHEET NO. 9.501

STANDARD OFFER CONTRACT FOR THE PURCHASE OF FIRM CAPACITY
AND ENERGY FROM A ~~SMALL POWER~~RENEWABLE ENERGY PRODUCER
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~~FACILITY USING RENEWABLE OR NON FOSSIL FUEL, A QUALIFYING FACILITY~~
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~~OR A SOLID WASTE FACILITY~~

between

and

PROGRESS ENERGY FLORIDA

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**STANDARD OFFER CONTRACT FOR THE PURCHASE OF FIRM CAPACITY
AND ENERGY FROM A ~~SMALL POWER~~RENEWABLE ENERGY PRODUCER
OR OTHER QUALIFYING
FACILITY USING RENEWABLE OR NON FOSSIL FUEL, A QUALIFYING
FACILITY WITH A DESIGN CAPACITY OF LESS THAN 100 KW OR LESS,
OR A SOLID WASTE FACILITY**

THIS STANDARD OFFER CONTRACT FOR THE PURCHASE OF FIRM CAPACITY AND ENERGY (hereinafter referred to as the "Contract") is made and entered this ____ day of _____, ____ (hereinafter referred to as the "Execution Date"), by and between _____ (hereinafter "the Renewable Energy Provider/Qualifying Facility" ("REP/QF")), and Florida Power Corporation d/b/a Progress Energy Florida (hereinafter "PEF"), a private utility corporation organized and existing under the laws of the State of Florida. The REP/QF and PEF shall be individually be identified herein as the "Party" and collectively as the "Parties". This Contract contains five Appendices which are incorporated into and made part of this agreement: ~~Contract~~; Appendix A: ~~Rate Schedule COG-2~~; Appendix B: ~~Pay for Performance Provisions~~; Monthly Capacity Payment Calculation; Appendix C: ~~Termination Fee~~; Appendix D: ~~Detailed Project Information~~; Appendix E: ~~Rate Schedule REN-CT~~; and Appendix F: ~~Parallel Operating Procedures~~; Appendix G: ~~Interconnection Scheduling and Cost Responsibility~~; and Appendix H: Florida Public Service Commission ("FPSC") Rules 25-17.080 through 25-17.091, F.A.C.

WITNESSETH:

WHEREAS, the REP/QF desires to sell, and PEF desires to purchase electricity to be generated by the REP/QF consistent with Florida Statute Chapter 366.91 (2005) and FPSC Rules 25-17.080 through 25-17.091 F.A.C.; and

WHEREAS, the REP/QF has ~~agreed to the terms in Appendices E and F, or has signed~~ acquired an interconnection/transmission service ("~~wheeling~~") agreement with the utility in whose service territory the Facility is to be located, pursuant to which the REP/QF assumes contractual responsibility to make any and all ~~wheeling~~ transmission-related arrangements (including ~~control area~~ ancillary services) between the REP/QF and the ~~wheeling utility~~ Transmission Provider for delivery of the Facility's firm capacity and energy to PEF; The Parties recognize that the Transmission Provider may be PEF and that the transmission service will be provided under a separate agreement; and

WHEREAS, the FPSC has approved this ~~Standard Offer~~ Contract for the Purchase of Firm Capacity and Energy from a ~~Small Power~~ Renewable Energy Producer or ~~other~~ Qualifying Facility using ~~renewable or non fossil fuel, a Qualifying Facility with a design capacity of 100 KW or less, or a Solid Waste Facility than 100kW~~; and

WHEREAS, the REP/QF guarantees that the Facility is capable of delivering firm capacity and energy to PEF for the term of this Contract in a manner consistent with the provision of this Contract;

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

1. Definitions

"AFR" means the Facility's annual fuel requirement.

"AFTR" means the Facility's annual fuel transportation requirement

"Annual Capacity Billing Factor" or "ACBF" means 12 month rolling average of the Monthly Availability Factor as further defined and explained in Appendix A.

"Appendices" shall mean the schedules, exhibits, and attachments which are appended hereto and are hereby incorporated by reference and made a part of this Contract. Such Appendices include:

"Appendix A" sets forth the Monthly Capacity Payment Calculation.

"Appendix B" sets forth the Termination Fee.

"Appendix C" sets forth the Detailed Project Information.

"Appendix D" sets forth Rate Schedule REN-CT.

"Appendix E" sets forth Florida Public Service Commission ("FPSC") Rules 25-17.080 through 25-17.091, F.A.C.

"As-Available Energy Rate" means the rate calculated by PEF in accordance with FPSC Rule 25-17.0825, F.A.C., and PEF's Rate Schedule COG-1, as they may each be amended from time to time

"Authorization to Construct" means authorization issued by any appropriate Government Agency to construct or reconstruct the Facility granted to REP/QF in accordance with the laws of the State of Florida and any relevant federal law.

"Avoided Unit" means the electrical generating unit described in Section 4 upon which this Contract is based.

"Avoided Unit Energy Cost" has the meaning assigned to it in Appendix D.

"Avoided Unit Fuel Cost" has the meaning assigned to it in Appendix D.

"Avoided Unit Heat Rate" means the average annual heat rate of the Avoided Unit as defined in Section 4.

"Avoided Unit In-Service Date" means the date upon which the Avoided Unit would have started commercial operation as specified in Section 4.

"Avoided Unit Variable O&M" means the Avoided Unit variable operation and maintenance expenses as defined in Section 4. This rate will escalate annually based upon CPI-U. The annual escalation will begin in the payment for January deliveries.

"Base Capacity Payment" or "BCP" means capacity payment rates defined in Appendix D and further defined by the selection of Option A,B,C or D in Section 9.2.

"Base Performance Security Amount" means the dollar amount per MW listed in the Table 1 in Section 11 for years 1-5 associated with the applicable credit class of the Party.

"Base Year" means the year that this Contract was approved by the FPSC.

"Business Day" means any day except a day upon which banks licensed to operate in the State of Florida are authorized, directed or permitted to close, Saturday, Sunday or a weekday that is observed as a public holiday in the State of Florida.

"CAMD" means the Clean Air Markets Division of the Environmental Protection Agency or successor administrator (collectively with any local, state, regional, or federal entity given jurisdiction over a program involving transferability of Environmental Attributes).

"Capacity" means the minimum average hourly net capacity (generator output minus auxiliary load) measured over the Committed Capacity Test Period.

"Capacity Delivery Date" means the first calendar day immediately following the date of the Facility's successful completion of the first Committed Capacity Test.

"Capacity Payment" means the payment defined in Section 9.2 and Appendix A.

"Committed Capacity" or "CC" means the capacity in MW that the REP/QF commits to sell to PEF, the amount of which shall be determined in accordance with Section 7 and Appendix D.

"Committed Capacity Test" means the testing of the capacity of the Facility performed in accordance with the procedures set forth in Section 8.

"Committed Capacity Test Period" means a test period of twenty-four (24) consecutive hours.

"Completed Permits Date" means the date by which the REP/QF must complete licensing, certification, and all federal, state and local governmental, environmental, and licensing approvals required to initiate construction of the Facility. This date is specified in Section 4.

"Completion/Performance Security" means the security described in Section 11.

"Conditions Precedent" shall have the meaning assigned to it in Section 5.

"Consent" means a Governmental Approval or other contract, license, approval, permission, authorization or other right of whatsoever nature (including any renewal or replacement of same) necessary or desirable for the construction of the Facility infrastructure or for the use of the Facility for the generation of electricity or for the transmission of electricity to the Transmission System (including, but not limited to, the Project Consents); or for any other matters relevant to the performance of REP/QF's obligations under this Contract.

"Contract" means this standard offer contract for the purchase of Firm Capacity and Energy from a Renewable Energy Producer or Qualifying Facility with a nameplate capacity of less than 100 kW.

"CPI-U" means the revised monthly consumer price index for All Urban Consumers, U.S. City Average (CPI-U) (All Items 1982-84 = 100) promulgated by the Bureau of Labor Statistics of the United States Department of Labor.

"Creditworthy" with respect to a Party or its credit support provider, as applicable, means a party is rated by at least two (2) of the three (3) following rating agencies Standard & Poors (S&P), Moody's Investor Services (Moody's) and Fitch Rating Services (Fitch). Rating shall be the unsecured, senior long-term debt or deposit obligations (not supported by third party credit enhancement). Both ratings (if company is only rated by 2 of the 3 agencies) or at least two (2) of the three (3) (if company is rated by all three agencies) must be (i) BBB- or greater from S&P (ii) Baa3 or greater from Moody's (iii) BBB- or greater from Fitch.

"Demonstration Period" means a sixty-hour period in which the Committed Capacity Test must be completed.

"Distribution System" means the distribution system consisting of electric lines, electric plant, transformers and switchgear is used for conveying electricity to ultimate consumers, but not including any part of the Transmission System.

"Dispute" shall have the meaning assigned to it in Section 20.9.

"Drop Dead Date" means the date which is twelve (12) months following the Execution Date.

"Eastern Prevailing Time" means the time in effect in the Eastern Time Zone of the United States of America, whether Eastern Standard Time or Eastern Daylight Savings Time.

"Effective Date" has the meaning assigned to it in Section 5.

"Electrical Interconnection Point" means the physical point at which the Facility is connected with the Transmission System or, if REP/QF interconnects with a Transmission System other than PEF's, PEF's interconnection with the Transmission Provider's Transmission System, or such other physical point on which REP/QF and PEF may agree.

"Eligible Collateral" means (i) a Letter of Credit from a Qualified Institution or (ii) cash deposited into a PEF Security Account by REP/QF or REP/QF Security Account by PEF, as the case may be, or (iii) REP/QF Guarantee or PEF Guarantee or a combination of (i), (ii) and/or (iii) as outlined in Section 11.

"Energy" means megawatt-hours generated by the Facility of the character commonly known as three-phase, sixty hertz electric energy that is delivered at a nominal voltage at the Electrical Interconnection Point.

"Environmental Attributes" means all attributes of an environmental or other nature that are created or otherwise arise from the Facility's generation of electricity from a renewable energy source in contrast with the generation of electricity using nuclear or fossil fuels or other traditional resources. Forms of such attributes include, without limitation, any and all environmental air quality credits, green credits, renewable energy credits ("RECs"), carbon credits, emissions reduction credits, certificates, tags, offsets, allowances, or similar products or rights, howsoever entitled, (i) resulting from the avoidance of the emission of any gas, chemical, or other substance, including but not limited to, mercury, nitrogen oxide, sulfur dioxide, carbon dioxide, carbon monoxide, particulate matter or similar pollutants or contaminants of air, water or soil gas, chemical, or other substance, and (ii) attributable to the generation, purchase, sale or use of Energy from or by the Facility, or otherwise attributable to the Facility during the Term. Environmental Attributes include, without limitation, those currently existing or arising during the Term under local, state, regional, federal, or international legislation or regulation relevant to the avoidance of any emission described in this Contract under any governmental, regulatory or voluntary program, including, but not limited to, the United Nations Framework Convention on Climate Change and related Kyoto Protocol or other programs, laws or regulations involving or administered by the Clean Air Markets Division of the Environmental Protection Agency ("CAMD") or successor administrator (collectively with any local, state, regional, or federal entity given jurisdiction over a program involving transferability of Environmental Attributes.).

"EPT" means Eastern Prevailing Time.

"Event of Default" has the meaning assigned to it in Section 14.

"Execution Date" has the meaning assigned to it in the opening paragraph of this Contract.

"Exemplary Early Capacity Payment Date" means the exemplary date used to calculate Capacity Payments for Option B and D. This date is specified in Section 4. The actual Capacity Payments for Option B and D will be calculated based upon the Capacity Delivery Date.

"Expiration Date" means the final date upon which this Contract can be executed. This date is specified in Section 4.

"Facility" means all equipment, as described in this Contract, used to produce electric energy and, and all equipment that is owned or controlled by the REP/QF required for parallel operation with the Transmission System. In the case of a cogenerator the Facility includes all equipment that is owned or controlled by the REP/QF to produce useful thermal energy through the sequential use of energy.

"FERC" means the Federal Energy Regulatory Commission or its successor.

"Financial Closing" means the fulfillment of each of the following conditions:

- (a) the execution and delivery of the Financing Documents; and
- (b) all Conditions Precedent to the initial availability for disbursement of funds under the Financing Documents (other than relating to the effectiveness of this Contract) are satisfied or waived.

"Financing Documents" shall mean documentation with respect to any private equity investment in REP/QF, any loan agreements (including agreements for any subordinated debt), notes, bonds, indentures, guarantees, security agreements and hedging agreements relating to the financing or refinancing of the design, development, construction, Testing, Commissioning, operation and maintenance of the Facility or any guarantee by any Financing Party of the repayment of all or any portion of such financing or refinancing.

"Financing Party" means the Persons (including any trustee or agent on behalf of such Persons) providing financing or refinancing to or on behalf of REP/QF for the design, development, construction, testing, commissioning, operation and maintenance of the Facility (whether limited recourse, or with or without recourse).

"Firm Capacity and Energy" has the meaning assigned to it in Appendix D.

"Firm Capacity Rate" has the meaning assigned to it in Appendix D.

"Firm Energy Rate" has the meaning assigned to it in Appendix D.

"Force Majeure" has the meaning given to it in Section 18.

"FPSC" means the Florida Public Service Commission or its successor.

"Government Agency" means the United States of America, or any state or any other political subdivision thereof, including without limitation, any municipality, township or county, and any domestic entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including, without limitation, any corporation or other entity owned or controlled by any of the foregoing.

"Governmental Approval" means any authorization, consent, approval, license, ruling, permit, exemption, variance, order, judgment, instruction, condition, direction, directive, decree, declaration of or regulation by any Government Agency relating to the construction, development, ownership, occupation, start-up, Testing, operation or maintenance of the Facility or to the execution, delivery or performance of this Contract as any of the foregoing are in effect as of the date of this Contract.

"Gross Domestic Product Implicit Price Deflator" or "GDPIPD" has the meaning assigned to it in Section 11.

"IEEE" means the Institute of Electrical and Electronics Engineers, Inc.

"Indemnified Party" has the meaning assigned to it in Section 16.

"Indemnifying Party" has the meaning assigned to it in Section 16.

"Initial Reduction Value" has the meaning assigned to it in Appendix B.

"Insurance Services Office" has the meaning assigned to it in Section 17.

"KVA" means one or more kilovolts-amperes of electricity, as the context requires.

"kW" means one or more kilowatts of electricity, as the context requires.

"kWh" means one or more kilowatthours of electricity, as the context requires.

"Letter of Credit" means a stand-by letter of credit from a Qualified Institution that is acceptable to PEF whose approval may not be unreasonably withheld.

"LOI" means a letter of intent for fuel supply.

"Material Adverse Change" means as to PEF, that PEF or PEF Guarantor, if applicable, or, as to REP/QF, that REP/QF or REP/QF Guarantor, if applicable, any of the following events: (a) such party is no longer Creditworthy or (b) the party of Party's guarantor, if applicable, defaults on an aggregate of fifty million dollars (\$50,000,000) or five percent (5%) of equity, whichever is less.

"MCPC" means the Monthly Capacity Payment for Option A.

"Monthly Billing Period" means the period beginning on the first calendar day of each calendar month, except that the initial Monthly Billing Period shall consist of the period beginning 12:01 a.m., on the Capacity Delivery Date and ending with the last calendar day of such month.

"Monthly Availability Factor" or "MAF" means the total energy received during the Monthly Billing Period for which the calculation is made, divided by the product of Committed Capacity times the total hours during the Monthly Billing Period.

"Monthly Capacity Payment" or "MCP" means the payment for Capacity calculated in accordance with Appendix A.

"MW" means one or more megawatts of electricity, as the context requires.

"MWh" means one or more megawatt-hours of electricity, as the context requires.

"Option A" means normal Capacity Payments as described in Appendix D.

"Option B" means early Capacity Payments as described in Appendix D.

"Option C" means levelized Capacity Payments as described in Appendix D.

"Option D" means early levelized Capacity Payments as described in Appendix D.

"Party" or "Parties" has the meaning assigned to it in the opening paragraph of this Contract.

"PEF" has the meaning assigned to it in the opening paragraph of this Contract.

"PEF Entities" has the meaning assigned to it in Section 16.

"PEF Guarantee" means a guarantee provided by PEF Guarantor that is acceptable to REP/QF whose approval may not be unreasonably withheld.

"PEF Guarantor" means a party that, at the time of execution and delivery of its PEF Guarantee is a direct or indirect owner of PEF and is (a) Creditworthy or is (b) reasonably acceptable to REP/QF as having verifiable Creditworthiness and a net worth sufficient to secure PEF's obligations.

"PEF Performance Security" has the meaning assigned to it in Section 11.

"PEF Security Account" means an account designated by PEF for the benefit of PEF free and clear of all liens (including liens of any lenders) to be established and maintained at a Qualified Institution pursuant to a control agreement in a form and substance acceptable to PEF whose cost is to be borne by the REP/QF.

"Person" means any individual, partnership, corporation, association, joint stock company trust, joint venture, unincorporated organization, or Governmental Agency (or any department, agency, or political subdivision thereof).

"Project Consents" mean the following Consents, each of which is necessary to REP/QF for the fulfillment of REP/QF's obligations hereunder:

- (a) the Authorization to Construct;
- (b) planning permission and consents in respect of the Facility, and any electricity substation located at the Facility site, including but not limited to, a prevention of significant deterioration permit, a noise, proximity and visual impact permit, and any required zoning permit; and
- (c) any integrated pollution control license.

"Project Contracts" means this Contract, and any other contract required to construct, operate and maintain the Facility. The Project Contracts may include, but are not limited to, the turnkey engineering, procurement and construction contract, the electrical interconnection and operating agreement, the fuel supply agreement, the facility site lease, and the operation and maintenance agreement.

“Prudent Utility Practices” means any of the practices, methods, standards and acts (including, but not limited to, the practices, methods and acts engaged in or approved by a significant portion of owners and operators of power plants of technology, complexity and size similar to the Facility in the United States) that, at a particular time, in the exercise of reasonable judgment in light of the facts known or that should reasonably have been known at the time a decision was made, could have been expected to accomplish the desired result and goals (including such goals as efficiency, reliability, economy and profitability) in a manner consistent with applicable facility design limits and equipment specifications and applicable laws and regulations. Prudent Utility Practice is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but rather to be a spectrum of acceptable practices, methods or acts in each case taking into account the Facility as an independent power project.

“Qualifying Facility” or “QF” means a cogenerator, small power producer, or non-utility generator that has been certified or self-certified by the FERC as meeting certain ownership, operating and efficiency criteria established by the Federal Energy Regulatory Commission pursuant to the Public Utility Regulatory Policies Act of 1978 (“PURPA”), the criteria for which are currently set forth in 18 C.F.R. § 292, *et seq.* (2006), Section 210 of PURPA, 16 U.S.C. § 824a-3 (2005), 16 U.S.C. 796 *et seq.* (2006), and Section 1253 of EPAct 2005, Pub. L. No. 109-58, § 1253, 119 Stat. 594 (2005) or, alternatively, analogous provisions under the laws of the State of Florida.

“Qualified Institution” means the domestic office of a United States commercial bank or trust company or a foreign bank with a United States branch with total assets of at least ten billion dollars (\$10,000,000,000) (which is not an affiliate of either party) having a general long-term senior unsecured debt rating of A- or higher (as rated by Standard & Poors Ratings Group), A3 or higher (as rated by Moody’s Investor Services) or A- or higher (as rated by Fitch Ratings).

“Rate Schedule COG-1” means PEF’s Agreement for Purchase of As-Available Energy and/or Parallel Operation with a Qualifying Facility as approved by the FPSC and as may be amended from time to time.

“REC” means renewable energy credits, green tags, green tickets, renewable certificates, tradable renewable energy credits (“T-REC”) or any tradable certificate that is produced by a renewable generator in addition to and in proportion to the production of electrical energy.

“Reduction Value” has the meaning assigned to it in Appendix B.

“Renewable Facility” means a facility that produces energy from a method that uses one or more of the following fuels or energy sources: hydrogen produced from sources other than fossil fuels, biomass, solar energy, geothermal energy, wind energy, ocean energy, hydroelectric power or waste heat from sulfuric acid manufacturing operations.

“REP/QF Entities” has the meaning assigned to it in Section 16.

“REP/QF Guarantee” means a guarantee provided by REP/QF Guarantor that is acceptable to PEF whose approval may not be unreasonably withheld.

"REP/QF Guarantor" means a party that, at the time of execution and delivery of its REP/QF Guarantee is a direct or indirect owner of REP/QF and is (a) Creditworthy or is (b) reasonably acceptable to PEF as having verifiable Creditworthiness and a net worth sufficient to secure REP/QF's obligations.

"REP/QF Insurance" has the meaning assigned to it in Section 17.

"REP/QF Performance Security" has the meaning assigned in Section 11.

"REP/QF Security Account" means an account designated by the REP/QF for the benefit of the REP/QF free and clear of all liens (including liens of any lenders) to be established and maintained at a Qualified Institution pursuant to a control agreement in a form and substance acceptable to REP/QF whose cost is to be borne by PEF.

"Security Documentation" has the meaning assigned to it in Section 12.

"Supplemental Eligible Collateral" means additional collateral in the form of Letter of Credit or cash to augment the REP/QF Performance Security in the event of a Material Adverse Change.

"Subscription Limit" means the total capacity required to fully subscribe this Contract .

"Term" has the meaning assigned to it in Section 3.

"Termination Date" means the date upon which this Contract terminates unless terminated earlier in accordance with the provisions hereof. This date is specified in Section 4.

"Termination Fee" means the fee described in Appendix B as it applies to any Capacity Payments made under Option B, C or D.

"Termination Security" has the meaning assigned to it in Section 12.

"Transmission Provider" means the operator(s) of the Transmission System(s) or any successor thereof or any other entity or entities authorized to transmit Energy on behalf of REP/QF from the Electrical Interconnection Point.

"Transmission System" means the system of electric lines comprised wholly or substantially of high voltage lines, associated system protection, system stabilization, voltage transformation, and capacitance, reactance and other electric plant used for conveying electricity from a generating station to a substation, from one generating station to another, from one substation to another, or to or from any Electrical Interconnection Point or to ultimate consumers and shall include any interconnection owned by the Transmission Provider or PEF, but shall in no event include any lines which the Transmission Provider has specified to be part of the Distribution System except for any distribution facilities required to accept capacity and energy from the Facility.

12. Facility; Renewable Facility or Qualifying Facility Status

The QF contemplates installing and operating a _____ KVA _____ generator located at _____ (hereinafter called the "Facility"). The generator is designed to produce a maximum of _____ kilowatts (kW) of electric power at a 90% lagging to 90% leading power factor. The facility's ~~Facility's~~ location and generation capabilities are as described in the table below.

TECHNOLOGY AND GENERATOR CAPABILITIES	
Location: Specific legal description (e.g., metes and bounds or other legal description with street address required)	City: County:
Generator Type (Induction or Synchronous)	
Type of Facility (Cogeneration, Small Power Production, MSW)	
Technology	
Fuel Type and Source	
Generator Rating (KVA)	
Maximum Capability (kW)	
Net Output (kW)	
Power Factor (%)	
Operating Voltage (kV)	
Peak Internal Load kW	

The REP/QF's failure to complete the foregoing table in its entirety shall render this Contract null and void and of no further effect.

~~The Facility has been certified or has self-certified as a "qualifying facility" pursuant to the regulations of the Federal Energy Regulatory Commission ("FERC"). The QF shall maintain the "qualifying" status of the Facility throughout the term of this Contract. Any information provided to FERC regarding QF's qualifying status shall at the same time be provided to PEF. The Facility must either maintain (i) its status as a Renewable Facility or (ii) its status as a Qualifying Facility with a design capacity of 100 kW or less. The REP/QF shall use the same fuel or energy source and maintain the status as a Renewable Facility or a Qualifying Facility~~



throughout the term of this Contract. REP/QF shall at all times keep PEF informed of any material changes in its business which affects its Renewable Facility or ~~qualifying~~ Qualifying Facility status. PEF shall have the right at all times to inspect the Facility and to examine any books, records, or other documents of the REP/QF that PEF deems necessary to verify the Facility's Renewable Facility status or ~~qualifying~~ Qualifying Facility status. On or before March 31 of each year during the term of this Contract, the REP/QF shall provide to PEF a certificate signed by an officer of the REP/QF certifying that the REP/QF continuously maintained its status as a Renewable Facility or ~~qualifying~~ status Qualifying Facility during the prior calendar year.

23. Term of Contract

Except as otherwise provided herein, this Contract shall become effective immediately upon its execution by the Parties and shall end at 12:01 a.m., ~~December 31, 2012, on the Termination Date, (the "Term")~~ unless terminated earlier in accordance with the provisions hereof.

Notwithstanding the foregoing, if the Capacity Delivery Date of the Facility is not accomplished by the REP/QF before January 1, 2008the Avoided Unit In-Service Date (or such later date as may be permitted by PEF pursuant to Section 5),7), this Contract shall be rendered null and void and PEF's shall have no obligations under this Contract-shall be rendered of no force and effect.

34. Minimum Specifications and Milestones

As required by FPSC Rule 25-17.0832(a), ~~below are 4)(e),~~ the minimum specifications pertaining to this Contract and milestone dates are as follows:

1. ~~The avoided unit ("Avoided Unit") on which this Contract is based is a 20 MW portion of a 540 MW combined cycle unit.~~

<u>Avoided Unit</u>	<u>Combustion Turbine</u>
<u>Avoided Unit Capacity</u>	<u>191 MW</u>
<u>Avoided Unit In-Service Date</u>	<u>June 1, 2010</u>
<u>Avoided Unit Heat Rate</u>	<u>10,579 BTU/kWh</u>
<u>Avoided Unit Variable O&M</u>	<u>1.064¢ per kWh in mid-2010 dollars</u>
<u>Subscription Limit</u>	<u>Avoided Unit Capacity</u>
<u>Capacity Payments begin</u>	<u>Avoided Unit In-Service Date unless Option B, C, or D is selected</u>
<u>Termination Date</u>	<u>May 31, 2020 (10 years)</u>
<u>Minimum Performance Standards – On Peak Availability Factor*</u>	<u>89%</u>
<u>Minimum Performance Standards – Off Peak Availability Factor</u>	<u>89%</u>
<u>Minimum Availability Factor Required to qualify for a Capacity payment</u>	<u>69%</u>
<u>Expiration Date</u>	<u>April 1, 2007 unless extended by the FPSC</u>
<u>Completed Permits Date</u>	<u>June 1, 2009</u>
<u>Exemplary Early Capacity Payment Date</u>	<u>January 1, 2007</u>

* REP/QF performance shall be as measured and/or described in Appendix A.

2. ~~The total Committed Capacity needed to fully subscribe the Avoided Unit is 20 MW (the "Subscription Limit").~~

3. ~~This offer shall expire on the earlier of (i) the date of the subscription limit is fully subscribed or (ii) 2 weeks after approval of this standard offer by the Florida Public Service Commission.~~

4. ~~The date by which firm capacity and energy deliveries from the QF to PEF shall commence is January 1, 2008 unless the Facility chooses capacity payments under Options B, C, or D, pursuant to the terms of this Contract.~~
5. ~~The period of time over which firm capacity and energy shall be delivered from the QF to PEF is the five (5) year period beginning on January 1, 2008.~~
6. ~~The following are the minimum performance standards for the delivery of firm capacity and energy by the QF to qualify for full capacity payments under this Contract:~~

	<u>On Peak*</u>	<u>Off Peak</u>
<u>Availability:</u>	<u>90%</u>	<u>90%</u>

~~* QF Performance and On Peak hours shall be as measured and/or described in PEF's Rate Schedule COG-2 attached hereto as Appendix B.~~

5. Conditions Precedent

- (a) Unless otherwise waived in writing by PEF, on or before the Drop Dead Date, REP/QF shall satisfy the following Conditions Precedent:
- (i) REP/QF shall have obtained firm transmission service necessary to deliver Capacity and energy from the Facility to the Electrical Interconnection Point;
 - (ii) REP/QF shall have obtained the Project Consents and any other Consents for which it is responsible under the terms hereof;
 - (iii) REP/QF shall have entered into Financing Documents relative to the construction of the Facility and having achieved Financial Closing;
 - (iv) REP/QF shall have entered into the Project Contracts;
 - (v) REP/QF shall have obtained insurance policies or coverage in compliance with Section 17;
 - (vi) REP/QF shall have delivered to PEF (i) a copy of its constitutional documents (certified by its corporate secretary as true, complete and up-to-date) and (ii) a copy of a corporate resolution approving the terms of this Contract and the transactions contemplated hereby and authorizing one or more individuals to execute this Contract on its behalf (such copy to have been certified by its corporate representative as true, complete and up-to-date);
 - (vii) any legislation relevant to the above items being in full force and effect;
 - (viii) in the event the REP/QF is a Qualifying Facility, REP/QF obtaining Qualifying Facility status from either the FPSC or FERC.
- (b) Promptly upon satisfaction (or waiver by PEF in writing) of the Conditions Precedent to be satisfied by REP/QF, PEF shall deliver to REP/QF a certificate evidencing such satisfaction. Subject to there being no Event of Default which has occurred and/or is continuing as at the date upon which the last of such certificates is delivered, the date of such last certificate shall constitute the effective date of this Contract (the "Effective Date")
- (c) Unless all Conditions Precedent are satisfied by REP/QF on or before the Drop Dead Date or such Conditions Precedent are waived in writing by PEF, , this Contract shall terminate on such date and neither Party shall have any further liability to the other Party hereunder.

- (d) REP/QF shall achieve the Capacity Delivery Date on or before the Avoided Unit In-Service Date.
- (e) REP/QF shall ensure that before the initial Committed Capacity Test:
 - (a) the Facility shall have been constructed so that the Committed Capacity Test may be duly and properly undertaken in accordance with Section 7; and
 - (b) an operable physical connection from the Facility to the Transmission System shall have been effected in accordance with the electrical interconnection and operating agreement required by the Transmission Provider, provided, however, that such physical connection shall be made consistent with the terms hereof.

46. Sale of Electricity by the REP/QF

- 46.1** Consistent with the terms hereof, the REP/QF shall sell to PEF and PEF shall purchase from the REP/QF electric power generated by the Facility. The purchase and sale of electricity pursuant to this Contract shall be a () net billing arrangement or () simultaneous purchase and sale arrangement; provided, however, that no such arrangement shall cause the REP/QF to sell more than the Facility's net output. The billing methodology may be changed at the option of the REP/QF, subject to the provisions of PEF Rate Schedule COG-2, Appendix D.

6.2 Ownership and Offering For Sale Of Renewable Energy Attributes

~~4.2~~ ~~Any environmental attributes, such as Renewable Energy Credits (RECs), Green tags, or credits toward a Renewable Portfolio Standard (RPS) generated by the QF shall belong to PEF.~~ The REP/QF shall retain any and all rights to own and to sell any and all Environmental Attributes associated with the electric generation of the Facility, provided that: (i) PEF shall have a right of first refusal with respect to any and all bona fide offers to purchase any Environmental Attributes; and (ii) the REP/QF shall not sell Environmental Attributes to any party at a price less than that charged by PEF

~~4.3~~ ~~The QF shall not rely on interruptible standby service for the start-up requirements (initial or otherwise) of the Facility.~~

- b. Notwithstanding the provisions of the foregoing Section 6.2 (a), in the event that the REP/QF wishes to sell Environmental Attributes to another party at a price less than that already contracted for by PEF, the REP/QF may proceed with such sale so long as (i) the price paid by PEF for any and all future purchases of Environmental Attributes from the REP/QF shall be adjusted to be equal to the lowest price at which the REP/QF agrees to sell Environmental Attributes to another party; and (ii) the REP/QF shall refund to PEF the amount by which any past PEF purchases



SECTION No. IX
FOURTH ~~FIFTH~~ REVISED SHEET NO. 9.517
CANCELS ~~THIRD~~ ~~SECOND~~ REVISED SHEET NO. 9.517

of Environmental Attributes from the REP/QF exceeds the lowest price
that the REP/QF agrees to charge another buyer.

6.3 The REP/QF shall not rely on interruptible standby service for the start up
requirements (initial or otherwise) of the Facility.

6.4 The REP/QF shall be responsible for the scheduling of required transmission and for all costs, expenses, taxes, fees and charges associated with the delivery of energy to PEF. The REP/QF shall enter into a transmission service agreement with the Transmission Provider in whose service territory the Facility is to be located and the REP/QF shall make any and all transmission-related arrangements (including ancillary services) between the REP/QF and the Transmission Provider for delivery of the Facility's firm Capacity and energy to PEF. The Capacity and energy amounts paid to the REP/QF hereunder do not include transmission losses. The REP/QF shall be responsible for transmission losses that occur prior to the point at which the REP/QF's energy is delivered to PEF. The Parties recognize that the Transmission Provider may be PEF and that if PEF is the Transmission Provider, that the transmission service will be provided under a separate agreement.

57. Committed Capacity/Capacity Delivery Date

5.1 The QF commits to sell capacity to PEF, the amount of which shall be determined in accordance with this Section 5 and Appendix A (the "Committed Capacity"). Subject to Section 5.3 the Committed Capacity is set at _____ kW, with an expected Capacity Delivery Date of January 1, 2008.

7.1 In the event that the REP/QF elects to make no commitment as to the quantity or timing of its deliveries to PEF, then its Committed Capacity as defined in the following Section 7.2 shall be zero (0) MW. If the Committed Capacity is zero (0) MW, Sections 7.2 through Section 7.7 and all of Section 8 shall not apply.

Testing of 7.2 If the REP/QF commits to sell capacity to PEF, the Facility (each such test a "Committed Capacity Test") amount of which shall be performed determined in accordance with the procedures set forth in this Section 6. The Demonstration Period for the first Committed Capacity Test shall commence no earlier than January 1, 2004 and testing must be completed by 11:59 p.m., December 31, 2007. The first Committed Capacity Test shall not be successfully completed unless the Facility demonstrates a Capacity of at least one hundred percent (100%) of the Committed Capacity set forth in Section 5.1. Subject to Section 6.1 the QF may schedule and perform up to three (3) Committed Capacity Tests to satisfy the requirements of the Contract with respect to the first Committed Capacity Test. Appendix D. Subject to Section 7.4, the Committed Capacity is set at _____ kW, with an expected Capacity Delivery Date on or before the Avoided Unit In-Service Date.

5.3 In addition to the first Committed Capacity Test, PEF shall have the right to require the QF, by notice thereto, to validate the Committed Capacity by means of a Committed Capacity Test at any time, up to six (6) times per year, the results of which shall be provided to PEF within seven (7) calendar days of the conclusion of such test. On and after the date of such requested Committed Capacity Test, and until the completion of a subsequent Committed Capacity Test, the

~~Committed Capacity shall be set at the lower of the Capacity tested or the Committed Capacity as set forth in Section 5.1.~~

7.3 Testing of the Capacity of the Facility (each such test a Committed Capacity Test) shall be performed in accordance with the procedures set forth in Section 8. The Demonstration Period for the first Committed Capacity Test shall commence no earlier than ninety (90) days before the expected Capacity Delivery Date and testing must be completed before the Avoided Unit In-Service Date. The first Committed Capacity Test shall not be successfully completed unless the Facility demonstrates a Capacity of at least one hundred percent (100%) of the Committed Capacity set forth in Section 7.2. Subject to Section 8.1, the REP/QF may schedule and perform up to three (3) Committed Capacity Tests to satisfy the requirements of the Contract with respect to the first Committed Capacity Test.

~~**5.4** Notwithstanding anything to the contrary herein, the Committed Capacity may not exceed the amount set forth in Section 5.1 without the consent of PEF to be granted in PEF's sole discretion.~~

7.4 In addition to the first Committed Capacity Test, PEF shall have the right to require the REP/QF, by notice thereto, to validate the Committed Capacity by means of a Committed Capacity Test at any time, up to two (2) times per year, the results of which shall be provided to PEF within seven (7) calendar days of the conclusion of such test. On and after the date of such requested Committed Capacity Test, and until the completion of a subsequent Committed Capacity Test, the Committed Capacity shall be set at the lower of the Capacity tested or the Committed Capacity as set forth in Section 7.2.

~~5.5~~ The "Capacity Delivery Date" shall be defined as the first calendar day immediately following the date of the Facility's successful completion of the first Committed Capacity Test.

7.5 Notwithstanding anything contrary to the terms hereof, the Committed Capacity may not exceed the amount set forth in Section 7.2 without the consent of PEF, which consent shall be granted in PEF's sole discretion.

7.6 In no event shall PEF make ~~capacity payments~~ Capacity Payments to the REP/QF prior to the Capacity Delivery Date.

~~57.7~~ The REP/QF shall be entitled to receive ~~capacity payments~~ Capacity Payments beginning on the Capacity Delivery Date, provided the Capacity Delivery Date occurs ~~on or after January 1, 2004 and on or before January 1, 2008~~ the Avoided Unit In-Service Date (or such later date permitted by PEF pursuant to the following sentence). If the Capacity Delivery Date does not occur ~~on or before January 1, 2008~~ the Avoided Unit In-Service Date, PEF shall immediately be entitled to draw down the Completion/Performance ~~security~~ Security in full.

68. Testing Procedures

68.1 The Committed Capacity Test must be completed successfully within a ~~sixty-hour period~~ (the "Demonstration Period"), which period, including the approximate start time of the Committed Capacity Test, shall be selected and scheduled by the REP/QF by means of a written notice to PEF delivered at least thirty (30) calendar days prior to the start of such period. The provisions of the foregoing sentence shall not apply to any Committed Capacity Test ordered by PEF under any of the provisions of this Contract. PEF shall have the right to be present onsite to monitor firsthand any Committed Capacity Test required or permitted under this Contract.

8.2 The Committed Capacity Test results shall be based on a test period of twenty-four (24) consecutive hours (the "Committed Capacity Test Period") at the highest sustained net kW rating at which the Facility can operate without exceeding the design operating conditions, temperature, pressures, and other parameters defined by the applicable manufacturer(s) for steady state operations at the Facility. The Committed Capacity Test Period shall commence at the time designated by the REP/QF pursuant to Section ~~68.1~~ or at such time requested by PEF pursuant to Section ~~5.37.4~~; provided, however, that the Committed Capacity Test Period may commence earlier than such time in the event that PEF is notified of, and consents to, such earlier time.

68.3 Normal station service use of unit auxiliaries, including, without limitation, cooling towers, heat exchangers, and other equipment required by law, shall be in service during the Committed Capacity Test Period. ~~Normal deliveries of the~~

~~contracted quantity and quality of cogenerated steam to the steam host, if any, shall be required during the Committed Capacity Test Period.~~

- 68.4 The Capacity of the Facility ~~(the "Capacity")~~ shall be the minimum average hourly net ~~capacity~~output in kW (generator output minus auxiliary) measured over the Committed Capacity Test Period.

68.5 The Committed Capacity Test shall be performed according to standard industry testing procedures for the appropriate technology of the REP/QF.

68.6 The results of any Committed Capacity Test, including all data related to ~~facility~~Facility operation and performance during testing, shall be submitted to PEF by the REP/QF within seven (7) calendar days of the conclusion of the Committed Capacity Test. The REP/QF shall certify that all such data is accurate and complete.

79. Payment for Electricity Produced by the Facility

79.1 Energy

9.1.1 PEF agrees to pay the REP/QF for energy produced by the Facility and delivered to PEF in accordance with the rates and procedures contained in PEF's approved Rate Schedule COG-1 if the Committed Capacity pursuant to Section 7.2, attached hereto as is set to zero. If the Committed Capacity is greater than zero MW, then PEF agrees to pay the REP/QF for energy produced by the Facility and delivered to PEF in accordance with the rates and procedures contained in Appendix AD, as it may be amended from time to time. The Parties agree that this Contract shall be subject to all of the provisions contained in Rate Schedule COG-21 or Appendix D whichever applies as approved and on file with the FPSC.

9.1.2 PEF may, at its option, limit deliveries under this ~~Standard Offer Contract~~ to 110% of the Committed Capacity as set forth in Section ~~5.7~~. In the event that PEF chooses to limit deliveries, any energy in excess of 110% of the Committed Capacity will be paid for at the rates defined in Rate Schedule COG-1 As Available Tariff and shall not be included in the calculations in Appendix ~~BA~~ hereto.

9.2 Capacity

PEF agrees to pay the REP/QF for the ~~capacity~~Capacity described in Section ~~57~~ in accordance with the rates and procedures contained in ~~Rate Schedule COG-2~~Appendix D, as it may be amended and approved from time to time by the FPSC, and pursuant to the election of Option _____ of ~~Rate Schedule COG-2~~Appendix D. The REP/QF understands and agrees that Capacity ~~payments~~Payments will only be made ~~under Option B, Option C, or Option D~~ if the ~~QF has achieved the~~ Capacity Delivery Date occurs before the Avoided Unit In-Service Date and the Facility is delivering firm capacity and ~~energy~~Energy to PEF. Once so selected, this ~~option~~Option, the Firm Capacity Rate and/or the Firm Energy Rate cannot be changed for the lifetime of this Contract.

79.3 Payments for Energy and Capacity

9.3.1 Payments due the REP/QF will be made monthly, and normally by the twentieth ~~business day~~ Business Day following the end of the billing period. The kilowatt-hours sold by the REP/QF and the applicable avoided energy rate at which payments are being made shall accompany the payment to the REP/QF.

9.3.2 Payments to be made under this Contract shall, for a period of not longer than two (2) years, remain subject to adjustment based on billing adjustments due to error or omission by either Party, provided that such adjustments have been agreed to between the Parties.

810. Electricity Production and Plant Maintenance Schedule

810.1 No later than sixty (60) calendar days prior to the Capacity Delivery Date, and prior to October 1 of each calendar year thereafter during the term of this Contract, the REP/QF shall submit to PEF in writing a detailed plan of the amount of electricity to be generated by the Facility and delivered to PEF for each month of the following calendar year, including the time, duration and magnitude of any scheduled maintenance period(s) or reductions in ~~capacity~~ Capacity.

810.2 By October 31 of each calendar year, PEF shall notify the REP/QF in writing whether the requested scheduled maintenance periods in the detailed plan are acceptable. If PEF does not accept any of the requested scheduled maintenance periods, PEF shall advise the REP/QF of the time period closest to the requested period(s) when the outage(s) can be scheduled. The REP/QF shall only schedule outages during periods approved by PEF, and such approval shall not be unreasonably withheld. Once the schedule for the detailed plan has been established and approved, either Party requesting a subsequent change in such schedule, except when such change is due to Force Majeure, must obtain approval for such change from the other Party. Such approval shall not be unreasonably withheld or delayed. Scheduled maintenance outage days shall be limited to twenty-one (21) days per calendar year. In no event shall maintenance periods be scheduled during the following periods: June 1 through September 15 and December 1 through and including the last day of February ~~28 (or 29th as the case may be)~~.

810.3 The REP/QF shall comply with reasonable requests by PEF regarding day-to-day and hour-by-hour communication between the Parties relative to electricity production and maintenance scheduling.

10.4 The Parties recognize that the intent of the availability factor in Section 4 of this Contract is an allowance for scheduled outages, forced outages and forced reductions in the output of the Facility. Therefore, the REP/QF shall provide PEF with notification of any forced outage or reduction in output which shall include the time and date at which the forced outage or reduction occurred, a brief description of the cause of the outage or reduction and the time and date when the forced outage or reduction ceased and the Facility was able to return to normal operation. This notice shall be provided to PEF within seventy-two (72) hours of the end of the forced outage or reduction.

The REP/QF is required to provide the total electrical output to PEF except (i) during a period that was scheduled in Section 10.2, (ii) during a period in which notification of a forced outage or reduction was provided, (iii) during an event of Force Majeure or (iv) during a curtailment period as described in Section 10.5.5. In the event that the REP/QF does not deliver its full electrical output to PEF during an hour not excluded in the previous sentence then the REP/QF shall be charged a rate equal to the PEF's Rate Schedule COG-1 times the difference between the Committed Capacity and the actual energy received by PEF in that hour. If, in PEF's sole judgment, it is determined that the normal operation of the REP/QF requires it to cease operation or reduce its output, the charges in this Section 10.4 may be waived.

8.410.5 Dispatch and Control

8.410.5.1 Power supplied by the REP/QF hereunder shall be in the form of three-phase 60 ~~Hertz~~-hertz alternating current, at a nominal operating voltage of _____ volts (_____ kV) and power factor dispatchable and controllable in the range of 90% lagging to 90% leading as measured at the interconnection point to maintain system operating parameters, including power factor, as specified from time to time by PEF.

8.410.5.2 The REP/QF shall operate the Facility with all system protective equipment in service whenever the Facility is connected to, or is operated in parallel with, PEF's system, except for normal testing and repair in accordance with good engineering and operating practices as agreed by the Parties. The REP/QF shall provide adequate system protection and control devices to ensure safe and protected operation of all energized equipment during normal testing and repair. All REP/QF facilities shall meet IEEE and industry standards. The REP/QF shall have independent, third party qualified personnel test, calibrate and certify in writing all protective equipment at least once every twelve (12) months in accordance with good engineering and operating practices. A unit functional trip test shall be performed after each overhaul of the Facility's turbine, generator or boilers and results provided to PEF in writing prior to returning the equipment to service. The specifics of the unit functional trip test will be consistent with good engineering and operating practices as agreed by the Parties.

8.410.5.3 If the Facility is separated from the PEF system for any reason, under no circumstances shall the REP/QF reconnect the Facility to PEF's system without first obtaining PEF'S specific approval.

8.410.5.4 During the term of this Contract, the REP/QF shall employ qualified personnel for managing, operating and maintaining the Facility and for coordinating such with PEF. The REP/QF shall ensure that operating personnel are on duty at all times, twenty-four (24) hours a calendar day and seven (7) calendar days a week. Additionally, during the term of this Contract, the REP/QF shall operate and maintain the Facility in such a manner as to ensure compliance with its obligations hereunder and in accordance with applicable law and ~~prudent utility practices~~Prudent Utility Practices.

8.410.5.5 PEF shall not be obligated to purchase, and may require curtailed or reduced deliveries of energy to the extent allowed under FPSC Rule 25-17.086 and under any curtailment plan which PEF may have on file with the FPSC from time to time.

8.410.5.6 During the term of this Contract, the REP/QF shall maintain sufficient fuel on the site of the Facility to deliver the capacity and energy associated with the Committed Capacity for an uninterrupted seventy-two-(72) hour period. At PEF's request, the REP/QF shall demonstrate this capability to PEF's reasonable satisfaction. During the term of this Contract, the REP/QF's output shall remain within a band of plus or minus ten percent (10%) of the daily output level or levels specified by the plant operator, in ninety percent (90%) of all operating hours under normal operating conditions. This calculation will be adjusted to exclude forced outage periods and periods during which the REP/QF's output is affected by a Force Majeure event.

911. Completion/Performance Security

~~9.1 — As security for the achievement of the Capacity Delivery Date and satisfactory performance of its obligations hereunder, the QF shall provide PEF either: (a) an unconditional, irrevocable, direct pay letter(s) of credit in effect through the first (1st) anniversary of the Capacity Delivery Date (or the next business day thereafter), issued by a financial institution(s) having an investment grade credit rating, in form and substance acceptable to PEF (including provisions (i) permitting partial and full draws and (ii) permitting PEF to draw in full if such letter of credit is not renewed or replaced as required by the terms hereof at least ten (10) business days prior to its expiration date); (b) a cash deposit(s) with PEF; or (c) a bond issued by a financially sound company in form and substance acceptable to PEF. Such letter(s) of credit, cash deposit(s) or bond shall be provided in the amount and by the date listed below:~~

~~9.1.1~~ \$30.00 per kW (as set forth in Section 5.1) within thirty (30) calendar days of the execution of this Contract by the Parties hereto.

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

- ~~()~~ Unconditional, irrevocable, direct pay letter(s) of credit.
- ~~()~~ Bond.
- ~~()~~ Cash deposit(s) with PEF.

~~9.2~~ PEF shall have the right and the QF shall be required to monitor the financial condition of the issuer(s) in the event any letter of credit is provided by the QF. In the event the senior debt rating of any issuer(s) has ~~_____~~ deteriorated to a level below investment grade, PEF may require the QF to replace the letter(s) of credit. Replacement letter(s) of credit must be issued by a financial institution(s) with an investment grade credit rating, and meet the requirements of Section 9.1, within thirty (30) calendar days following written notification to the QF of the requirement to replace. Failure by the QF to comply with the requirements of this Section 9.3 shall be grounds for PEF to draw in full on the existing letter of credit and to exercise any other remedies it may have hereunder.

~~9.3~~ Notwithstanding the foregoing provisions of this Section 9, pursuant to FPSC Rule 25-17.091(4), F.A.C., a QF qualifying as a "Solid Waste Facility" pursuant to Section 377.709(3) or (5), Fla. Stat., respectively, may use an unsecured promise to pay by the local government which owns the Facility or on whose behalf the QF operates the Facility, to secure its obligation to achieve on a timely basis the Capacity Delivery Date and the satisfactory performance of its obligations hereunder. Within one year of execution of this agreement and annually thereafter, QF shall supply to PEF an audited, comprehensive financial statement of such local government which shall demonstrate that the local government continues its promise to pay and continues to possess the financial wherewithal to honor such promise.

~~9.4~~ If an Event of Default under Section 12 occurs, PEF shall be entitled immediately to receive, draw upon, or retain, as the case may be, one hundred percent (100%) of the then applicable Completion/Performance Security.

~~9.5~~ If an Event of Default has not occurred and the QF fails to achieve the Capacity Delivery Date on or before January 1, 2008, PEF shall be entitled immediately to receive, draw upon, or retain, as the case may be, one hundred percent (100%) of the Completion/Performance Security. The Parties acknowledge that the injury that PEF will suffer as a result of delayed availability of Committed Capacity and energy is difficult to ascertain and that PEF may accept such sums as liquidated damages or resort to any other remedies which may be available to it under law or in equity. If the Capacity Delivery Date is achieved on or before January 1, 2008, then the QF shall be entitled to reduce the amount of the Completion/Performance Security to an amount equal to \$15.00 per kW (for the number of kW set forth in Section 5.1).

~~9.6 In the event that PEF requires the QF to perform one or more Committed Capacity Test(s) at any time pursuant to Section 5.3 and, in connection with any such Committed Capacity Test(s), the QF fails to demonstrate a Capacity of at least one hundred percent (100%) of the Committed Capacity set forth in Section 5.1, PEF shall be entitled immediately to receive, draw upon, or retain, as the case may be, one hundred percent (100%) of the then remaining amount of the Completion/Performance Security.~~

11.1 Simultaneous with the execution of this agreement REP/QF shall deliver to PEF Eligible Collateral in an amount according to Table 1. REP/QF's Performance Security shall be maintained throughout the Term although the amount of Eligible Collateral shall be adjusted from time to time in accordance with Tables 1 and Section 11.4. The listed amounts are considered the initial amounts and use 2006 as the Base Year, with all amounts expressed in US Dollars.

Note: The amounts in the following Tables are for 2006 and are subject to change based on utility cost estimates for any year subsequent to the Base Year.

Table 1

<u>Credit Class</u>	<u>Amount per MW</u> <u>Years 1 - 5</u>	<u>Amount per MW</u> <u>Years 6 - 10</u>
<u>A- and Above</u>	<u>\$45,000</u>	<u>\$30,000</u>
<u>BBB+ to BBB</u>	<u>\$65,000</u>	<u>\$55,000</u>
<u>BBB-</u>	<u>\$90,000</u>	<u>\$80,000</u>
<u>Below BBB-</u>	<u>\$135,000</u>	<u>\$90,000</u>

- 11.2** In the event that a Material Adverse Change occurs in respect of REP/QF, then within two (2) Business Day(s) REP/QF shall deliver to PEF Supplemental Eligible Collateral equal to 50 percent of the current Eligible Collateral amount, provided however, that in the PEF's sole discretion, based on a review of the overall circumstances of REP/QF's Material Adverse Change, the total of the Eligible Collateral and the Supplemental Eligible Collateral may be reduced but in no event shall the amount be less than the Base Performance Security Amount.
- 11.3** PEF Performance Security - In the event that a Material Adverse Change occurs in respect of PEF, within two (2) Business Days, PEF shall deliver to REP/QF Eligible Collateral in the same amount as the REP/QF Performance Security which shall be adjusted at the same times and to the same amounts set forth in Table 1 for the REP/QF Performance Security; provided however, that in REP/QF's sole discretion, base on a review of the overall circumstances or PEF's Material Adverse Change, the Eligible Collateral that PEF is required to provide may be reduced to an amount below that stated in the applicable table but no event less than the Base Performance Security Amount.
- 11.4** Performance Security Annual Adjustments – Both the REP/QF Performance Security and PEF Performance Security (if applicable) shall be adjusted on an annual basis beginning January 1, 2007 and each year of during the term of the Agreement. The values in Table 1 will be adjusted using the change in the Gross Domestic Implicit Price Deflator (GDPIPD) between the Base Year and each year during the term as reported in the Survey of Current Business published in January each year and revised thereafter, by the Bureau of Economic Analysis, United States Department of commerce, Washington, D.C. using the following formula: Current Performance Security amount (CPSA) multiplied by one plus the change in the GDPIPD, (CPSA X (1 + ΔGDPIPD))

11.5 Replacement Collateral, Release of Collateral - Upon any reduction of the amount of REP/QF Performance Security or PEF Performance Security pursuant to Section 11.2 or 11.3 the beneficiary thereof shall upon two (2) Business Days written request by the other Party release any Eligible or Supplemental Eligible Collateral that is no longer required. The choice of the type of Eligible Collateral by a Party may be selected from time to time by such Party and upon receipt of substitute Eligible Collateral, the holder of the Eligible Collateral for which the substitution is being made shall promptly release such Eligible Collateral. Following any termination of this agreement, the Parties shall mutually agree to a final settlement of all obligations under this Agreement which such period shall not exceed 90 days from such termination date unless extended by mutual agreement between the Parties. After such settlement, any remaining Eligible Collateral posted by a Party that has not been drawn upon by the other Party pursuant to its rights under this Contract shall be returned to such Party. Any dispute between the Parties regarding such final settlement shall be resolved according to applicable procedures set forth in Section 20.9.

11.6 Draws, Replenishment - A Non-Defaulting Party may draw upon Eligible Collateral or Supplemental Eligible Collateral provided by the other Party following the occurrence of an Event of Default by such other Party or pursuant to the other provisions of this Agreement in order to recover any damages to which such Non-Defaulting Party is entitled to under this Contract. In the event of such a draw then, except in the circumstance when this Contract otherwise terminates, the Defaulting Party shall within two (2) Business Days replenish the Eligible Collateral or Supplemental Eligible Collateral to the full amounts required by Table 1.

11.7 Reporting - REP/QF shall promptly notify PEF of any circumstance that results in REP/QF's failure to be in compliance with the REP/QF Performance Security Requirements of Section 11. From time to time, at PEF's written request, REP/QF shall provide PEF with such evidence as PEF may reasonably request, that REP/QF and any REP/QF Guarantor REP/QF Guarantee, Letter of Credit or Security Account is in Full Compliance with this agreement.

PEF shall promptly notify REP/QF of any circumstance that results in PEF's failure to be in compliance with the PEF Performance Security Requirements of Section 11.3. From time to time, at REP/QF's written request, PEF shall provide REP/QF with such evidence as REP/QF may reasonably request, that PEF and any PEF Guarantor, PEF Guarantee, Letter of Credit or Security Account is in Full Compliance with this agreement.

1012. Termination Fee

1012.1 In the event that the REP/QF receives ~~capacity payments~~ Capacity Payments pursuant to Option B, Option C, or Option D of Appendix D, then upon the termination of this Contract, the REP/QF shall owe and be liable to PEF for a ~~termination fee calculated in accordance with Appendix C (the "Termination Fee")~~. The ~~Termination Fee is in the nature of liquidated damages due as a consequence of terminating this Contract. The~~ REP/QF's obligation to pay the Termination Fee shall survive the termination of this Contract. PEF shall provide the REP/QF, on a monthly basis, a calculation of the Termination Fee.

1012.1.1 The Termination Fee shall be secured ~~(with by the exception of governmental solid waste facilities covered by FPSC Rule 25-17.091) by the~~ REP/QF by: (i) an unconditional, irrevocable, direct pay letter(s) of credit issued by a financial institution(s) with an investment grade credit rating in form and substance acceptable to PEF (including provisions (a) permitting partial and full draws and (b) permitting PEF to draw upon such ~~letter of credit~~ Letter of Credit, in full, if such ~~letter of credit~~ Letter of Credit is not renewed or replaced at least ten (10) ~~business days~~ Business Days prior to its expiration date); (ii) a bond issued by a financially sound company in form and substance acceptable to PEF; or (iii) a cash deposit with PEF (any of (i), (ii), or (iii), the "Termination Security"). ~~In the case of QF operating as a solid waste facility pursuant to section 9.4 of this agreement, the Termination Fee shall be secured by an unsecured promise to pay, by the local government which owns the Facility or on whose behalf the QF operates the Facility, to secure its obligation to pay on a timely basis the Termination Fee. Within one year of execution of this agreement and annually thereafter, QF shall supply to PEF an audited, comprehensive financial statement of such local government which shall demonstrate that the local government continues its promise to pay the Termination Fee and continues to possess the financial wherewithal to honor such promise. The specific security instrument selected by the~~ REP/QF for purposes of this Contract is:

- () Unconditional, irrevocable, direct pay letter(s) of credit.
- () Bond.
- () Cash deposit(s) with PEF.

1012.1.2 PEF shall have the right and the REP/QF shall be required to monitor the financial condition of (i) the issuer(s) in the case of any ~~letter~~ Letter of credit Credit and (ii) the insurer(s), in the case of any bond. In the event the senior debt rating of any issuer(s) or insurer(s) has deteriorated to a level below investment grade, PEF may require the REP/QF to replace the letter(s) of credit or the bond, as applicable. In the event that PEF notifies the REP/QF that it requires such a replacement, the replacement letter(s) of credit or bond, as applicable, must be issued by a

financial institution(s) or insurer(s) with an investment grade credit rating, and meet the requirements of Section ~~10~~12.1.1 within thirty (30) calendar days following such notification. Failure by the REP/QF to comply with the requirements of this Section ~~10~~12.1.2 shall be grounds for PEF to draw in full on any existing ~~letter~~Letter of ~~credit~~Credit or bond and to exercise any other remedies it may have hereunder.

1012.1.3 After the close of each calendar quarter (March 31, June 30, September 30, and December 31) occurring subsequent to the Capacity Delivery Date, upon PEF's issuance of the Termination Fee calculation as described in Section ~~1012.1~~, the REP/QF must provide PEF, within ten calendar (10) days, written assurance and documentation (the "Security Documentation"), in form and substance acceptable to PEF, that the amount of the Termination Security is sufficient to cover the balance of the Termination Fee. In addition to the foregoing, at any time during the term of this Contract, PEF shall have the right to request and the REP/QF shall be obligated to deliver within five (5) calendar days of such request, such Security Documentation. Failure by the REP/QF to comply with the requirements of this Section ~~1012.1.3~~ shall be grounds for PEF to draw in full on any existing ~~letter~~ Letter of credit or bond or to retain any cash deposit, and to exercise any other remedies it may have hereunder.

12.1.4 Upon any termination of this Contract following the Capacity Delivery Date, PEF shall be entitled to receive (and in the case of the letter(s) of credit or bond, draw upon such letter(s) of credit or bond) and retain one hundred percent (100%) of the Termination Security.

1113. Performance Factor

PEF desires to provide an incentive to the REP/QF to operate the Facility during on-peak and off-peak periods in a manner that approximates the projected performance of ~~PEF's~~ the Avoided Unit. A formula to achieve this objective is attached as Appendix BA.

1214. Default

Notwithstanding the occurrence of any Force Majeure as described in Section ~~1618~~, each of the following shall constitute an Event of Default:

- ~~(a) The QF fails to maintain the "qualifying" status of the Facility specified in Section 1 of this Contract;~~
- ~~(b) The the REP/QF changes or modifies the Facility from that provided in Section 1 2 with respect to its type, location, technology or fuel source, without the prior written approval from of PEF;~~
- ~~(c) After after the Capacity Delivery Date, the Facility fails for twelve (12) consecutive months to maintain an Annual Capacity Billing Factor, as described in Appendix BA, of at least eighty-sixty nine percent (8069%);~~
- ~~(d) The QF fails to satisfy its obligations under Section 8.4.6 hereof;~~
- (c) the REP/QF fails to satisfy its obligations to maintain sufficient fuel on the site of the Facility to deliver the capacity and energy associated with the Committed



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Capacity for an uninterrupted seventy-two-(72) hour period under Section 10.5.6 hereof;

- ~~(e) The QF fails to comply with any of the provisions of Section 9 hereof;~~
- ~~(d) the REP/QF fails to provide the Completion/Performance Security and the Termination Fee and to comply with any of the provisions of Sections 11 and 12 hereof~~

- (f) ~~The QF fails to comply with any of the provisions of Section 10 hereof;~~
- (g) ~~The~~
- (e) the REP/QF, or the entity which owns or controls the REP/QF, ceases the conduct of active business; or if proceedings under the federal bankruptcy law or insolvency laws shall be instituted by or for or against the REP/QF or the entity which owns or controls the REP/QF; or if a receiver shall be appointed for the REP/QF or any of its assets or properties, -or for the entity which owns or controls the REP/QF; or if any part of the REP/QF's assets shall be attached, levied upon, encumbered, pledged, seized or taken under any judicial process, and such proceedings shall not be vacated or fully stayed within thirty (30) calendar days thereof; or if the REP/QF shall make an assignment for the benefit of creditors, or admit in writing its inability to pay its debts as they become due;
- (hf) ~~The~~ the REP/QF fails to give proper assurance of adequate performance as specified under this Contract within thirty (30) calendar days after PEF, with reasonable grounds for insecurity, has requested in writing such assurance;
- (i) ~~The QF materially fails to perform as specified under this Contract, including but not limited to, the QF's obligations under Sections 8, 9, 10, and 14-18;~~
- (jg) ~~The~~ the REP/QF fails to achieve licensing, certification, and all federal, state and local governmental, environmental, and licensing approvals required to initiate construction of the Facility by no later than January 1, 2007 the Completed Permits Date;
- (kh) ~~The~~ the REP/QF fails to comply with ~~any of the~~ provisions of Section ~~18~~20.3 hereof;
- (li) ~~Any~~ any of the representations or warranties made by the REP/QF in this Contract is false or misleading in any material respect as of the time made;
- (mj) ~~If~~ if, at any time after the Capacity Delivery Date, the REP/QF reduces the Committed Capacity due to an event of Force Majeure and fails to repair the Facility and reset the Committed Capacity to the level set forth in Section ~~5-17.2~~ (as such level may be reduced by Section ~~5-37.4~~) within twelve (12) months following the occurrence of such event of Force Majeure; or
- (nk) ~~The~~ the REP/QF breaches any material provision of this Contract not specifically mentioned in this Section ~~12~~14.

13. PEF's 15. PEF's Rights in the Event of Default

15.1 Upon the occurrence of any of the Events of Default in Section ~~12~~14, PEF may, at its option:



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~~1315.1.1~~ ~~Terminate~~immediately terminate this Contract, without penalty or further obligation, except as set forth in Section ~~1315.2~~, by written notice to the REP/QF, and offset against any payment(s) due from PEF to the REP/QF, any monies otherwise due from the REP/QF to PEF;

~~1315.1.2~~ ~~Enforce~~enforce the provisions of the Termination Security requirement pursuant to Section ~~1012~~ hereof; and

~~1315.1.3~~ ~~Exercise~~ exercise any other remedy(ies) which may be available to PEF at law or in equity.

15.2 Termination shall not affect the liability of either Party for obligations arising prior to such termination or for damages, if any, resulting from any breach of this Contract.

1416. Indemnification

1416.1 PEF and the QFREP/QF shall each be responsible for its own facilities. PEF and the QFREP/QF shall each be responsible for ensuring adequate safeguards for other PEF customers, PEF's and the QF's REP/QF's personnel and equipment, and for the protection of its own generating system. Each Party (the "Indemnifying Party") agrees, to the extent permitted by applicable law, to indemnify, pay, defend, and hold harmless the other Party (the "Indemnifying Party") and its officers, directors, employees, agents and contractors (hereinafter called respectively, "PEF Entities" and "QFREP/QF Entities") from and against any and all claims, demands, costs or expenses for loss, damage, or injury to persons or property of the Indemnified Party (or to third parties) directly caused by, arising out of, or resulting from:

- (a) a breach by the Indemnifying Party of its covenants, representations, and warranties or obligations hereunder;
- (b) any act or omission by the Indemnifying Party or its contractors, agents, servants or employees in connection with the installation or operation of its generation system or the operation thereof in connection with the other Party's system;
- (c) any defect in, failure of, or fault related to, the Indemnifying Party's generation system;
- (d) the negligence or willful misconduct of the Indemnifying Party or its contractors, agents, servants or employees; or
- (e) any other event or act that is the result of, or proximately caused by, the Indemnifying Party or its contractors, agents, servants or employees related to the Contract or the Parties' performance thereunder.

1416.2 Payment by an Indemnified Party to a third party shall not be a condition precedent to the obligations of the Indemnifying Party under Section 14.16. No Indemnified Party under Section 1416 shall settle any claim for which it claims indemnification hereunder without first allowing the Indemnifying Party the right to defend such a claim. The Indemnifying Party shall have no obligations under Section 1416 in the event of a breach of the foregoing sentence by the Indemnified Party. Section 1416 shall survive termination of this Agreement.

17. Insurance

1517.1 The REP/QF shall procure or cause to be procured and shall maintain throughout the entire ~~term~~Term of this Contract, a policy or policies of liability insurance issued by an insurer acceptable to PEF on a standard "Insurance Services Office" commercial general liability form (such policy or policies, collectively, the "REP/QF Insurance"). ~~A~~). An original certificate of insurance shall be delivered to PEF at least fifteen (15) calendar days prior to the start of any interconnection work. At a minimum, the REP/QF Insurance shall contain (a) an endorsement providing coverage, including products liability/completed operations coverage for the term of this Contract, and (b) a broad form contractual liability endorsement covering liabilities (i) which might arise under, or in the performance or nonperformance of, this Contract and the Interconnection Agreement, or (ii) caused by operation of the Facility or any of the REP/QF's equipment or by the REP/QF's failure to maintain the Facility or the REP/QF's equipment in satisfactory and safe operating condition. Effective at least fifteen (15) calendar days prior to the synchronization of the Facility with PEF's system, the REP/QF Insurance shall be amended to include coverage for interruption or curtailment of power supply in accordance with industry standards. Without limiting the foregoing, the REP/QF Insurance must be reasonably acceptable to PEF. Any premium assessment or deductible shall be for the account of the REP/QF and not PEF.

1517.2 The REP/QF Insurance shall have a minimum limit of ~~One Million Dollars~~one million dollars (\$1,000,000.00) per occurrence, combined single limit, for bodily injury (including death) or property damage.

1517.3 To the extent that the REP/QF Insurance is on a "claims made" basis, the retroactive date of the policy(ies) shall be the ~~effective date~~Effective Date of this Contract or such other date as may be agreed upon to protect the interests of the PEF Entities and the REP/QF Entities. Furthermore, to the extent the REP/QF Insurance is on a "claims made" basis, the ~~QF's~~REP/QF's duty to provide insurance coverage shall survive the termination of this Contract until the expiration of the maximum statutory period of limitations in the State of Florida for actions based in contract or in tort. To the extent the REP/QF Insurance is on an "occurrence" basis, such insurance shall be maintained in effect at all times by the REP/QF during the term of this Contract.

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

~~15.5~~17.5 The REP/QF shall be designated as the named insured and PEF shall be designated as an additional named insured under the REP/QF Insurance. The REP/QF Insurance shall be endorsed to be primary to any coverage maintained by PEF.

16.18. Force Majeure

18.1 "Force Majeure" is defined as an event or circumstance that is not reasonably foreseeable, is beyond the reasonable control of and is not caused by the negligence or lack of due diligence of the ~~affected Party~~ claiming Force Majeure or its contractors or suppliers and adversely affects the performance by that Party of its obligations under or pursuant to this agreement. Such events or circumstances may include, but are not limited to, actions or inactions of civil or military authority (including courts and governmental or administrative agencies), acts of God, war, riot or insurrection, blockades, embargoes, sabotage, epidemics, explosions and fires not originating in the Facility or caused by its operation, hurricanes, floods, strikes, lockouts or other labor disputes or difficulties (not caused by the failure of the affected party to comply with the terms of a collective bargaining agreement). REP/QF equipment breakdown or inability to use equipment caused by its design, construction, operation, maintenance or inability to meet regulatory standards, or otherwise caused by an event originating in the Facility, or a REP/QF failure to obtain on a timely basis and maintain a necessary permit or other regulatory approval, shall not be considered an event of Force Majeure, unless the REP/QF can conclusively demonstrate, to the reasonable satisfaction of PEF, that the event was not reasonably foreseeable, was beyond the REP/QF's reasonable control and was not caused by the negligence or lack of due diligence of the REP/QF or its agents, contractors or suppliers and adversely affects the performance by that Party of its obligations under or pursuant to this agreement.

~~16.1~~18.2 Except as otherwise provided in this Contract, each Party shall be excused from performance when its nonperformance was caused, directly or indirectly by an event of Force Majeure.

~~16.2~~18.3 In the event of any delay or nonperformance resulting from an event of Force Majeure, the Party claiming Force Majeure shall notify the other Party in writing within five (5) ~~business days~~ Business Days of the occurrence of the event of Force Majeure, of the nature cause, date of commencement thereof and the anticipated extent of such delay, and shall indicate whether any deadlines or date(s), imposed hereunder may be affected thereby. The suspension of performance shall be of no greater scope and of no greater duration than the cure for the Force Majeure requires. A Party claiming Force Majeure shall not be entitled to any relief ~~therefor~~ therefore unless and until conforming notice is provided. The Party claiming Force Majeure shall notify the other Party of the cessation of the event of Force Majeure or of the conclusion of the affected Party's cure for the event of Force Majeure in either case within two (2) ~~business days~~ Business Days thereof.

~~16.3~~18.4 The Party claiming Force Majeure shall use its best efforts to cure the cause(s) preventing its performance of this Contract; provided, however, the settlement of strikes, lockouts and other labor disputes shall be entirely within the discretion of the affected Party and such Party shall not be required to settle such strikes, lockouts or other labor disputes by acceding to demands which such Party deems to be unfavorable.

~~16.4~~18.5 If the REP/QF suffers an occurrence of an event of Force Majeure that reduces the generating capability of the Facility below the Committed Capacity, the REP/QF may, upon notice to PEF temporarily adjust the Committed Capacity as provided in Sections ~~16~~18.5 and ~~16~~18.6. Such adjustment shall be effective the first calendar day immediately following PEF's receipt of the notice or such later date as may be specified by the REP/QF. Furthermore, such adjustment shall be the minimum amount necessitated by the event of Force Majeure.

~~16.5~~18.6 If the Facility is rendered completely inoperative as a result of Force Majeure, the REP/QF shall temporarily set the Committed Capacity equal to 0 kW until such time as the Facility can partially or fully operate at the Committed Capacity that existed prior to the Force Majeure. If the Committed Capacity is 0 kW, PEF shall have no obligation to make ~~capacity payments~~ Capacity Payments hereunder.

~~16.6~~18.7 If, at any time during the occurrence of an event of Force Majeure or during its cure, the Facility can partially or fully operate, then the REP/QF shall temporarily set the Committed Capacity at the maximum capability that the Facility can reasonably be expected to operate.

~~16.7~~18.8 Upon the cessation of the event of Force Majeure or the conclusion of the cure for the event of Force Majeure, the Committed Capacity shall be restored to the Committed Capacity that existed immediately prior to the Force Majeure. Notwithstanding any other provisions of this Contract, upon such cessation or cure, PEF shall have right to require a Committed Capacity Test to demonstrate the Facility's compliance with the requirements of this ~~section~~ Section ~~16~~18.7. Any Committed Capacity Test required by PEF under this Section 18.7 shall be additional to any Committed Capacity Test under Section ~~5.3~~7.4.

~~16.8~~18.9 During the occurrence of an event of Force Majeure and a reduction in Committed Capacity under Section ~~16~~18.4 all Monthly Capacity Payments shall reflect, pro rata, the reduction in Committed Capacity, and the Monthly Capacity Payments will continue to be calculated in accordance with the pay-for-performance provisions in Appendix ~~BA~~.

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

1719. Representations, Warranties, and Covenants of REP/QF

The REP/QF represents and warrants that as of the Effective Date:

1719.1 Organization, Standing and Qualification

The REP/QF is a _____ (corporation, partnership, or other, as applicable) duly organized and validly existing in good standing under the laws of _____ and has all necessary power and authority to carry on its business as presently conducted to own or hold under lease its properties and to enter into and perform its obligations under this Contract and all other related documents and agreements to which it is or shall be a Party. The REP/QF is duly qualified or licensed to do business in the State of Florida and in all other jurisdictions wherein the nature of its business and operations or the character of the properties owned or leased by it makes such qualification or licensing necessary and where the failure to be so qualified or licensed would impair its ability to perform its obligations under this Contract or would result in a material liability to or would have a material adverse effect on PEF.

17.219.2 Due Authorization, No Approvals, No Defaults

Each of the execution, delivery and performance by the REP/QF of this Contract has been duly authorized by all necessary action on the part of the REP/QF, does not require any approval, except as has been heretofore obtained, of the _____ (shareholders, partners, or others, as applicable) of the REP/QF or any consent of or approval from any trustee, lessor or holder of any indebtedness or other obligation of the REP/QF, except for such as have been duly obtained, and does not contravene or constitute a default under any law, the _____ (articles of incorporation, bylaws, or other as applicable) of the REP/QF, or any agreement, judgement, injunction, order, decree or other instrument binding upon the REP/QF, or subject the Facility or any component part thereof to any lien other than as contemplated or permitted by this Contract.

17.319.3 Compliance with Laws

The REP/QF has knowledge of all laws and business practices that must be followed in performing its obligations under this Contract. The REP/QF is in compliance with all laws, except to the extent that failure to comply therewith would not, in the aggregate, have a material adverse effect on the REP/QF or PEF.

19.4 Governmental Approvals

Except as expressly contemplated herein, neither the execution and delivery by the REP/QF of this Contract, nor the consummation by the REP/QF of any of the transaction contemplated thereby, requires the consent or approval of, the giving of notice to, the registration with, the recording or filing of any document with, or the taking of any other action ~~in~~with respect ~~of~~to governmental authority, except ~~in~~with respect ~~of~~to permits (a) which have already been obtained and are in full force and effect or (b) are not yet required (and with respect to which the REP/QF has no reason to believe that the same will not be readily obtainable in the ordinary course of business upon due application therefore).

17.519.5 No Suits, Proceedings

There are no actions, suits, proceedings or investigations pending or, to the knowledge of the REP/QF, threatened against it at law or in equity before any court or tribunal of the United States or any other jurisdiction which individually or in the aggregate could result in any materially adverse effect on the REP/QF's business, properties, or assets or its condition, financial or otherwise, or in any impairment of its ability to perform its obligations under this Contract. The REP/QF has no knowledge of a violation or default with respect to any law which could result in any such materially adverse effect or impairment.

17.619.6 Environmental Matters

To the best of its knowledge after diligent inquiry, the REP/QF knows of no (a) existing violations of any environmental laws at the Facility, including those governing hazardous materials or (b) pending, ongoing, or unresolved administrative or enforcement investigations, compliance orders, claims, demands, actions, or other litigation brought by governmental authorities or other third parties alleging violations of any environmental law or permit which would materially and adversely affect the operation of the Facility as contemplated by this Contract.

1820. General Provisions**1820.1 Project Viability**

To assist PEF in assessing the REP/QF's financial and technical viability, the REP/QF shall provide the information and documents requested in Appendix DC or substantially similar documents, to the extent the documents apply to the type of Facility covered by this Contract and to the extent the documents are available. All documents to be considered by PEF must be submitted at the time this Contract is presented to PEF. Failure to provide the following such documents may result in a determination of non-viability by PEF.

1820.2 Permits

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

1820.3 Project Management

If requested by PEF, the REP/QF shall submit to PEF its integrated project schedule for PEF's review within sixty (60) calendar days from the execution of this Contract, and a start-up and test schedule for the Facility at least sixty (60) calendar days prior to start-up and testing of the Facility. These schedules shall identify key licensing, permitting, construction and operating milestone dates and activities. If requested by PEF, the REP/QF shall submit progress reports in a form satisfactory to PEF every calendar month until the Capacity Delivery Date and shall notify PEF of any changes in such schedules within ten (10) calendar days after such changes are determined. PEF shall have the right to monitor the construction, start-up and testing of the Facility, either on-site or off-site. PEF's technical review and inspections of the Facility and resulting requests, if any, shall not be construed as endorsing the design thereof or as any warranty as to the safety, durability or reliability of the Facility.

The REP/QF shall provide PEF with the final designer's/manufacturer's generator capability curves, protective relay types, proposed protective relay settings, main one-line diagrams, protective relay functional diagrams, and alternating current and direct elementary diagrams for review and inspection at PEF no later than one hundred eighty (180) calendar days prior to the initial synchronization date.

1820.4 Assignment

The REP/QF may not assign this Contract, without PEF's prior written approval, which approval may be withheld at PEF's sole discretion.

1820.5 Disclaimer

In executing this Contract, PEF does not, nor should it be construed, to extend its credit or financial support for benefit of any third parties lending money to or having other transactions with the REP/QF or any assigns of this Contract.

1820.6 Notification

All formal notices relating to this Contract shall be deemed duly given when delivered in person, or sent by registered or certified mail, or sent by fax if followed immediately with a copy sent by registered or certified mail, to the individuals designated below. The Parties designate the following individuals to be notified or to whom payment shall be sent until such time as either Party furnishes the other Party written instructions to contact another individual:

For the REP/QF:

For PEF:

~~Florida Power Corporation~~Progress
Energy Florida
Cogeneration Manager BT 9G
100 Central Avenue
St. Petersburg, FL 33701

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

Florida Power Corporation
d/b/a Progress Energy Florida, Inc.
100 Central Avenue
St. Petersburg, FL 33701

Attention: ~~_____~~ Cogeneration Manager BT 9G**20.7 ~~18.7~~ Applicable Law**

This Contract shall be construed in accordance with and governed by the laws of the State of Florida, and the rights of the parties shall be construed in accordance with the laws of the State of Florida.

1820.8 Taxation

In the event that PEF becomes liable for additional taxes, including interest and/or penalties arising from an Internal Revenue Services determination, through audit, ruling or other authority, that PEF's payments to the REP/QF for ~~capacity~~ Capacity under Options B, C, or D are not fully deductible when paid (additional tax liability), PEF may bill the REP/QF monthly for the costs, including carrying charges, interest and/or penalties, associated with the fact that all or a portion of these ~~capacity payments~~ Capacity Payments are not currently deductible for federal and/or state income tax purposes. PEF at its option, may offset or recoup these costs against amounts due the REP/QF hereunder. These costs would be calculated so as to place PEF in the same economic position in which it would have been if the entire ~~capacity payments~~ Capacity Payments had been deductible in the period in which the payments were made. If PEF decides to appeal the Internal Revenue Service's determination, the decision as to whether the appeal should be made through the administrative or judicial process or both, and all subsequent decisions pertaining to the appeal (both substantive and procedural), shall rest exclusively with PEF.

20.9 Resolution of Disputes**20.9.1 Notice of Dispute**

In the event that any dispute, controversy or claim arising out of or relating to this Contract or the breach, termination or validity thereof should arise between the Parties (a "Dispute"), the Party may declare a Dispute by delivering to the other Party a written notice identifying the disputed issue.

20.9.2 Resolution by Parties

Upon receipt of a written notice claiming a Dispute, executives of both Parties shall meet at a mutually agreeable time and place within ten (10) Business Days after delivery of such notice and thereafter as often as they reasonably deem necessary, to exchange relevant information and to attempt to resolve the Dispute. In such meetings and exchanges, a Party shall have the right to designate as confidential any information that such Party offers. No confidential information exchanged in such meetings for the purpose of resolving a Dispute may be used by a Party in litigation against the other Party. If the matter has not been resolved within thirty (30) Days of the disputing Party's notice having been issued, or if the Parties fail to meet within ten (10) Business Days as required above, either Party may initiate binding arbitration in St. Petersburg, Florida, conducted in accordance with the then current American Arbitration Association's



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("AAA") Large, Complex Commercial Rules or other mutually agreed upon procedures.

20.10 Limitation of Liability

IN NO EVENT SHALL PEF, ITS PARENT CORPORATION, OFFICERS, DIRECTORS, EMPLOYEES, AND AGENTS BE LIABLE FOR ANY INCIDENTAL, INDIRECT, SPECIAL, CONSEQUENTIAL, EXEMPLARY, PUNITIVE, OR MULTIPLE DAMAGES RESULTING FROM ANY CLAIM OR CAUSE OF ACTION, WHETHER BROUGHT IN CONTRACT, TORT (INCLUDING, BUT NOT LIMITED TO, NEGLIGENCE OR STRICT LIABILITY), OR ANY OTHER LEGAL THEORY.

18.920.11 Severability

If any part of this Contract, for any reason, is declared invalid or unenforceable by a public authority of appropriate jurisdiction, then such decision shall not affect the validity of the remainder of the Contract, which remainder shall remain in force and effect as if this Contract had been executed without the invalid or unenforceable portion.

18.1020.12 Complete Agreement and Amendments

All previous communications or agreements between the Parties, whether verbal or written, with reference to the subject matter of this Contract are hereby abrogated. No amendment or modification to this Contract shall be binding unless it shall be set forth in writing and duly executed by both Parties. This Contract constitutes the entire agreement between the Parties.

18.1120.13 Survival of Contract

Subject to the requirements of Section 20.4, This Contract, as it may be amended from time to time, shall be binding upon, and inure to the benefit of, the Parties' respective successors-in-interest and legal representatives.

18.1220.14 Record Retention

The REP/QF agrees to remain shall maintain for a period of five (5) years from the date of termination hereof all records relating to the performance of its obligations hereunder, and to cause all REP/QF Entities to retain for the same period all such records.

18.1320.15 No Waiver

No waiver of any of the terms and conditions of this Contract shall be effective unless in writing and signed by the Party against whom such waiver is sought to be enforced. Any wavier of the terms hereof shall be effective only in the specific instance and for the specific purpose given. The failure of a Party to insist, in any instance, on the strict performance of any of the terms and conditions hereof shall not be construed as a waiver of such Party's right in the future to insist on such strict performance.

18.1420.16 Set-Off

PEF may at any time, but shall be under no obligation to, set off or recoup any and all sums due from the REP/QF against sums due to the REP/QF hereunder without undergoing any legal process.



____IN WITNESS WHEREOF, the REP/QF and PEF executed this Contract on the later of the dates set forth below.

REP/QF

FLORIDA POWER CORORPATION d/b/a
PROGRESS ENERGY FLORIDA, INC.

Signature

Signature

Print Name

Print Name

Title

Title

Date

Date

APPENDIX A
TO
PROGRESS ENERGY FLORIDA STANDARD OFFER CONTRACT
RATE SCHEDULE COG-2

SCHEDULE

COG-2, Firm Capacity and Energy

AVAILABLE

PEF will, under the provisions of this Schedule and PEF's Standard Offer Contract for the Purchase of Firm Capacity and Energy from a Small Power Producer or Other Qualifying Facility ("Standard Offer Contract") to which this Appendix is attached and incorporated into by reference, purchase firm capacity and energy offered by a Qualifying Facility pursuant to FPSC Rule 25-17.0832 (4). PEF's obligation to contract to purchase firm capacity from such QFs by means of this schedule and the Standard Offer Contract will continue only as long as, and the extent that, the 20 MW subscription limit is not exceeded and, in any event, no later than 2 weeks after approval of this standard offer by the Florida Public Service Commission. PEF's obligation to purchase firm capacity by means of this rate schedule and the Standard Offer Contract from QFs locating north of the latitude of PEF's Central Florida Substation is conditioned upon PEF being able to acquire import capability to replace that amount of Florida Southern Interface import capability lost as a result of the location of the Facility.

APPLICABLE

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

CHARACTER OF SERVICE

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

APPENDIX A
TO
PROGRESS ENERGY FLORIDA
RENEWABLE OR QUALIFYING FACILITY STANDARD OFFER CONTRACT

MONTHLY CAPACITY PAYMENT CALCULATION

Capitalized terms not otherwise defined herein have the meaning ascribed to them in the Standard Offer Contract for the Purchase of Firm Capacity and Energy from a Renewable Energy Producer of Qualifying Facility Less Than 100 kW.

- A. In the event that the ACBF is less than 69%, then no Monthly Capacity Payment shall be due. That is:

$$\text{MCP} = 0$$

- B. In the event that the ACBF is equal to or greater than 69% but less than 89%, then the Monthly Capacity Payment shall be calculated by using the following formula:

$$\text{MCP} = \text{BCP} [5 \times (\text{ACBF} - .69)] \times \text{CC}$$

- C. In the event that the ACBF is equal to or greater than 89%, then the Monthly Capacity Payment shall be calculated by using the following formula:

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

Where:

MCP = Monthly Capacity Payment in dollars.

BCP = Base Capacity Payment in \$/kW/Month as specified in Appendix D.

CC = Committed Capacity in kW.

LIMITATION

~~Purchases under this schedule are subject to FPSC Rules 25-17.080 through 25-17.091, F.A.C., and are limited to those Qualifying Facilities which:~~

~~A. Are Specified in FPSC Rule 25-17.0832 (4);~~

~~B. Execute a Standard Offer Contract;~~

~~C. Provide capacity which would not result in the 20 MW capacity subscription limit for PEF to be exceeded.~~

RATES FOR PURCHASES BY PEF

~~Firm Capacity and Energy are purchased at unit cost, in dollars per kilowatt per month and cents per kilowatt hour, respectively, based on the value of deferring additional capacity required by PEF. For the purpose of this Schedule, an Avoided Unit has been designated by PEF. PEF's next Avoided Unit has been identified as a 20 MW portion of a 540 MW combined cycle unit with an in-service date of January 2008, Schedule 1 to this Appendix describes the methodology used to calculate payment schedules, general terms, and conditions applicable to PEF's Standard Offer Contract filed and approved pursuant to FPSC Rules 25-17.080 through 25-17.091, F.A.C.~~

~~A. — Firm Capacity Rates~~

~~Four options, A through D, as set forth below, are available for payments of firm capacity that is produced by a QF and delivered to PEF. Once selected, an option shall remain in effect for the term of the Standard Offer Contract with PEF. Exemplary payment schedules, shown below, contain the monthly rate per kilowatt of Firm Capacity which the QF has contractually committed to deliver to PEF and are based on a contract term which extends through December 31, 2012. Payment schedules for other contract terms will be made available to any QF upon request and may be calculated based on the methodologies described in Schedule 1. The currently approved parameters used to calculate the following schedule of payments are found in Schedule 2 to this Appendix.~~

~~Option A — Fixed Value of Deferral Payments — Normal Capacity~~

~~Payment schedules under this option are based on the value of a year-by-year deferral of PEF's Avoided Unit with an in-service date of January 1, 2008, calculated in accordance with FPSC Rule 25-17.0832, F.A.C., as described in Schedule 1. Once this option is selected, the current schedule of payments shall remain fixed and in effect throughout the term of the Standard Offer Contract. The payment schedule for this option follows the description of Option D.~~

~~ACBF = Annual Capacity Billing Factor. The ACBF shall be the electric energy actually received by PEF for the 12 consecutive months preceding the date of calculation excluding any energy received during an event of Force Majeure in which the Committed Capacity is temporarily set equal to 0 kW, divided by the product of the~~

Committed Capacity and the number of hours in the 12 consecutive months preceding the date of calculation excluding the hours during an event of Force Majeure in which the Committed Capacity is temporarily set equal to 0 kW. If an event of Force Majeure occurs during the 12 consecutive months preceding the date of calculation in which the Committed Capacity is temporarily set to a value greater than 0 kW then the 12 month rolling average will be pro-rated accordingly. During the first 12 consecutive Monthly Billing Periods commencing with the first Monthly Billing Period in which Capacity Payments are to be made, the calculation of 12-month rolling average ACBF shall be performed as follows (a) during the first Monthly Billing Period, the ACBF shall be equal to the Monthly Availability Factor; (b) thereafter, the calculation of the ACBF shall be computed by electric energy actually received by PEF for the number of full consecutive months preceding the date of calculation excluding any energy received during an event of Force Majeure in which the Committed Capacity is temporarily set equal to 0 kW, divided by the product of the Committed Capacity and the number of hours in the number of full consecutive months preceding the date of calculation excluding the hours during an event of Force Majeure in which the Committed Capacity is temporarily set equal to 0 kW. If an event of Force Majeure occurs during the months preceding the date of calculation in which the Committed Capacity is temporarily set to a value greater than 0 kW then the 12 month rolling average will be pro-rated accordingly. This calculation shall be performed at the end of each Monthly Billing Period until enough Monthly Billing Periods have elapsed to calculate a true 12-month rolling average ACBF.

MAF = Monthly Availability Factor. The total energy received during the Monthly Billing Period for which the calculation is made, divided by the product of Committed Capacity times the total hours during the Monthly Billing Period.

Monthly Billing Period = The period beginning on the first calendar day of each calendar month, except that the initial Monthly Billing Period shall consist of the period beginning 12:01 a.m., on the Capacity Delivery Date and ending with the last calendar day of such month.

Option B – Fixed Value of Deferral Payments – Early Capacity

~~Payment schedules under this option are based upon the early capital cost component of the value of a year by year deferral of PEF's Avoided Unit. The term "early" with respect to Option B means that these payments can start as early as four years prior to the anticipated in-service date of PEF's Avoided Unit; provided, however, that under no circumstances may payments begin before this QF is delivering firm capacity and energy to PEF pursuant to the terms of the Standard Offer Contract. When this option is selected, the capacity payments shall be made monthly commencing no earlier than the Capacity Delivery Date of the QF and calculated as shown on Schedule 1. Capacity Payments under Option B do not result in a prepayment or create a future benefit.~~

~~The QF shall select the month and year in which the deliveries of firm capacity and energy to PEF are to commence and capacity payments are to start. PEF will provide the QF with a schedule of capacity payment rates based on the month and year in which the deliveries of firm capacity and energy are to commence and the term of the Standard Offer Contract. The exemplary payment schedule following Option D is based on a contract term that begins on December 1, 2003.~~

Option C – Fixed Value of Deferral Payment – Levelized Capacity

~~Payment schedules under this option are based upon the levelized capital cost component of the value of a year by year deferral of PEF's Avoided Unit. The capital portion of capacity payments under this option shall consist of equal monthly payments over the term of the Standard Offer Contract, calculated as shown on Schedule 1. 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 PEF's Avoided Unit. These calculations are shown in Schedule 1. The payment schedule for this option follows Option D. Capacity Payments under Option C do not result in a prepayment or create a future benefit.~~

Option D – Fixed Value of Deferral Payment – Early Levelized Capacity

~~Payment schedules under this option are based upon the early levelized capital cost component of the value of a year by year deferral of PEF's Avoided Unit. The capital portion of capacity payments under this option shall consist of equal monthly payments over the term of the Standard Offer Contract, calculated as shown on Schedule 1. The fixed operation and maintenance expense shall be calculated as shown in Schedule 1. At the option of the QF, payments for early levelized capacity shall commence at any time after the specified early capacity date and before the anticipated in-service date of PEF's Avoided Unit, provided that the QF is delivering firm capacity and energy to PEF pursuant to the terms of the Standard Offer Contract. The term "early" with respect to Option D means that capacity payments may begin earlier than the anticipated in-service date of PEF's avoided unit. Capacity payments under Option D do not result in a prepayment or create a future benefit.~~

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EXAMPLE MONTHLY CAPACITY PAYMENT IN \$/kW/MONTH
PEF'S 2005 COMBINED CYCLE AVOIDED UNIT (20 MW)
STANDARD OFFER CONTRACT AVOIDED CAPACITY PAYMENTS
(\$/kW/MONTH)

Contract Year	<u>Option A</u>	<u>Option B</u>	<u>Option C</u>	<u>Option D</u>
	Normal Capacity Payment Starting 01/01/2008	Early Capacity Payment Starting 01/01/2004	Levelized Capacity Payment Starting 01/01/2008	Early Levelized Capacity Payment Starting 01/01/2004
2004	-	2.05	-	2.23
2005	-	2.10	-	2.23
2006		2.15		2.23
2007		2.21		2.24
2008	4.54	2.26	4.75	2.24
2009	4.66	2.32	4.75	2.24
2010	4.77	2.38	4.76	2.25
2011	4.89	2.44	4.77	2.25
2012	5.02	2.50	4.77	2.26

B. Energy Rates

Payments Prior to January 1, 2008

The energy rate, in cents per kilowatt hour (¢/kWh), shall be based on PEF's actual hourly avoided energy costs which are calculated by PEF in accordance with FPSC Rule 25-17.0825, F.A.C.

The calculation of payments to the QF shall be based on the sum over all hours of the billing period, of the product of each hour's avoided energy cost times the amount of energy (kWh) delivered to PEF from the Facility for that hour. All purchases shall be adjusted for losses from the point of metering to the point of interconnection.

Payments Starting on January 1, 2008

The calculation of payments to the QF for energy delivered to PEF on and after January 1, 2008 shall be the sum, over all hours of the Monthly Billing Period, of the product of (a) each hour's Firm Energy Rate (¢/kWh); and (b) the amount of energy (kWh) delivered to PEF from the Facility during that hour.

The firm energy rate shall be, on an hour by hour basis, PEF's Avoided Unit Energy Cost. For any other period during which energy is delivered by the QF to PEF, the Firm Energy Rate in cents per kilowatt hour (¢/kWh) shall be the following on an hour by hour basis: the lesser of (a) the as-available energy rate calculated by PEF in accordance with FPSC Rule 25-17.0825, F.A.C., and PEF's Rate Schedule COG-1, as they may each be amended from time to time and (b) PEF's Avoided Unit Energy Cost. PEF's Avoided Unit Energy Cost, in cents per kilowatt-

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hour (¢/kWh) shall be defined as the product of (a) the Avoided Unit Gas Cost and (b) an average annual heat rate of 7,046 BTU per kilowatt hour; plus (c) an additional 0.234¢ per kilowatt hour in mid-2003 dollars for variable operation and maintenance expenses which will be escalated based on CPI-U.

For the purposes of this agreement, the Avoided Unit Gas Cost shall be determined from gas prices published in Platts Inside FERC, Gas Market Report, first of the month posting for Florida Gas Transmission Zone 3, plus Gulfstream Natural Gas System's applicable Usage-2 rate (Reservation Charge of \$0.55), Usage-1 rate (Commodity Charge of \$0.02) and the applicable Gulfstream Natural Gas System's Use percentage (not to exceed 2.5%) in accordance with the terms and conditions of Gulfstream Natural Gas System's tariff, as all such charges, surcharges and percentages are in effect from time to time for service under Gulfstream Natural Gas System's Rate Schedule FTS.

ESTIMATED AS-AVAILABLE ENERGY COST

For informational purposes only, the estimated incremental avoided energy costs for the next four semi-annual periods are as follows. The following estimates include variable operation and maintenance expenses:

<u>Applicable Period</u>	<u>On-Peak ¢/KWH</u>	<u>Off-Peak ¢/KWH</u>	<u>Average ¢/KWH</u>
October 1, 2003—March 31, 2004	4.1	3.3	3.5
April 1, 2004—September 30, 2004	5.0	3.0	3.6
October 1, 2004—March 31, 2005	3.7	3.1	3.3
April 1, 2005—September 30, 2005	5.1	3.3	3.9

ESTIMATED UNIT FUEL COST

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

\$/MMBTU

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
5.97	5.56	5.11	4.03	3.60	3.74	3.98	4.05	4.17

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DELIVERY VOLTAGE ADJUSTMENT

Energy payments to the QFs within PEF's service territory shall be adjusted according to the delivery voltage by the following multipliers:

<u>Delivery Voltage</u>	<u>Adjustment Factor</u>
Transmission Voltage Delivery	1.0252
Primary Voltage Delivery	1.0358
Secondary Voltage Delivery	1.0686

PERFORMANCE CRITERIA

Payments for Firm Capacity are conditioned on the QF's ability to maintain the following performance criteria:

A. Capacity Delivery Date

The Capacity Delivery Date shall be no later than the projected in-service date of PEF's Avoided Unit (i.e., January 1, 2008.)

B. Availability and Capacity Factor

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

METERING REQUIREMENTS

The QFs within the territory served by PEF shall be required to purchase from PEF hourly recording meters to measure their energy deliveries to PEF. Energy purchases from the QFs outside the Territory of PEF shall be measured as the quantities scheduled for interchange to PEF by the entity delivering Firm Capacity and Energy to PEF.

For the purpose of this Schedule, the on-peak hours shall be those hours occurring April 1 through October 31, from 11:00 a.m. to 10:00 p.m., and November 1 through March 31, from 6:00 a.m. to 12:00 noon and 5:00 p.m. to 10:00 p.m. prevailing Eastern time. PEF shall have the right to change such On-Peak Hours by providing the QF a minimum of thirty calendar days' advance written notice.



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BILLING OPTIONS

~~A QF, upon entering into a Standard Offer Contract for the sale of firm capacity and energy or prior to delivery of as-available energy, may elect to make either simultaneous purchases from and sales to PEF, or net sales to PEF; provided, however, that no such arrangement shall cause the QF to sell more than the Facility's net output. A decision on billing methods may only be changed: 1) when a QF selling as-available energy enters into a Standard Offer Contract for the sale of firm capacity and energy; 2) when a Standard Offer Contract expires or is lawfully terminated by either the QF or PEF; 3) when the QF is selling as-available energy and has not changed billing methods within the last twelve months; 4) when the election to change billing methods will not contravene the provisions of rule 25-17.0832 or a contract between the QF and PEF.~~

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

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

CHARGES TO QUALIFYING FACILITY

~~The QF shall be responsible for all applicable charges as currently approved or as they may be approved by the Florida Public Service Commission, including, but not limited to:~~

~~A. Retail Service Charges~~

~~The QF shall be responsible for all FPSC approved charges for any retail service that may be provided by PEF. The QF shall be billed \$74.42 monthly for the costs of meter reading, billing, and other administrative costs.~~

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

~~The QF shall bear the cost required for interconnection, including the metering. The QF shall have the option of (i) payment in full for the interconnection costs including the time value of money during the construction of the interconnection facilities and providing a surety bond, letter of credit or comparable assurance of payment acceptable to PEF adequate to cover the interconnection cost estimates, (ii) payment of monthly invoices from PEF for actual costs progressively incurred by PEF in installing the interconnection facilities, or (iii) upon a showing of credit worthiness, making equal~~

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~~monthly installment payments over a period no longer than thirty six (36) months toward the full cost of interconnection. In the latter case, PEF shall assess 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.~~

~~C. — Interconnection Charge for Variable Utility Expenses~~

~~The QF shall be billed monthly for the variable utility expenses associated with the operation, maintenance and repair of the interconnection facilities. These include (a) PEF's inspections of the interconnection facilities and (b) maintenance of any equipment beyond that which would be required to provide normal electric service to the QF if no sales to PEF were involved.~~

~~The QF may pay a monthly charge equal to a percentage of the installed cost of the interconnection facilities. This monthly rate is stated in the Agreement for the Purchase of As-Available Energy and/or Parallel Operation With a Qualifying Facility as filed with the Florida Public Service Commission and may be amended periodically. The current rate is 0.5% per month of the installed cost of the interconnection facilities.~~

~~D. — Interconnection Charge for QF Locating North of Central Florida Substation~~

~~For a QF with a Facility located north of the latitude of PEF's Central Florida Substation, PEF shall perform a study, at QF's expense, to determine the extent to which the amount of power PEF can import over the Florida Southern Interface is diminished by the location of the Facility north of the Central Florida Substation. QF shall reimburse PEF for the costs of acquiring import capability to replace that amount of capability lost as a result of the location of the Facility.~~

TERMS OF SERVICE

~~A. — It shall be the QF's responsibility to inform PEF of any change in its electric generation capability.~~

~~B. — Any electric service delivered by PEF to a QF located in PEF's service area shall be subject to the following terms and conditions:~~

~~(1) — A QF shall be metered separately and billed under the applicable retail rate schedule(s), whose terms and conditions shall pertain.~~

~~(2) — A security deposit will be required in accordance with FPSC Rules 25-17.082(5) and 25-6.097, F.A.C., and the following:~~

~~(i) — In the first year of operation, the security deposit should be based upon the singular month in which the QF's projected purchases from PEF exceed, by the greatest amount, PEF's estimated purchases from the QF. The security deposit should be equal to twice the amount of the difference estimated for that month. The deposit is required upon interconnection.~~

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(ii) ~~For each year thereafter, a review of the actual sales and purchases between the QF and PEF will be conducted to determine the actual month of maximum difference. The security deposit should be adjusted to equal twice the greatest amount by which the actual monthly purchases by the QF exceed the actual sales in PEF in that month.~~

(3) ~~PEF shall specify the point of interconnection and voltage level.~~

(4) ~~The QF must enter into an interconnection to PEF's system. Specific features of the QF and its interconnection to PEF's facilities will be considered by PEF in preparing the interconnection agreement.~~

C. ~~Service under this rate schedule is subject to the rules and regulations of the FPSC.~~

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**SCHEDULE 1
TO RATE SCHEDULE COG-2**

CALCULATION OF VALUE OF DEFERRAL PAYMENTS

APPLICABILITY

Schedule 1 provides a detailed description of the methodology used by PEF to calculate the monthly values of deferring or avoiding PEF's Avoided Unit identified in Schedule COG-2. When used in conjunction with the current FPSC approved cost parameters associated with PEF's Avoided Unit contained in Schedule 2, a QF may determine the applicable value of deferral capacity payment rate associated with the timing and operation of its particular facility should the QF enter into a Standard Offer Contract with PEF.

Also contained in Schedule 1 is the discussion of the types and forms of surety bond requirements or equivalent assurance for payment of the Termination Fee acceptable to PEF in the event of contractual default by a QF.

CALCULATION OF VALUE OF DEFERRAL OPTION A

FPSC Rule 25 17.0832(5) specifies that avoided capacity costs, in dollars per kilowatt per month, associated with capacity sold to a utility by a QF pursuant to PEF's Standard Offer Contract shall be defined as the year by year value of deferral of PEF's Avoided Unit. The year by year value of deferral shall be the difference in revenue requirements associated with deferring PEF's Avoided Unit one year, and shall be calculated as follows:

$$\text{VAC}_m = 1/12 [KI_n(1 - R)/(1 - R^L) + O_n]$$

Where, for a one year deferral:

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

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

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

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



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O_n ——— = total fixed operation and maintenance expense for the year n , in mid-year dollars per kilowatt per year, of PEF's Avoided Unit;

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

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

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

L ——— = expected life of PEF's Avoided Unit(s); and

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

CALCULATION OF FIXED VALUE OF DEFERRAL PAYMENTS - EARLY CAPACITY OPTION B

Under the fixed value of deferral Option A, payments for firm capacity shall not commence until the in-service date of PEF's Avoided unit(s). At the option of the QF, however, PEF may begin making payments for capacity consisting of the capital cost component of the value of a year by year deferral of PEF's Avoided Unit starting as early as three years prior to the anticipated in-service date of PEF's Avoided Unit. When such payments for capacity are elected, the avoided capital cost component of capacity payments shall be paid monthly commencing no earlier than the Capacity Delivery Date of the QF, and shall be calculated as follows:

$$A_M = [A_e (1 + i_p)^{(m-1)} + A_o (1 + i_o)^{(m-1)}] / 12 \quad \text{for } m = 1 \text{ to } t$$

Where:

A_M ——— = monthly payments to be made to the QF for each month of the contract year n , in dollars per kilowatt per month in which QF delivers capacity pursuant to the early capacity option;

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

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



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~~THIRD-FOURTH~~ REVISED SHEET NO. 9.610
CANCELS ~~SECOND-THIRD~~ REVISED SHEET NO. 9.610

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m — = year for which the fixed value of deferral payments under the early capacity option are made to a QF, starting in year one and ending in the year t ;

t — = the term, in years, of the Standard Offer Contract;

$$A_e = F [(1 - R) / (1 - R^t)]$$

Where:

F — = the cumulative present value, in the year that the contractual payments will begin, of the avoided capital cost component of capacity payments which would have been made had capacity payments commenced with the anticipated in service date of PEF's Avoided Unit(s);

$$R = (1 + i_p) / (1 + r)$$

r — = annual discount rate, defined as PEF's incremental after-tax cost of capital; and

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

Where:

G — = The cumulative present value, in the year that the contractual payments will begin, of the avoided fixed operation and maintenance expense component of capacity payments which would have been made had capacity payments commenced with the anticipated in-service date of PEF's Avoided Unit(a).

$$R = (1 + i_o) / (1 + r)$$

The currently approved parameters applicable to the formulas above are found in Schedule 2.

CALCULATION OF FIXED VALUE OF DEFERRAL PAYMENTS - LEVELIZED AND EARLY LEVELIZED CAPACITY - OPTION C & OPTION D, RESPECTIVELY

Monthly fixed value of deferral payments for levelized and early levelized capacity shall be calculated as follows:

$$P_L = (F / 12) \cdot [r / 1 - (1 + r)^{-t}] + O$$

Where:



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~~P_L — = the monthly levelized capacity payment, starting on or prior to the in-service date of PEF's Avoided Unit(s);~~

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

~~r — = the annual discount rate, defined as PEF's incremental after-tax cost of capital;~~

~~t — = the term, in years of the Standard Offer Contract~~

~~O — = the monthly fixed operation and maintenance component of the capacity payments, calculated in accordance with calculation of the fixed value of deferral payments for the levelized capacity or the early levelized capacity options.~~

RISK-RELATED GUARANTEES

~~With the exception of governmental solid waste facilities covered by FPSC Rule 25-17.091, FPSC Rule 25-17.0832 paragraph (4)(e)10 requires that, when fixed value or deferral payments — early capacity, levelized capacity, or early levelized capacity are elected, the QF must provide a surety bond or equivalent assurance of securing the payment of a Termination Fee in the event the QF is unable to meet the terms and conditions of its Standard Offer Contract. Depending on the nature of the QF's operation, financial health and solvency, and its ability to meet the terms and conditions of PEF's Standard Offer contract, one of the following may constitute an equivalent assurance of payment:~~

- ~~(1) — Bond;~~
- ~~(2) — Cash deposit(s) with PEF;~~
- ~~(3) — Unconditional, irrevocable, direct pay letter of credit;~~
- ~~(4) — Unsecured promise by a municipal, county or state government to repay payment for early or levelized capacity in the event of default, in conjunction with a legally binding commitment from such government allowing the utility to levy a surcharge on either the electric bills of the government's electricity consuming facilities or the constituent electric customers of such government to assure that payments for early or levelized capacity are repaid;~~
- ~~(5) — Unsecured promise by a privately owned QF to repay payments for early or levelized capacity in the event of default, in conjunction with a legally binding commitment from the owner(s) of the QF, parent company, and/or subsidiary companies located in Florida to assure that payments for early, levelized or early levelized capacity are repaid; or~~
- ~~(6) — Other guarantees acceptable to PEF.~~

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~~PEF will cooperate with each QF applying for fixed value of deferral payments under the early, levelized or early levelized capacity options to determine the exact form of an "equivalent assurance" for payment of the Termination Fee to be required based on the particular aspects of the QF. PEF will endeavor to accommodate an equivalent assurance of repayment which is in the best interests of both the QF and PEF's ratepayers.~~

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SCHEDULE 2
TO RATE SCHEDULE COG-2
CAPACITY OPTION PARAMETERS

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

Where, for one year deferral:

		<u>Value</u>
VAC_m	= PEF's value of avoided capacity and O&M, in dollars per kilowatt per month, during month m;	\$4.54
K	= present value of carrying charges for one dollar of investment over L years with carrying charges computed using average annual rate base and assumed to be paid at the middle of each year and present valued to the middle of the first year;	1.430
I_n	= total direct and indirect cost, in mid year dollars per kilowatt including AFUDC but excluding CWIP, of PEF's Avoided Unit with an in-service date of year n;	\$516.23
O_n	= total fixed operation and maintenance expense, for the year n, in mid year dollars per kilowatt per year, of PEF's Avoided Unit;	\$3.34
i_p	= annual escalation rate associated with the plant cost of PEF's Avoided Unit;	2.5%
i_o	= annual escalation rate associated with the operation and maintenance expense of PEF's Avoided Unit;	2.5%
r	= annual discount rate, defined as PEF's incremental after-tax cost of capital;	7.92%
L	= expected life of PEF's Avoided Unit;	25
n	= year for which PEF's Avoided Unit is deferred starting with its original anticipated in-service date and ending with the termination of the Standard Offer Contract.	2008

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

A_m	= monthly avoided capital cost component of capacity payments to be made to the QF starting as early as four years prior to the anticipated in-service date of PEF's Avoided Unit, in dollars per kilowatt per month;	\$2.05
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FOURTH ~~FIFTH~~ REVISED SHEET NO. 9.614
CANCELS ~~THIRD SECOND~~ REVISED SHEET NO. 9.614

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i_p	=	annual escalation rate associated with the plant cost of PEF's Avoided Unit;	2.5%
n	=	year for which early capacity payments to a QF are to begin;	2004
F	=	the cumulative present value of the avoided capital cost component of capacity payments which would have been made had capacity payments commenced with the anticipated in-service date of PEF's Avoided Unit and continued for a period of 5 years;	\$158.15
r	=	annual discount rate, defined as PEF's incremental after-tax cost of capital;	7.92%
t	=	the term, in years, of the Standard Offer Contract for the purchase of firm capacity commencing prior to the in service date of PEF's Avoided Unit;	9
G	=	the cumulative present value of the avoided fixed operation and maintenance expense component of capacity payments which would have been made had capacity payments commenced with the anticipated in service date of PEF's Avoided Unit and continued for a period of 5 years.	\$10.31

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APPENDIX B
TO
~~PROGRESS ENERGY FLORIDA'S STANDARD OFFER CONTRACT~~

PAY FOR PERFORMANCE PROVISIONS
~~MONTHLY CAPACITY PAYMENT CALCULATION~~

1. ~~Monthly Capacity Payments (MCP) for each Monthly Billing Period shall be computed according to the following:~~

A. ~~In the event that the Annual Capacity Billing Factor ("ACBF"), as defined below, is less than 80%, then no Monthly capacity Payment shall be due. That is:~~

$$MCP = 0$$

B. ~~In the event that the ACBF is equal to or greater than 80% but less than 90%, then the Monthly Capacity Payment shall be calculated by using the following formula:~~

$$MCP = BCP [5 \times (ACBF - .7)] \times CC$$

C. ~~In the event that the ACBF is equal to or greater than 90%, then the Monthly Capacity Payment shall be calculated by using the following formula:~~

$$MCP = BCP \times CC$$

Where:

MCP = Monthly Capacity Payment in dollars.

BCP = ~~Base Capacity Payment in \$/kW/Month as specified in PEF's Rate Schedule COG 2.~~

CC = Committed Capacity in kW.

ACBF = Annual Capacity Billing Factor. This factor is calculated using the 12 month, rolling average of the Monthly Capacity Factor. This 12 month rolling average shall be defined as the electric energy actually received by PEF for the 12 consecutive months preceding the date of calculation, divided by the product of the Committed Capacity and the number of hours in the 12 consecutive months preceding the date of calculation. During the first 12 consecutive Monthly Billing Periods commencing with the first Monthly Billing Period in which Capacity payments are to be made, the calculation of 12-month rolling

APPENDIX B
TO
PROGRESS ENERGY FLORIDA'S STANDARD OFFER CONTRACT

TERMINATION FEE

Capitalized terms not otherwise defined herein have the meaning ascribed to them in the Standard Offer Contract for the Purchase of Firm Capacity and Energy from a Renewable Energy Producer of Qualifying Facility Less Than 100 kW.

The "Termination Fee" shall be the sum of the values for each month beginning with the month in which the Capacity Delivery Date occurs through the month of the Termination Date (or month of calculation, as the case may be) computed according to the following formula:

$$\sum_{i=1}^n (MCP_i - MCPC_i) \cdot (1 + r)^{(n-i)}$$

with: MCPC = 0 for all periods prior to the in-service date of the Avoided Unit:

where

i = number of Monthly Billing Period commencing with the Capacity Delivery Date (i.e., the month in which Capacity Delivery Date occurs = 1; the month following this month in which Capacity Delivery Date occurs = 2 etc.)

n = the number of Monthly Billing Periods which have elapsed from the month in which the Capacity Delivery Date occurs through the month of termination (or month of calculation, as the case may be)

r = PEF's incremental after-tax avoided cost of capital (defined as r in Appendix D). MCP_i = Monthly Capacity Payment paid to REPOF corresponding to the Monthly Billing Period i, calculated in accordance with Appendix A.

MCPC_i = Monthly Capacity Payment for Option A corresponding to the Monthly Billing Period i, calculated in accordance with this Contract.

~~average Annual Capacity Billing Factor shall be performed as follows (a) during the first Monthly Billing Period, the Annual Capacity Billing Factor shall be equal to the Monthly Capacity Factor; (b) thereafter, the calculation of the Annual Capacity Billing Factor shall be computed by electric energy actually received by PEF for the number of full consecutive months preceding the date of calculation, divided by the product of the Committed Capacity and the number of hours in the number of full consecutive months preceding the date of calculation. This calculation shall be performed at the end of each Monthly Billing Period until enough Monthly Billing Periods have elapsed to calculate a true 12-month rolling average Annual Capacity Billing Factor.~~

~~MCF = Monthly Capacity Factor. The total energy received during the Monthly Billing Period for which the calculation is made, divided by the product of Committed Capacity times the total hours during the Monthly Billing Period.~~

~~Monthly Billing Period = The period beginning on the first calendar day of each calendar month, except that the initial Monthly Billing Period shall consist of the period beginning 12:01 a.m., on the Capacity Delivery Date and ending with the last calendar day of such month.~~

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

- a. In the event that in the applicable Monthly Billing Period the Annual Capacity Billing Factor, as defined in Appendix A is less than 69%, then the Initial Reduction Value shall be adjusted to equal zero (Reduction Value = 0), and the Termination Fee shall not be reduced for the applicable Monthly Billing Period.
- b. In the event that in the applicable Monthly Billing Period the Annual Capacity Billing Factor, as defined in Appendix A, is equal to or greater than 69% but less than 89%, then the Reduction Value shall be determined as follows:

$$\text{Reduction Value} = \text{Initial Reduction Value} \times [5 \times (\text{ACBF} - .69)]$$

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

- c. In the event that in the applicable Monthly Billing Period the Annual Capacity Billing Factor, as defined in Appendix A, is equal to or greater than 89%, then the Initial Reduction Value shall not be adjusted (Reduction Value = Initial Reduction Value), and the Termination Fee shall be reduced for the applicable Monthly Billing period by the amount of the Initial Reduction Value.

In no event shall PEF be liable to the REP/QF at any time for any amount by which the Termination Fee, adjusted in accordance with the foregoing, is less than zero (0).

APPENDIX C
TO
PROGRESS ENERGY FLORIDA'S STANDARD OFFER CONTRACT
TERMINATION FEE

The Termination Fee shall be the sum of the values for each month beginning with the month in which the Capacity Delivery Date occurs through the month of termination (or month of calculation, as the case may be) computed according to the following formula:

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

with: ~~MCPC = 0 for all periods prior to the in-service date of PEF's Avoided Unit;~~

where

~~i = number of Monthly Billing Period commencing with the Capacity Delivery Date (i.e., the month in which Capacity Delivery date occurs = 1; the month following this month in which Capacity Delivery Date occurs = 2 etc.)~~

~~n = the number of Monthly Billing Periods which have elapsed from the month in which the Capacity Delivery Date occurs through the month of termination (or month of calculation, as the case may be)~~

~~t = the future value of an amount factor necessary to compound a sum monthly so the annual percentage rate derived will equal PEF's incremental after-tax avoided cost of capital (defined as r in COG-2). For any Monthly Billing Period in which MCPC is greater than MCP, i shall equal t.~~

~~MCP_i = Monthly Capacity Payment paid to QF corresponding to the Monthly Billing Period i, calculated in accordance with Appendix B.~~

~~MCPC_i = Monthly Capacity Payment for Option A corresponding to the Monthly Billing Period i, calculated in accordance with COG-2.~~

APPENDIX C
TO
PROGRESS ENERGY FLORIDA'S STANDARD OFFER CONTRACT
DETAILED PROJECT INFORMATION

Capitalized terms not otherwise defined herein have the meaning ascribed to them in the Standard Offer Contract for the Purchase of Firm Capacity and Energy from a Renewable Energy Producer of Qualifying Facility Less Than 100 kW.

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

I. FACILITY DESCRIPTION

- Project Name
- Project Location
- * Street Address
- * Size Plot Plan
- * Legal Description of Site
- Generating Technology
- Primary Fuel
- Alternate Fuel (if applicable)
- Committed Capacity
- Expected In-Service Date
- Contact Person
- * Individual's Name and Title
- * Company Name
- * Address
- * Telephone Number
- * Fax Number

II. PROJECT PARTICIPANTS

- Indicate the entities responsible for the following project management activities and provide a detailed description of the experience and capabilities of the entities:

In the event that for any Monthly Billing Period, the computation of the value of the Termination Fee for such Monthly Billing Period (as set forth above) yields a value equal to or greater than zero, the amount of the Termination Fee shall be increased by the amount of such value.

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

- a. In the event that in the applicable Monthly Billing Period the Annual Capacity Billing Factor (ACBF), as defined in Appendix B is less than 80%, then the Initial Reduction Value shall be adjusted to equal zero (Reduction Value = 0), and the Termination Fee shall not be reduced for the applicable Monthly Billing Period.
- b. In the event that in the applicable Monthly Billing Period the Annual Capacity Billing Factor (ACBF), as defined in Appendix B, is equal to or greater than 80% but less than 90%, then the Reduction Value shall be determined as follows:

$$\text{Reduction Value} = \text{Initial Reduction Value} \times (5 \times (\text{ACBF} - .78))$$

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

- e. In the event that in the applicable Monthly Billing Period the Annual Capacity Billing Factor (ACBF), as defined in Appendix B, is equal to or greater than 90%, then the Initial Reduction Value shall not be adjusted (Reduction Value = Initial Reduction Value), and the Termination Fee shall be reduced for the applicable Monthly Billing period by the amount of the Initial Reduction Value.

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

- * Project Development
- * Siting and Licensing the Facility
- * Designing the Facility
- * Constructing the Facility
- * Securing the Fuel Supply
- * Operating the Facility

- Provide details on all electrical facilities which are currently under construction or operational which were developed by the REP/QF.

- Describe the financing structure for the projects identified above, including the type of financing used, the permanent financing term, the major lenders and the percentage of equity invested at Financial Closing.

III. FUEL SUPPLY

- Describe all fuels to be used to generate electricity at the Facility. Indicate the specific physical and chemical characteristics of each fuel type (e.g. Btu content, sulfur content, ash content, etc.). Identify special considerations regarding fuel supply origin, source and handling, storage and processing requirements.
- Provide AFR necessary to support planned levels of generation and list the assumptions used to determine these quantities.
- Provide a summary of the status of the fuel supply arrangements in place to meet the AFR, in each year of the proposed operating life of the Facility. Use the categories below to describe the current arrangement for securing the AFR.

<u>Category</u>	<u>Description of Fuel Supply Arrangement</u>
<u>owned =</u>	<u>fuel is from a fully developed source owned by one or more of the project participants</u>
<u>contract =</u>	<u>fully executed firm fuel contract exists between the developer(s) and fuel supplier(s)</u>
<u>LOI =</u>	<u>a letter of intent for fuel supply exists between developer(s) and fuel supplier(s)</u>
<u>SPP =</u>	<u>small power production facility will burn biomass, waste, or another renewable resource</u>
<u>spot =</u>	<u>fuel supply will be purchased on the spot market</u>
<u>none =</u>	<u>no firm fuel supply arrangement currently in place</u>
<u>other =</u>	<u>fuel supply arrangement which does not fit any of the above categories (please describe)</u>

- Indicate the percentage of the Facility's AFR which is covered by the above fuel supply arrangement(s) for each proposed operating year. The percent of AFR covered for each operating year must total 100%. For fuel supply arrangements identified as owned, contract, or LOI, provide documentation to support this category and explain the fuel price mechanism of the arrangement. In addition, indicate whether or not the fuel price includes deliver and, if so, to what location.

- Describe fuel transportation networks available for delivering all primary and secondary fuel to the Facility site. Indicate the mode, route and distance of each segment of the journey, from fuel source to the Facility site. Discuss the current status and pertinent factors impacting future availability of the transportation network.
- Provide AFTR necessary to support planned levels of generation and list the assumptions used to determine these quantities.
- Provide a summary of the status of the fuel transportation arrangements in place to meet the AFTR in each year of the proposed operating life of the Facility. Use the categories below to describe the current arrangement for securing the AFTR.

owned = fuel transport via a fully developed system owned by one or more of the project participants

contract = fully executed firm transportation contract exists between the developer(s) and fuel transporter(s)

LOI = a letter of intent for fuel transport exists between developer(s) and fuel transporter(s)

spot = fuel transportation will be purchased on the spot market

none = no firm fuel transportation arrangement currently in place

other = fuel transportation arrangement which does not fit any of the above categories (please describe)

- Provide the maximum, minimum and average fuel inventory levels to be maintained for primary and secondary fuels at the Facility site. List the assumptions used in determining the inventory levels.
- Provide information regarding REP/QF's plans to maintain sufficient on site fuel to deliver capacity and energy for an uninterrupted seventy-two (72) hour period.

IV. PLANT DISPATCHABILITY/CONTROLLABILITY

- Provide the following operating characteristics and a detailed explanation supporting the performance capabilities indicated:
 - * Ramp Rate (MW/minute)
 - * Peak Capability (% above Committed Capacity)
 - * Minimum power level (% of Committed Capacity)
 - * Facility Turnaround Time, Hot to Hot (hours)
 - * Start-up Time from Cold Shutdown (hours)
 - * Unit Cycling (# cycles/yr.)
 - * MW and MVAR Control (ACC, Manual, Other (please explain))

V. SITING AND LICENSING

- Provide a licensing/permitting milestone schedule, which lists all permits, licenses and variances, required to site the Facility. The milestone schedule shall also identify key milestone dates for baseline monitoring, application preparation, agency review, certification and licensing/siting board approval, and agency permit issuance.
- Provide a licensing/permitting plan that addresses the issues of air emission, water use, wastewater discharge, wetlands, endangered species, protected properties, surrounding land use, zoning for the Facility, associated linear facilities and support of and opposition to the Facility.
- List the emission/effluent discharge limits the Facility will meet and describe in detail the pollution control equipment to be used to meet these limits.

VI. FACILITY DEVELOPMENT AND PERFORMANCE

- Submit a detailed engineering, procurement, construction, startup and commercial operation schedule. The schedule shall include milestones for site acquisition, engineering phases, selection of the major equipment vendors, architect engineer, and Facility operator, steam host integration and delivery of major equipment. A discussion of the current status of each milestone should also be included where applicable.
- Attach a diagram of the power block arrangement. Provide a list of the major equipment vendors and the name and model number of the major equipment to be installed.
- Provide a detailed description of the proposed environmental control technology for the Facility and describe the capabilities of the proposed technology.
- Attach preliminary flow diagrams for the steam system, water system, and fuel system, and a main electrical one line diagram for the Facility.
- State the expected heat rate (HHV) at 75 degrees Fahrenheit for loads of 100%, 75% and 50%. In addition, attach a preliminary heat balance for the Facility.

VII. FINANCIAL

- Provide PEF with assurances that the proposed REP/QF project is financially viable in accordance with FPSC Rule 25-17.0832(4)(c) by attaching a detailed pro-forma cash flow analysis. The pro-forma must include, at a minimum, the following assumptions for each year of the project.

• Annual Project Revenues

- * Capacity Payments (\$ and \$/kW/Mo.)
- * Variable O&M (\$ and \$/MWh)
- * Energy (\$ and \$/MWh)
- * Tipping Fees (\$ and \$/ton)
- * Interest Income
- * Other Revenues
- * Variable O&M Escalation (%/yr.)
- * Energy Escalation (%/yr.)
- * Tipping Fee Escalation (%/yr.)

• Annual Project Expense

- * Fixed O&M (\$ and \$/kW/Mo.)
- * Variable O&M (\$ and \$/MWh)
- * Energy (\$ and \$/MWh)
- * Property Taxes (\$)
- * Insurance (\$)
- * Emission Compliance (\$ and \$/MWh)
- * Depreciation (\$ and %/yr.)
- * Other Expenses (\$)
- * Fixed O&M Escalation (%/yr.)
- * Variable O&M Escalation (%/yr.)
- * Energy Escalation (%/yr.)

• Other Project Information

- * Installed Cost of the Facility (\$ and \$/kW)
- * Committed Capacity (kW)
- * Average Heat Rate - HHV (MBTU/kWh)
- * Federal Income Tax Rate (%)
- * Facility Capacity Factor (%)
- * Energy Sold to PEF (MWh)

• Permanent Financing

- * Permanent Financing Term (yr.)
- * Project Capital Structure (percentage of long-term debt, subordinated debt, tax exempt debt and equity)
- * Financing Costs (cost of long-term debt, subordinated debt, tax exempt debt and equity)
- * Annual Interest Expense
- * Annual Debt Service (\$)
- * Amortization Schedule (beginning balance, interest expense, principal reduction, ending balance)

- Provide details of the financing plan for the project and indicate whether the project will be non-recourse project financed. If it will not be project financed please explain the alternative financing arrangement.
- Submit financial statements for the last two years on the principals of the project, and provide an illustration of the project ownership structure.

APPENDIX D
TO
PROGRESS ENERGY FLORIDA'S STANDARD OFFER CONTRACT
DETAILED PROJECT INFORMATION

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

I. FACILITY DESCRIPTION

- Project Name
- Project Location
- *Street Address
- *Size Plot Plan
- *Legal Description of Site
- Generating Technology
- Facility Classification (Cogenerator or Small Power Producer)
- Primary Fuel
- Alternate Fuel (if applicable)
- Committed Capacity
- Expected In-Service Date
- Steam Host (for cogeneration facilities)
- *Street Address
- *Legal Description of Steam Host
- *Host's annual steam requirements (lbs./yr.)
- Contact Person
- *Individual's Name and Title
- *Company Name
- *Address
- *Telephone Number
- *Fax Number

II. PROJECT PARTICIPANTS

Indicate the entities responsible for the following project management activities and provide a detailed description of the experience and capabilities of the entities:

APPENDIX D
TO
PROGRESS ENERGY FLORIDA RENEWABLE OR QUALIFYING FACILITY STANDARD
OFFER CONTRACT
RATE SCHEDULE REN-CT

Capitalized terms not otherwise defined herein have the meaning ascribed to them in the Standard Offer Contract for the Purchase of Firm Capacity and Energy from a Renewable Energy Producer of Qualifying Facility Less Than 100 kW.

SCHEDULE

REN-CT, Firm Capacity and Energy from a Renewable Energy Provider ("REP") or a Qualifying Facility ("QF")

AVAILABLE

PEF will, under the provisions of this schedule and the Contract to which this Appendix is attached and incorporated into by reference, purchase firm capacity and energy offered by a REP/QF as defined in the contract. PEF's obligation to contract to purchase firm capacity from such REP/QF by means of this schedule and the Contract will continue only as long as, and the extent that, the subscription limit is not exceeded and, in any event, no later than the Expiration Date unless extended by the FPSC.

APPLICABLE

To REP/QFs as defined in the Contract producing capacity and energy for sale to PEF on a firm basis pursuant to the terms and conditions of this schedule and the Contract. "Firm Capacity and Energy" are described by FPSC Rule 25-17.0832, F.A.C., and are capacity and energy produced and sold by a REP/QF pursuant to the Contract provisions addressing (among other things) quantity, time and reliability of delivery.

CHARACTER OF SERVICE

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

- *Project Development
- *Siting and Licensing the Facility
- *Designing the Facility
- *Constructing the Facility
- *Securing the Fuel Supply
- *Operating the Facility

- ~~Provide details on all electrical facilities which are currently under construction or operational which were developed by the QF.~~
- ~~Describe the financing structure for the projects identified above, including the type of financing used, the permanent financing term, the major lenders and the percentage of equity invested at financial closing.~~

III. FUEL SUPPLY

- ~~Describe all fuels to be used to generate electricity at the Facility. Indicate the specific physical and chemical characteristics of each fuel type (e.g. Btu content, sulfur content, ash content, etc.). Identify special considerations regarding fuel supply origin, source and handling, storage and processing requirements.~~
- ~~Provide annual fuel requirements (AFR) necessary to support planned levels of generation and list the assumptions used to determine these quantities.~~
- ~~Provide a summary of the status of the fuel supply arrangements in place to meet the AFR, in each year of the proposed operating life of the Facility. Use the categories below to describe the current arrangement for securing the AFR.~~

<u>Category</u>	<u>Description of Fuel Supply Arrangement</u>
owned =	fuel is from a fully developed source owned by one or more of the project participants
contract =	fully executed firm fuel contract exists between the developer(s) and fuel supplier(s)
LOI =	a letter of intent for fuel supply exists between developer(s) and fuel supplier(s)
SPP =	small power production facility will burn biomass, waste, or another renewable resource
spot =	fuel supply will be purchased on the spot market
none =	no firm fuel supply arrangement currently in place
other =	fuel supply arrangement which does not fit any of the above categories (please describe)

- ~~Indicate the percentage of the Facility's AFR which is covered by the above fuel supply arrangement(s) for each proposed operating year. The percent of AFR covered for each~~

LIMITATION

Purchases under this schedule are subject to FPSC Rules 25-17.080 through 25-17.091, F.A.C., and are limited to those REP/QFs which:

- A. Are defined in the Contract;
- B. Execute a Contract;
- C. Provide capacity which would not result in the Subscription Limit to be exceeded.

RATES FOR PURCHASES BY PEF

Firm Capacity and Energy are purchased at unit cost, in dollars per kilowatt per month and cents per kilowatt-hour, respectively, based on the value of deferring additional capacity required by PEF. For the purpose of this schedule, an Avoided Unit has been designated by PEF. PEF's next Avoided Unit has been identified in Section 4 of the Contract. Schedule 1 to this Appendix describes the methodology used to calculate payment schedules, general terms, and conditions applicable to the Contract filed and approved pursuant to FPSC Rules 25-17.080 through 25-17.091, F.A.C.

A. Firm Capacity Rates

Four options, A through D, as set forth below, are available for payments of firm capacity that is produced by a REP/QF and delivered to PEF. Once selected, an option shall remain in effect for the term of the Contract. Exemplary payment schedules, shown below, contain the monthly rate per kilowatt of firm Capacity which the REP/QF has contractually committed to deliver to PEF and are based on a contract term which extends through the Termination Date in Section 4 of the Contract. Payment schedules for other contract terms will be made available to any REP/QF upon request and may be calculated based on the methodologies described in Schedule 1. The currently approved parameters used to calculate the following schedule of payments are found in Schedule 2 to this Appendix.

Option A - Fixed Value of Deferral Payments - Normal Capacity

Payment schedules under this option are based on the value of a year-by-year deferral of PEF's Avoided Unit with an in-service date as of the Avoided Unit In-Service Date in Section 4 of the Contract, calculated in accordance with FPSC Rule 25-17.0832, F.A.C., as described in Schedule 1. Once this option is selected, the current schedule of payments shall remain fixed and in effect throughout the term of the Contract. The payment schedule for this option follows the description of Option D.

~~operating year must total 100%. For fuel supply arrangements identified as owned, contract, or LOI, provide documentation to support this category and explain the fuel price mechanism of the arrangement. In addition, indicate whether or not the fuel price includes deliver and, if so, to what location.~~

- ~~•Describe fuel transportation networks available for delivering all primary and secondary fuel to the Facility site. Indicate the mode, route and distance of each segment of the journey, from fuel source to the Facility site. Discuss the current status and pertinent factors impacting future availability of the transportation network.~~
- ~~•Provide annual fuel transportation requirements (AFTR) necessary to support planned levels of generation and list the assumptions used to determine these quantities.~~
- ~~•Provide a summary of the status of the fuel transportation arrangements in place to meet the AFTR in each year of the proposed operating life of the Facility. Use the categories below to describe the current arrangement for securing the AFTR.~~

owned =	fuel transport via a fully developed system owned by one or more of the project participants
contract =	fully executed firm transportation contract exists between the developer(s) and fuel transporter(s)
LOI =	a letter of intent for fuel transport exists between developer(s) and fuel transporter(s)
spot =	fuel transportation will be purchased on the spot market
none =	no firm fuel transportation arrangement currently in place
other =	fuel transportation arrangement which does not fit any of the above categories (please describe)

- ~~•Provide the maximum, minimum and average fuel inventory levels to be maintained for primary and secondary fuels at the Facility site. List the assumptions used in determining the inventory levels.~~
- ~~•Provide information regarding QF's plans to maintain sufficient on site fuel to deliver capacity and energy for an uninterrupted seventy two (72) hour period.~~

IV. PLANT DISPATCHABILITY/CONTROLLABILITY

- ~~•Provide the following operating characteristics and a detailed explanation supporting the performance capabilities indicated:~~

~~*Ramp Rate (MW/minute)~~
~~*Peak Capability (% above Committed Capacity)~~
~~Minimum power level (% of Committed Capacity)~~
~~Option B - Fixed Value of Deferral Payments - Early Capacity~~

Payment schedules under this option are based upon the early capital cost component of the value of a year-by-year deferral of the Avoided Unit. The term "early" with respect to Option B means that these payments can start prior to the anticipated in-service date of the Avoided Unit; provided, however, that under no circumstances may payments begin before this REP/QF is delivering Firm Capacity and Energy to PEF pursuant to the terms of the Contract. When this option is selected, the Capacity Payments shall be made monthly commencing no earlier than the Capacity Delivery Date of the REP/QF and calculated as shown on Schedule 1. Capacity Payments under Option B do not result in a prepayment or create a future benefit.

The REP/QF shall select the month and year in which the deliveries of firm capacity and energy to PEF are to commence and Capacity Payments are to start. PEF will provide the REP/QF with a schedule of capacity payment rates based on the month and year in which the deliveries of firm capacity and energy are to commence and the term of the Contract. The exemplary payment schedule following Option D is based on a contract term that begins on the Exemplary Early Capacity Payment Date in Section 4 of the Contract.

Option C - Fixed Value of Deferral Payment - Levelized Capacity

Payment schedules under this option are based upon the levelized capital cost component of the value of a year-by-year deferral of the Avoided Unit. The capital portion of Capacity Payments under this option shall consist of equal monthly payments over the term of the Contract, calculated as shown on Schedule 1. 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. These calculations are shown in Schedule 1. The payment schedule for this option follows Option D. Capacity Payments under Option C do not result in a prepayment or create a future benefit.

Option D - Fixed Value of Deferral Payment - Early Levelized Capacity

Payment schedules under this option are based upon the early levelized capital cost component of the value of a year-by-year deferral of the Avoided Unit. The capital portion of Capacity Payments under this option shall consist of equal monthly payments over the term of the Renewable or Qualifying Facility Standard Offer Contract, calculated as shown on Schedule 1. The fixed operation and maintenance expense shall be calculated as shown in Schedule 1. At the option of the REP/QF, payments for early levelized capacity shall commence at any time after the specified early capacity date and before the anticipated in-service date of PEF's Avoided Unit, provided that the REP/QF is delivering firm capacity and energy to PEF pursuant to the terms of the Contract. The term "early" with respect to Option D means that Capacity Payments may begin earlier than the anticipated in-service date of PEF's avoided unit. Capacity Payments under Option D do not result in a prepayment or create a future benefit.

- *Facility Turnaround Time, Hot to Hot (hours)
- *Start up Time from Cold Shutdown (hours)
- *Unit Cycling (# cycles/yr.)
- *MW and MVAR Control (ACC, Manual, Other (please explain))

V. SITING AND LICENSING

- ~~Provide a licensing/permitting milestone schedule, which lists all permits, licenses and variances, required to site the Facility. The milestone schedule shall also identify key milestone dates for baseline monitoring, application preparation, agency review, certification and licensing/siting board approval, and agency permit issuance.~~
- ~~Provide a licensing/permitting plan that addresses the issues of air emission, water use, wastewater discharge, wetlands, endangered species, protected properties, solid waste, surrounding land use, zoning for the Facility, associated linear facilities and support of and opposition to the Facility.~~
- ~~List the emission/effluent discharge limits the Facility will meet and describe in detail the pollution control equipment to be used to meet these limits.~~

VI. FACILITY DEVELOPMENT AND PERFORMANCE

- ~~Submit a detailed engineering, procurement, construction, startup and commercial operation schedule. The schedule shall include milestones for site acquisition, engineering phases, selection of the major equipment vendors, architect engineer, PEF contractor and Facility operator, steam host integration and delivery of major equipment. A discussion of the current status of each milestone should also be included where applicable.~~
- ~~Attach a diagram of the power block arrangement. Provide a list of the major equipment vendors and the name and model number of the major equipment to be installed.~~
- ~~Provide a detailed description of the proposed environmental control technology for the Facility and describe the capabilities of the proposed technology.~~
- ~~Attach preliminary flow diagrams for the steam system, water system, and fuel system, and a main electrical one line diagram for the Facility.~~

State the expected heat rate (HHV) at 75 degrees Fahrenheit for loads of 100%, 75% and 50%. In addition, attach a preliminary heat balance for the Facility.

EXAMPLE MONTHLY CAPACITY PAYMENT IN \$kW/MONTH

PEF'S June 1, 2010 Combustion Turbine

Renewable Or Qualifying Facility Standard Offer Contract Avoided Capacity Payments

(\$/kW/MONTH)

<u>Contract Year</u>	<u>Option A</u>	<u>Option B</u>	<u>Option C</u>	<u>Option D</u>
	<u>Normal</u>	<u>Early</u>	<u>Levelized</u>	<u>Early Levelized</u>
	<u>Capacity</u>	<u>Capacity</u>	<u>Capacity</u>	<u>Capacity</u>
	<u>Payment Starting</u> <u>on the Avoided</u> <u>Unit In-Service</u> <u>Date</u>	<u>Payment Starting</u> <u>on the</u> <u>Exemplary</u> <u>Capacity</u> <u>Payment Date</u>	<u>Payment Starting</u> <u>on the Avoided</u> <u>Unit In-Service</u> <u>Date</u>	<u>Payment Starting</u> <u>on the</u> <u>Exemplary</u> <u>Capacity</u> <u>Payment Date</u>
<u>2007</u>	<u>=</u>	<u>2.00</u>	<u>=</u>	<u>2.27</u>
<u>2008</u>	<u>=</u>	<u>2.05</u>	<u>=</u>	<u>2.28</u>
<u>2009</u>	<u>=</u>	<u>2.11</u>	<u>=</u>	<u>2.28</u>
<u>2010</u>	<u>3.00</u>	<u>2.16</u>	<u>3.32</u>	<u>2.28</u>
<u>2011</u>	<u>3.08</u>	<u>2.21</u>	<u>3.32</u>	<u>2.29</u>
<u>2012</u>	<u>3.15</u>	<u>2.27</u>	<u>3.33</u>	<u>2.29</u>
<u>2013</u>	<u>3.23</u>	<u>2.32</u>	<u>3.33</u>	<u>2.29</u>
<u>2014</u>	<u>3.31</u>	<u>2.38</u>	<u>3.34</u>	<u>2.30</u>
<u>2015</u>	<u>3.40</u>	<u>2.44</u>	<u>3.34</u>	<u>2.30</u>
<u>2016</u>	<u>3.48</u>	<u>2.50</u>	<u>3.35</u>	<u>2.31</u>
<u>2017</u>	<u>3.57</u>	<u>2.57</u>	<u>3.36</u>	<u>2.31</u>
<u>2018</u>	<u>3.66</u>	<u>2.63</u>	<u>3.36</u>	<u>2.32</u>
<u>2019</u>	<u>3.75</u>	<u>2.70</u>	<u>3.37</u>	<u>2.32</u>
<u>2020</u>	<u>3.84</u>	<u>2.76</u>	<u>3.37</u>	<u>2.32</u>

B. Energy Rates

Payments Prior to the Avoided Unit In-Service Date

The energy rate, in cents per kilowatt-hour (¢/kWh), shall be based on PEF's actual hourly avoided energy costs which are calculated by PEF in accordance with FPSC Rule 25-17.0825, F.A.C.

The calculation of payments to the REP/QF shall be based on the sum over all hours of the billing period, of the product of each hour's avoided energy cost times the amount of energy (kWh) delivered to PEF from the Facility for that hour. All purchases shall be adjusted for losses from the point of metering to the point of interconnection.

- If the Facility will be a cogenerator under FPSC Rule 25-17.080, provide a detailed description of the power plant/steam host interrelationship. Indicate the host's annual steam requirements and the length of time the Facility can operate without the host. Calculate the Facility's expected PURPA operating standard and efficiency standard and list the assumptions used to make the calculations.

~~VII. FINANCIAL~~

- Provide PEF with assurances that the proposed QF project is financially viable in accordance with FPSC Rule 25-17.0832(4)(c) by attaching a detailed pro forma cash flow analysis. The pro forma must include, at a minimum, the following assumptions for each year of the project.

- Annual Project Revenues

- *Capacity Payments (\$ and \$/kW/Mo.)
- *Variable O&M (\$ and \$/MWh)
- *Energy (\$ and \$/MWh)
- *Steam Revenues (\$ and %/lb.)
- *Tipping Fees (\$ and \$/ton)
- *Interest Income
- *Other Revenues
- *Variable O&M Escalation (%/yr.)
- *Energy Escalation (%/yr.)
- *Steam Escalation (%/yr.)
- *Tipping Fee Escalation (%/yr.)

- Annual Project Expense

- *Fixed O&M (\$ and \$/kW/Mo.)
- *Variable O&M (\$ and \$/MWh)
- *Energy (\$ and \$/MWh)
- *Property Taxes (\$)
- *Insurance (\$)
- *Emission Compliance (\$ and \$/MWh)
- *Depreciation (\$ and %/yr.)
- *Other Expenses (\$)
- *Fixed O&M Escalation (%/yr.)
- *Variable O&M Escalation (%/yr.)

Energy Escalation (%/yr.)

Payments Starting on Avoided Unit In-Service Date

The calculation of payments to the REP/QF for energy delivered to PEF on and after the Avoided Unit In-Service Date shall be the sum, over all hours of the Monthly Billing Period, of the product of (a) each hour's Firm Energy Rate (¢/kWh); and (b) the amount of energy (kWh) delivered to PEF from the Facility during that hour.

The Firm Energy Rate shall be, on an hour-by-hour basis, PEF's Avoided Unit Energy Cost. For any other period during which energy is delivered by the REP/QF to PEF, the Firm Energy Rate in cents per kilowatt hour (¢/kWh) shall be the following on an hour-by-hour basis: the lesser of (a) the As-Available Energy Rate and (b) the Avoided Unit Energy Cost. The Avoided Unit Energy Cost, in cents per kilowatt - hour (¢/kWh) shall be defined as the product of (a) the Avoided Unit Fuel Cost and (b) the Avoided Unit Heat Rate; plus (c) the Avoided Unit Variable O&M.

For the purposes of this agreement, the Avoided Unit Fuel Cost shall be determined from gas prices published in Platts Inside FERC, Gas Market Report, first of the month posting for Florida Gas Transmission Zone 3, plus Gulfstream Natural Gas System's applicable Usage-2 rate (Reservation Charge of \$0.55), Usage-1 rate (Commodity Charge of \$0.02) and the applicable Gulfstream Natural Gas System's Use percentage (not to exceed 1.53%) in accordance with the terms and conditions of Gulfstream Natural Gas System's tariff, as all such charges, surcharges and percentages are in effect from time to time for service under Gulfstream Natural Gas System's Rate Schedule FTS.

ESTIMATED AS-AVAILABLE ENERGY COST

For informational purposes only, the estimated incremental avoided energy costs for the next four semi-annual periods are as follows. The following estimates include variable operation and maintenance expenses.

<u>Applicable Period</u>	<u>Average ¢/KWH</u>
<u>October 1, 2006 - March 31, 2007</u>	<u>7.1</u>
<u>April 1, 2007 - September 30, 2007</u>	<u>9.6</u>
<u>October 1, 2007 - March 31, 2008</u>	<u>8.3</u>
<u>April 1, 2008 - September 30, 2008</u>	<u>9.2</u>

- *Other Project Information
- *Installed Cost of the Facility (\$ and \$/kW)
- *Committed Capacity (kW)
- *Average Heat Rate HHV (MBTU/kWh)
- *Federal Income Tax Rate (%)
- *Facility Capacity Factor (%)
- *Energy Sold to PEF (MWh)

•Permanent Financing

- *Permanent Financing Term (yr.)
- *Project Capital Structure (percentage of long-term debt, subordinated debt, tax-exempt debt and equity)
- *Financing Costs (cost of long-term debt, subordinated debt, tax-exempt debt and equity)
- *Annual Interest Expense
- *Annual Debt Service (\$)
- *Amortization Schedule (beginning balance, interest expense, principal reduction, ending balance)

- Provide details of the financing plan for the project and indicate whether the project will be non-recourse project financed. If it will not be project financed please explain the alternative financing arrangement.

Submit financial statements for the last two years on the principals of the project, and provide an illustration of the project ownership structure.

ESTIMATED UNIT FUEL COST

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

\$/MMBTU

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<u>11.56</u>	<u>11.39</u>	<u>8.32</u>	<u>8.69</u>	<u>8.80</u>	<u>8.75</u>	<u>8.66</u>	<u>8.58</u>	<u>8.93</u>

DELIVERY VOLTAGE ADJUSTMENT

PEF's average system line losses are analyzed annually for the prior calendar year, and delivery efficiencies are developed for the transmission, distribution primary, and distribution secondary voltage levels. This analysis is provided in the PEF's semi-annual fuel cost recovery filing with the FPSC in Exhibit Schedule E1. An adjustment factor, calculated as the reciprocal of the appropriate delivery efficiency factor, is applicable to the above determined energy costs if the REP/QF is within PEF's service territory to reflect the delivery voltage level at which REP/QF energy is received by the PEF.

The current delivery voltage adjustment factors are:

<u>Delivery Voltage</u>	<u>Adjustment Factor</u>
<u>Transmission Voltage Delivery</u>	<u>1.0202</u>
<u>Primary Voltage Delivery</u>	<u>1.0317</u>
<u>Secondary Voltage Delivery</u>	<u>1.0656</u>

PERFORMANCE CRITERIA

Payments for firm Capacity are conditioned on the REP/QF's ability to maintain the following performance criteria:

A. Capacity Delivery Date

The Capacity Delivery Date shall be no later than the Avoided Unit In-Service Date.

B. Availability and Capacity Factor

The Facility's availability and capacity factor are used in the determination of firm Capacity Payments through a performance based calculation as detailed in Appendix A to the Contract.

METERING REQUIREMENTS

The REP/QFs within the territory served by PEF shall be required to purchase from PEF hourly recording meters to measure their energy deliveries to PEF. Energy purchases from the REP/QFs outside the territory of PEF shall be measured as the quantities scheduled for interchange to PEF by the entity delivering Firm Capacity and Energy to PEF.

For the purpose of this Contract, the on-peak hours shall be those hours occurring April 1 through October 31, from 11:00 a.m. to 10:00 p.m., and November 1 through March 31, from 6:00 a.m. to 12:00 noon and 5:00 p.m. to 10:00 p.m. prevailing Eastern time. PEF shall have the right to change such On-Peak Hours by providing the REP/QF a minimum of thirty calendar days' advance written notice.

BILLING OPTIONS

A REP/QF, upon entering into this Contract for the sale of firm capacity and energy or prior to delivery of as-available energy, may elect to make either simultaneous purchases from and sales to PEF, or net sales to PEF; provided, however, that no such arrangement shall cause the REP/QF to sell more than the Facility's net output. A decision on billing methods may only be changed: 1) when a REP/QF selling as-available energy enters into this Contract for the sale of firm capacity and energy; 2) when a Contract expires or is lawfully terminated by either the REP/QF or PEF; 3) when the REP/QF is selling as-available energy and has not changed billing methods within the last twelve months; 4) when the election to change billing methods will not contravene the provisions of FPSC Rule 25-17.0832 or a contract between the REP/QF and PEF.

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

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

CHARGES TO RENEWABLE ENERGY PROVIDER

The REP/QF shall be responsible for all applicable charges as currently approved or as they may be approved by the Florida Public Service Commission, including, but not limited to:

A. Retail Service Charges

The REP/QF shall be responsible for all FPSC approved charges for any retail service that may be provided by PEF. The REP/QF shall be billed \$74.42 monthly for the costs of meter reading, billing, and other administrative costs.

B. Interconnection Charge for Non-Variable Utility Expenses

The REP/QF shall bear the cost required for interconnection, including the metering. The REP/QF shall have the option of (i) payment in full for the interconnection costs including the time value of money during the construction of the interconnection facilities and providing a surety bond, Letter of Credit or comparable assurance of payment acceptable to PEF adequate to cover the interconnection cost estimates, (ii) payment of monthly invoices from PEF for actual costs progressively incurred by PEF in installing the interconnection facilities, or (iii) upon a showing of credit worthiness, making equal monthly installment payments over a period no longer than thirty six (36) months toward the full cost of interconnection. In the latter case, PEF shall assess 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.

C. Interconnection Charge for Variable Utility Expenses

The REP/QF shall be billed monthly for the variable utility expenses associated with the operation, maintenance and repair of the interconnection facilities. These include (a) PEF's inspections of the interconnection facilities and (b) maintenance of any equipment beyond that which would be required to provide normal electric service to the REP/QF if no sales to PEF were involved.

The REP/QF may pay a monthly charge equal to a percentage of the installed cost of the interconnection facilities. This monthly rate is stated in the Agreement for the Purchase of As-Available Energy and/or Parallel Operation With a Qualifying Facility as filed with the Florida Public Service Commission and may be amended periodically. The current rate is 0.5% per month of the installed cost of the interconnection facilities.

TERMS OF SERVICE

- A. It shall be the REP/QF's responsibility to inform PEF of any change in its electric generation capability.
- B. Any electric service delivered by PEF to a REP/QF located in PEF's service area shall be subject to the following terms and conditions:
- (1) A REP/QF shall be metered separately and billed under the applicable retail rate schedule(s), whose terms and conditions shall pertain.
 - (2) A security deposit will be required in accordance with FPSC Rules 25-17.082(5) and 25-6.097, F.A.C., and the following:
 - (i) In the first year of operation, the security deposit should be based upon the singular month in which the REP/QF's projected purchases from PEF exceed, by the greatest amount, PEF's estimated purchases from the REP/QF. The security deposit should be equal to twice the amount of the difference estimated for that month. The deposit is required upon interconnection.
 - (ii) For each year thereafter, a review of the actual sales and purchases between the REP/QF and PEF will be conducted to determine the actual month of maximum difference. The security deposit should be adjusted to equal twice the greatest amount by which the actual monthly purchases by the REP/QF exceed the actual sales in PEF in that month.
 - (3) PEF shall specify the point of interconnection and voltage level.
 - (4) The REP/QF must enter into an interconnection to PEF's system. Specific features of the REP/QF and its interconnection to PEF's facilities will be considered by PEF in preparing the interconnection agreement.
- C. Service under this rate schedule is subject to the rules and regulations of the FPSC.

SCHEDULE 1
TO RATE SCHEDULE REN-CT

CALCULATION OF VALUE OF DEFERRAL PAYMENTS

APPLICABILITY

This Schedule 1 provides a detailed description of the methodology used by PEF to calculate the monthly values of deferring or avoiding the Avoided Unit identified in the Contract. When used in conjunction with the current FPSC-approved cost parameters associated with the Avoided Unit contained in Schedule 2, a REP/QF may determine the applicable value of deferral capacity payment rate associated with the timing and operation of its particular facility should the REP/QF enter into a Contract with PEF.

Also contained in this Schedule 1 is the discussion of the types and forms of surety bond requirements or equivalent assurance for payment of the Termination Fee acceptable to PEF in the event of contractual default by a REP/QF.

CALCULATION OF VALUE OF DEFERRAL OPTION A

FPSC Rule 25-17.0832(5) specifies that avoided capacity costs, in dollars per kilowatt per month, associated with capacity sold to a utility by a REP/QF pursuant to Contract shall be defined as the year-by-year value of deferral of the Avoided Unit. The year-by-year value of deferral shall be the difference in revenue requirements associated with deferring the Avoided Unit one year, and shall be calculated as follows:

$$\text{VAC}_m = 1/12 [KI_n (1 - R) / (1 - R^L) + O_n]$$

Where, for a one year deferral:

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

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

R = (1 + i_p) / (1 + r);

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 for the Avoided Unit which 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;

i_o = annual escalation rate associated with the operation and maintenance expense of the Avoided Unit;

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 the Avoided Unit In-Service Date and ending with the Termination Date.

CALCULATION OF FIXED VALUE OF DEFERRAL PAYMENTS - EARLY CAPACITY-OPTION B

Under the fixed value of deferral Option A, payments for firm capacity shall not commence until the in-service date of the Avoided unit(s). At the option of the REP/QF, however, PEF may begin making payments for capacity consisting of the capital cost component of the value of a year-by-year deferral of the Avoided Unit prior to the anticipated in-service date of the Avoided Unit. When such payments for capacity are elected, the avoided capital cost component of Capacity Payments shall be paid monthly commencing no earlier than the Capacity Delivery Date of the REP/QF, and shall be calculated as follows:

$$A_M = [A_c (1 + i_p)^{(m-1)} + A_o (1 + i_o)^{(m-1)}] / 12 \quad \text{for } m = 1 \text{ to } t$$

Where:

A_M = monthly payments to be made to the REP/QF for each month of the contract year n, in dollars per kilowatt per month in which REP/QF delivers capacity pursuant to the early capacity option;

i_p = annual escalation rate associated with the plant cost of the Avoided Unit;

i_o = annual escalation rate associated with the operation and maintenance expense of the Avoided Unit;

m = year for which the fixed value of deferral payments under the early capacity option are made to a REP/QF, starting in year one and ending in the year t;

t = the Term, in years, of the Contract;

A_c = $F [(1 - R) / (1 - R^t)]$

Where:

F = the cumulative present value, in the year that the contractual payments will begin, of the avoided capital cost component of Capacity Payments which would have been made had Capacity Payments commenced with the Avoided Unit In-Service Date;

R = $(1 + i_p) / (1 + r)$

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

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

Where:

G = The cumulative present value, in the year that the contractual payments will begin, of the avoided fixed operation and maintenance expense component of Capacity Payments which would have been made had Capacity Payments commenced with the Avoided Unit In-Service Date.

R = $(1 + i_o) / (1 + r)$

The currently approved parameters applicable to the formulas above are found in Schedule 2.

**CALCULATION OF FIXED VALUE OF DEFERRAL PAYMENTS -
LEVELIZED AND EARLY LEVELIZED CAPACITY - OPTION C & OPTION D,
RESPECTIVELY**

Monthly fixed value of deferral payments for levelized and early levelized capacity shall be calculated as follows:

$$P_L = (F / 12) \cdot [r / 1 - (1 + r)^{-t}] + O$$

Where:

- P_L = the monthly levelized capacity payment, starting on or prior to the in-service date of PEF's Avoided Unit(s);
- F = the cumulative present value, in the year that the contractual payments will begin, of the avoided capital cost component of the Capacity Payments which would have been made had the Capacity Payments not been levelized;
- r = the annual discount rate, defined as PEF's incremental after-tax cost of capital;
- t = the Term, in years of the Contract
- O = the monthly fixed operation and maintenance component of the Capacity Payments, calculated in accordance with calculation of the fixed value of deferral payments for the levelized capacity or the early levelized capacity options.

RISK-RELATED GUARANTEES

With the exception of governmental solid waste facilities covered by FPSC Rule 25-17.091, FPSC Rule 25-17.0832 paragraph (4)(e)10 requires that, when fixed value or deferral payments - early capacity, levelized capacity, or early levelized capacity are elected, the REP/QF must provide a surety bond or equivalent assurance of securing the payment of a Termination Fee in the event the REP/QF is unable to meet the terms and conditions of its Contract. Depending on the nature of the REP/QF's operation, financial health and solvency, and its ability to meet the terms and conditions of the Contract, one of the following may constitute an equivalent assurance of payment:

- (1) Bond;
- (2) Cash deposit(s) with PEF;
- (3) Unconditional, irrevocable, direct pay Letter of Credit;
- (4) Unsecured promise by a municipal, county or state government to repay payment for early or levelized capacity in the event of default, in conjunction with a legally binding commitment from such government allowing the utility to levy a surcharge on either the electric bills of the government's electricity consuming facilities or the constituent electric customers of such government to assure that payments for early or levelized capacity are repaid;
- (5) Unsecured promise by a privately-owned REP/QF to repay payments for early or levelized capacity in the event of default, in conjunction with a legally binding commitment from the owner(s) of the REP/QF, parent company, and/or subsidiary companies located in Florida to assure that payments for early, levelized or early levelized capacity are repaid; or
- (6) Other guarantees acceptable to PEF.

PEF will cooperate with each REP/QF applying for fixed value of deferral payments under the early, levelized or early levelized capacity options to determine the exact form of an "equivalent assurance" for payment of the Termination Fee to be required based on the particular aspects of the REP/QF. PEF will endeavor to accommodate an equivalent assurance of repayment which is in the best interests of both the REP/QF and PEF's ratepayers.

SCHEDULE 2
TO RATE SCHEDULE REN-CT
CAPACITY OPTION PARAMETERS

FIXED VALUE OF DEFERRAL PAYMENTS -
NORMAL CAPACITY OPTION PARAMETERS

Where, for one year deferral:

		<u>Value</u>
VAC_m	= <u>PEF's value of avoided capacity and O&M, in dollars per kilowatt per month, during month m;</u>	<u>\$3.00</u>
K	= <u>present value of carrying charges for one dollar of investment over L years with carrying charges computed using average annual rate base and assumed to be paid at the middle of each year and present valued to the middle of the first year;</u>	<u>1.366</u>
I_n	= <u>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;</u>	<u>\$349.59</u>
O_n	= <u>total fixed operation and maintenance expense, for the year n, in mid-year dollars per kilowatt per year, of the Avoided Unit;</u>	<u>\$2.38</u>
i_p	= <u>annual escalation rate associated with the plant cost of the Avoided Unit;</u>	<u>2.5%</u>
i_o	= <u>annual escalation rate associated with the operation and maintenance expense of the Avoided Unit;</u>	<u>2.5%</u>
r	= <u>annual discount rate, defined as PEF's incremental after-tax cost of capital;</u>	<u>8.10%</u>
L	= <u>expected life of the Avoided Unit;</u>	<u>25</u>
n	= <u>year for which the Avoided Unit is deferred starting with the Avoided Unit In-Service Date and ending with the Termination Date.</u>	<u>2010</u>

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

<u>A_m</u>	=	<u>monthly avoided capital cost component of Capacity Payments to be made to the REP/QF starting as early as two years prior to the Avoided Unit In-Service Date, in dollars per kilowatt per month;</u>	<u>\$2.80</u>
<u>i_p</u>	=	<u>annual escalation rate associated with the plant cost of the Avoided Unit;</u>	<u>2.5%</u>
<u>n</u>	=	<u>year for which early Capacity Payments to a REP/QF are to begin;</u>	<u>2007</u>
<u>F</u>	=	<u>the cumulative present value of the avoided capital cost component of Capacity Payments which would have been made had Capacity Payments commenced with the anticipated in-service date of the Avoided Unit and continued for a period of 10 years;</u>	<u>\$210.64</u>
<u>r</u>	=	<u>annual discount rate, defined as PEF's incremental after-tax cost of capital;</u>	<u>8.10%</u>
<u>t</u>	=	<u>the Term, in years, of the Contract for the purchase of firm capacity commencing prior to the in-service date of the Avoided Unit;</u>	<u>14</u>
<u>G</u>	=	<u>the cumulative present value of the avoided fixed operation and maintenance expense component of Capacity Payments which would have been made had Capacity Payments commenced with the anticipated in-service date of the Avoided Unit and continued until the Termination Date.</u>	<u>\$14.93</u>

APPENDIX E
FPSC RULES 25-17.080 THROUGH 25-17.091
ARE PROVIDED IN SECTION VIII
ON THIS TARIFF BOOK

APPENDIX E

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 Standard Offer Contract.~~

2.0 Schematic Diagram

~~Exhibit E-1, attached hereto and made a part hereof, is a schematic diagram showing the major circuit components connecting the Facility and PEF'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 E-1 will be inserted by PEF on or before the date on which the Facility first operates in parallel with PEF's system.~~

3.0 Operating Standards

~~3.1 The QF and PEF 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 PEF 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 PEF's system without prior written consent of PEF. Such consent shall not be given until the QF has satisfied all criteria under the Agreement and has:~~

~~submitted to and received consent from PEF of its as-built electrical specifications;~~



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~~THIRD-FOURTH~~ REVISED SHEET NO. 9.800
CANCELS ~~SECOND-THIRD~~ REVISED SHEET NO. 9.800

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(ii) demonstrated to PEF's satisfaction that the Facility is in compliance with the insurance requirements of the Standard Offer Contract; and

(iii) demonstrated to PEF'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 PEF's system until the QF has demonstrated that it is in compliance with all the requirements of section 3.3 hereof.

3.5 The QF shall be responsible for coordination and synchronization of the Facility's equipment with PEF'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 PEF shall have the right to open and lock, with a PEF padlock, manual disconnect switch number(s) _____ and isolate the Facility's generation system without prior notice to the QF. To the extent practicable, however, prior notice shall be given. Any of the following conditions shall be cause for disconnection:

1. PEF system emergencies and/or maintenance repair and construction requirements;

2. hazardous conditions existing on the Facility's generating or protective equipment as determined by PEF;

3. adverse effects of the Facility's generation to PEF's other electric consumers and/or system as determined by PEF;

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 PEF's system when auxiliary power is being provided from a source other than the Facility's electric generation equipment.



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CANCELS SECOND-~~THIRD~~ REVISED SHEET 9.801

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3.8 — Neither Party shall operate switching devices owned by the other Party, except that PEF may open the manual disconnect switch 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 PEF authorizing the restoration of parallel operation.

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

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If the QF elects option (ii), the switch shall be opened by QF personnel or by PEF personnel and, as promptly as practicable, PEF personnel will install a PEF 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 twelve (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 PEF 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 PEF upon request.

4.3 PEF 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 PEF: _____ System Dispatcher on Duty _____
Title: _____ System Dispatcher _____
Telephone: _____ 727 866 5888 _____
Telecopier: _____ 727 384 7865 _____

To The QF: Name _____
Title: _____
Telephone: _____
Telecopier: _____

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~~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.~~

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CANCELS SECOND REVISED SHEET 9.805

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APPENDIX F**INTERCONNECTION SCHEDULING AND COST RESPONSIBILITY****1.0 Purpose**

~~This appendix provides the procedures for the scheduling of construction for PEF'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 PEF's system. All requirements contained herein shall apply in addition to and not in lieu of the provisions of the Standard Offer Contract.~~

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 PEF'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, PEF 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.~~

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

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- 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;~~
- e. ~~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;~~
- g. ~~Facility operating/instruction manuals; and~~
- 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.~~

~~2.2 Any subsequent change in the final electrical plans shall be submitted to PEF and it is understood and agreed that any such changes may affect PEF's schedules and Interconnection Costs as previously estimated.~~

~~2.3 The QF shall pay the actual costs incurred by PEF 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 the Standard Offer Contract. At PEF's option, advance payment for these cost estimates may be required, in which event PEF 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 PEF hereunder shall be prepared in good faith but shall not be binding. PEF may modify such schedules as necessary to accommodate contingencies that affect PEF's ability to initiate or complete PEF's Interconnection Facilities and actual costs will be used as the basis for all final charges hereunder.~~

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3.0 Payment Obligations for Interconnection Costs

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

~~3.2 The QF agrees to pay all of PEF's actual Interconnection Costs as such costs are incurred and billed in accordance with the Standard Offer Contract. 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 ___ 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. Interconnection Costs shall be defined as the actual costs incurred by PEF for PEF's Interconnection Facilities, including, without limitation, the cost of equipment, engineering, communication and administrative activities and Interconnection Costs Offset shall be defined as the estimated costs included in the Interconnection Costs that PEF would have incurred if it were not purchasing capacity and electric energy but instead itself generated or purchased from other sources an equivalent amount of capacity and electric energy and provided normal service to the Facility as if it were a non-generating customer. Payments will be invoiced in the first month following first incurrence of Interconnection Costs by PEF. 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 including any accrued interest.~~

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

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

~~4.0 Payment Obligations for Operation, Maintenance and Repair of PEF'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 PEF's COG-1 As Available Tariff as may be amended from time to time.~~

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APPENDIX F
~~FPSC RULES 25-17.080 THROUGH 25-17.091~~
~~ARE PROVIDED IN SECTION VIII~~
~~ON THIS TARIFF BOOK~~

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STANDARD OFFER CONTRACT FOR THE PURCHASE OF FIRM CAPACITY
AND ENERGY FROM A RENEWABLE ENERGY PRODUCER
OR QUALIFYING FACILITY LESS THAN 100 KW

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STANDARD OFFER CONTRACT FOR THE PURCHASE OF FIRM CAPACITY
AND ENERGY FROM A RENEWABLE ENERGY PRODUCER
OR QUALIFYING FACILITY LESS THAN 100 KW

between

and

PROGRESS ENERGY FLORIDA

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**STANDARD OFFER CONTRACT FOR THE PURCHASE OF FIRM CAPACITY
AND ENERGY FROM A RENEWABLE ENERGY PRODUCER
OR QUALIFYING FACILITY LESS THAN 100 KW**

THIS STANDARD OFFER CONTRACT FOR THE PURCHASE OF FIRM CAPACITY AND ENERGY (hereinafter referred to as the "Contract") is made and entered this ____ day of _____, ____ (hereinafter referred to as the "Execution Date"), by and between _____ (hereinafter the Renewable Energy Provider/Qualifying Facility ("REP/QF"), and Florida Power Corporation d/b/a Progress Energy Florida (hereinafter "PEF"), a private utility corporation organized and existing under the laws of the State of Florida. The REP/QF and PEF shall be individually be identified herein as the "Party" and collectively as the "Parties". This Contract contains five Appendices which are incorporated into and made part of this Contract: Appendix A: Monthly Capacity Payment Calculation; Appendix B: Termination Fee; Appendix C: Detailed Project Information; Appendix D: Rate Schedule REN-CC; and Appendix E: Florida Public Service Commission ("FPSC") Rules 25-17.080 through 25-17.091, F.A.C.

WITNESSETH:

WHEREAS, the REP/QF desires to sell, and PEF desires to purchase electricity to be generated by the REP/QF consistent with Florida Statute Chapter 366.91 (2005) and FPSC Rules 25-17.080 through 25-17.091 F.A.C.; and

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

WHEREAS, the FPSC has approved this Contract for the Purchase of Firm Capacity and Energy from a Renewable Energy Producer or Qualifying Facility less than 100kW; and

WHEREAS, the REP/QF guarantees that the Facility is capable of delivering firm capacity and energy to PEF for the term of this Contract in a manner consistent with the provision of this Contract;

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

1. Definitions

“AFR” means the Facility’s annual fuel requirement.

“AFTR” means the Facility’s annual fuel transportation requirement

“Annual Capacity Billing Factor” or “ACBF” means 12 month rolling average of the Monthly Availability Factor as further defined and explained in Appendix A.

“Appendices” shall mean the schedules, exhibits, and attachments which are appended hereto and are hereby incorporated by reference and made a part of this Contract. Such Appendices include:

“Appendix A” sets forth the Monthly Capacity Payment Calculation.

“Appendix B” sets forth the Termination Fee.

“Appendix C” sets forth the Detailed Project Information.

“Appendix D” sets forth Rate Schedule REN-CC.

“Appendix E” sets forth Florida Public Service Commission ("FPSC") Rules 25-17.080 through 25-17.091, F.A.C.

“As-Available Energy Rate” means the rate calculated by PEF in accordance with FPSC Rule 25-17.0825, F.A.C., and PEF's Rate Schedule COG-1, as they may each be amended from time to time

“Authorization to Construct” means authorization issued by any appropriate Government Agency to construct or reconstruct the Facility granted to REP/QF in accordance with the laws of the State of Florida and any relevant federal law.

“Avoided Unit” means the electrical generating unit described in Section 4 upon which this Contract is based.

“Avoided Unit Energy Cost” has the meaning assigned to it in Appendix D.

“Avoided Unit Fuel Cost” has the meaning assigned to it in Appendix D.

“Avoided Unit Heat Rate” means the average annual heat rate of the Avoided Unit as defined in Section 4.

“Avoided Unit In-Service Date” means the date upon which the Avoided Unit would have started commercial operation as specified in Section 4.

“Avoided Unit Variable O&M” means the Avoided Unit variable operation and maintenance expenses as defined in Section 4. This rate will escalate annually based upon CPI-U. The annual escalation will begin in the payment for January deliveries.

“Base Capacity Payment” or “BCP” means capacity payment rates defined in Appendix D and further defined by the selection of Option A,B,C or D in Section 9.2.

“Base Performance Security Amount” means the dollar amount per MW listed in the Table 1 in Section 11 for years 1-5 associated with the applicable credit class of the Party.

“Base Year” means the year that this Contract was approved by the FPSC.

“Business Day” means any day except a day upon which banks licensed to operate in the State of Florida are authorized, directed or permitted to close, Saturday, Sunday or a weekday that is observed as a public holiday in the State of Florida.

“CAMD” means the Clean Air Markets Division of the Environmental Protection Agency or successor administrator (collectively with any local, state, regional, or federal entity given jurisdiction over a program involving transferability of Environmental Attributes).

“Capacity” means the minimum average hourly net capacity (generator output minus auxiliary load) measured over the Committed Capacity Test Period.

“Capacity Delivery Date” means the first calendar day immediately following the date of the Facility's successful completion of the first Committed Capacity Test.

“Capacity Payment” means the payment defined in Section 9.2 and Appendix A.

“Committed Capacity” or “CC” means the capacity in MW that the REP/QF commits to sell to PEF, the amount of which shall be determined in accordance with Section 7 and Appendix D.

“Committed Capacity Test” means the testing of the capacity of the Facility performed in accordance with the procedures set forth in Section 8.

“Committed Capacity Test Period” means a test period of twenty-four (24) consecutive hours.

“Completed Permits Date” means the date by which the REP/QF must complete licensing, certification, and all federal, state and local governmental, environmental, and licensing approvals required to initiate construction of the Facility. This date is specified in Section 4.

“Completion/Performance Security” means the security described in Section 11.

“Conditions Precedent” shall have the meaning assigned to it in Section 5.

“Consent” means a Governmental Approval or other contract, license, approval, permission, authorization or other right of whatsoever nature (including any renewal or replacement of same) necessary or desirable for the construction of the Facility infrastructure or for the use of the Facility for the generation of electricity or for the transmission of electricity to the Transmission System (including, but not limited to, the Project Consents); or for any other matters relevant to the performance of REP/QF's obligations under this Contract.

“Contract” means this standard offer contract for the purchase of Firm Capacity and Energy from a Renewable Energy Producer or Qualifying Facility with a nameplate capacity of less than 100 kW.

“CPI-U” means the revised monthly consumer price index for All Urban Consumers, U.S. City Average (CPI-U) (All Items 1982-84 = 100) promulgated by the Bureau of Labor Statistics of the United States Department of Labor.

“Creditworthy” with respect to a Party or its credit support provider, as applicable, means a party is rated by at least two (2) of the three (3) following rating agencies Standard & Poors (S&P), Moody’s Investor Services (Moody’s) and Fitch Rating Services (Fitch). Rating shall be the unsecured, senior long-term debt or deposit obligations (not supported by third party credit enhancement). Both ratings (if company is only rated by 2 of the 3 agencies) or at least two (2) of the three (3) (if company is rated by all three agencies) must be (i) BBB- or greater from S&P (ii) Baa3 or greater from Moody’s (iii) BBB- or greater from Fitch.

“Demonstration Period” means a sixty-hour period in which the Committed Capacity Test must be completed.

“Distribution System” means the distribution system consisting of electric lines, electric plant, transformers and switchgear is used for conveying electricity to ultimate consumers, but not including any part of the Transmission System.

“Dispute” shall have the meaning assigned to it in Section 20.9.

“Drop Dead Date” means the date which is twelve (12) months following the Execution Date.

“Eastern Prevailing Time” means the time in effect in the Eastern Time Zone of the United States of America, whether Eastern Standard Time or Eastern Daylight Savings Time.

“Effective Date” has the meaning assigned to it in Section 5.

“Electrical Interconnection Point” means the physical point at which the Facility is connected with the Transmission System or, if REP/QF interconnects with a Transmission System other than PEF’s, PEF’s interconnection with the Transmission Provider’s Transmission System, or such other physical point on which REP/QF and PEF may agree.

“Eligible Collateral” means (i) a Letter of Credit from a Qualified Institution or (ii) cash deposited into a PEF Security Account by REP/QF or REP/QF Security Account by PEF, as the case may be, or (iii) REP/QF Guarantee or PEF Guarantee or a combination of (i), (ii) and/or (iii) as outlined in Section 11.

“Energy” means megawatt-hours generated by the Facility of the character commonly known as three-phase, sixty hertz electric energy that is delivered at a nominal voltage at the Electrical Interconnection Point.

“Environmental Attributes” means all attributes of an environmental or other nature that are created or otherwise arise from the Facility’s generation of electricity from a renewable energy source in contrast with the generation of electricity using nuclear or fossil fuels or other traditional resources. Forms of such attributes include, without limitation, any and all environmental air quality credits, green credits, renewable energy credits (“RECs”), carbon credits, emissions reduction credits, certificates, tags, offsets, allowances, or similar products or rights, howsoever entitled, (i) resulting from the avoidance of the emission of any gas, chemical, or other substance, including but not limited to, mercury, nitrogen oxide, sulfur dioxide, carbon dioxide, carbon monoxide, particulate matter or similar pollutants or contaminants of air, water or soil gas, chemical, or other substance, and (ii) attributable to the generation, purchase, sale or use of Energy from or by the Facility, or otherwise attributable to the Facility during the Term. Environmental Attributes include, without limitation, those currently existing or arising during the Term under local, state, regional, federal, or international legislation or regulation relevant to the avoidance of any emission described in this Contract under any governmental, regulatory or voluntary program, including, but not limited to, the United Nations Framework Convention on Climate Change and related Kyoto Protocol or other programs, laws or regulations involving or administered by the Clean Air Markets Division of the Environmental Protection Agency (“CAMD”) or successor administrator (collectively with any local, state, regional, or federal entity given jurisdiction over a program involving transferability of Environmental Attributes,).

“EPT” means Eastern Prevailing Time.

“Event of Default” has the meaning assigned to it in Section 14.

“Execution Date” has the meaning assigned to it in the opening paragraph of this Contract.

“Exemplary Early Capacity Payment Date” means the exemplary date used to calculate Capacity Payments for Option B and D. This date is specified in Section 4. The actual Capacity Payments for Option B and D will be calculated based upon the Capacity Delivery Date.

“Expiration Date” means the final date upon which this Contract can be executed. This date is specified in Section 4.

“Facility” means all equipment, as described in this Contract, used to produce electric energy and, and all equipment that is owned or controlled by the REP/QF required for parallel operation with the Transmission System. In the case of a cogenerator the Facility includes all equipment that is owned or controlled by the REP/QF to produce useful thermal energy through the sequential use of energy.

“FERC” means the Federal Energy Regulatory Commission or its successor.

“Financial Closing” means the fulfillment of each of the following conditions:

- (a) the execution and delivery of the Financing Documents; and
- (b) all Conditions Precedent to the initial availability for disbursement of funds under the Financing Documents (other than relating to the effectiveness of this Contract) are satisfied or waived.

“Financing Documents” shall mean documentation with respect to any private equity investment in REP/QF, any loan agreements (including agreements for any subordinated debt), notes, bonds, indentures, guarantees, security agreements and hedging agreements relating to the financing or refinancing of the design, development, construction, Testing, Commissioning, operation and maintenance of the Facility or any guarantee by any Financing Party of the repayment of all or any portion of such financing or refinancing.

“Financing Party” means the Persons (including any trustee or agent on behalf of such Persons) providing financing or refinancing to or on behalf of REP/QF for the design, development, construction, testing, commissioning, operation and maintenance of the Facility (whether limited recourse, or with or without recourse).

“Firm Capacity and Energy” has the meaning assigned to it in Appendix D.

“Firm Capacity Rate” has the meaning assigned to it in Appendix D.

“Firm Energy Rate” has the meaning assigned to it in Appendix D.

“Force Majeure” has the meaning given to it in Section 18.

“FPSC” means the Florida Public Service Commission or its successor.

“Government Agency” means the United States of America, or any state or any other political subdivision thereof, including without limitation, any municipality, township or county, and any domestic entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including, without limitation, any corporation or other entity owned or controlled by any of the foregoing.

“Governmental Approval” means any authorization, consent, approval, license, ruling, permit, exemption, variance, order, judgment, instruction, condition, direction, directive, decree, declaration of or regulation by any Government Agency relating to the construction, development, ownership, occupation, start-up, Testing, operation or maintenance of the Facility or to the execution, delivery or performance of this Contract as any of the foregoing are in effect as of the date of this Contract.

“Gross Domestic Product Implicit Price Deflator” or “GDPIPD” has the meaning assigned to it in Section 11.

“IEEE” means the Institute of Electrical and Electronics Engineers, Inc.

“Indemnified Party” has the meaning assigned to it in Section 16.

“Indemnifying Party” has the meaning assigned to it in Section 16.

“Initial Reduction Value” has the meaning assigned to it in Appendix B.

“Insurance Services Office” has the meaning assigned to it in Section 17.

“KVA” means one or more kilovolts-amperes of electricity, as the context requires.

“kW” means one or more kilowatts of electricity, as the context requires.

“kWh” means one or more kilowatthours of electricity, as the context requires.

“Letter of Credit” means a stand-by letter of credit from a Qualified Institution that is acceptable to PEF whose approval may not be unreasonably withheld.

“LOI” means a letter of intent for fuel supply.

“Material Adverse Change” means as to PEF, that PEF or PEF Guarantor, if applicable, or, as to REP/QF, that REP/QF or REP/QF Guarantor, if applicable, any of the following events; (a) such party is no longer Creditworthy or (b) the party of Party’s guarantor, if applicable, defaults on an aggregate of fifty million dollars (\$50,000,000) or five percent (5%) of equity, whichever is less.

“MCPC” means the Monthly Capacity Payment for Option A.

“Monthly Billing Period” means the period beginning on the first calendar day of each calendar month, except that the initial Monthly Billing Period shall consist of the period beginning 12:01 a.m., on the Capacity Delivery Date and ending with the last calendar day of such month.

“Monthly Availability Factor” or “MAF” means the total energy received during the Monthly Billing Period for which the calculation is made, divided by the product of Committed Capacity times the total hours during the Monthly Billing Period.

“Monthly Capacity Payment” or “MCP” means the payment for Capacity calculated in accordance with Appendix A.

“MW” means one or more megawatts of electricity, as the context requires.

“MWh” means one or more megawatt-hours of electricity, as the context requires.

“Option A” means normal Capacity Payments as described in Appendix D.

“Option B” means early Capacity Payments as described in Appendix D.

“Option C” means levelized Capacity Payments as described in Appendix D.

“Option D” means early levelized Capacity Payments as described in Appendix D.

“Party” or “Parties” has the meaning assigned to it in the opening paragraph of this Contract.

“PEF” has the meaning assigned to it in the opening paragraph of this Contract.

“PEF Entities” has the meaning assigned to it in Section 16.

“PEF Guarantee” means a guarantee provided by PEF Guarantor that is acceptable to REP/QF whose approval may not be unreasonably withheld.

“PEF Guarantor” means a party that, at the time of execution and delivery of its PEF Guarantee is a direct or indirect owner of PEF and is (a) Creditworthy or is (b) reasonably acceptable to REP/QF as having verifiable Creditworthiness and a net worth sufficient to secure PEF’s obligations.

“PEF Performance Security” has the meaning assigned to it in Section 11.

“PEF Security Account” means an account designated by PEF for the benefit of PEF free and clear of all liens (including liens of any lenders) to be established and maintained at a Qualified Institution pursuant to a control agreement in a form and substance acceptable to PEF whose cost is to be borne by the REP/QF.

“Person” means any individual, partnership, corporation, association, joint stock company trust, joint venture, unincorporated organization, or Governmental Agency (or any department, agency, or political subdivision thereof).

“Project Consents” mean the following Consents, each of which is necessary to REP/QF for the fulfillment of REP/QF’s obligations hereunder:

- (a) the Authorization to Construct;
- (b) planning permission and consents in respect of the Facility, and any electricity substation located at the Facility site, including but not limited to, a prevention of significant deterioration permit, a noise, proximity and visual impact permit, and any required zoning permit; and
- (c) any integrated pollution control license.

“Project Contracts” means this Contract, and any other contract required to construct, operate and maintain the Facility. The Project Contracts may include, but are not limited to, the turnkey engineering, procurement and construction contract, the electrical interconnection and operating agreement, the fuel supply agreement, the facility site lease, and the operation and maintenance agreement.

“Prudent Utility Practices” means any of the practices, methods, standards and acts (including, but not limited to, the practices, methods and acts engaged in or approved by a significant portion of owners and operators of power plants of technology, complexity and size similar to the Facility in the United States) that, at a particular time, in the exercise of reasonable judgment in light of the facts known or that should reasonably have been known at the time a decision was made, could have been expected to accomplish the desired result and goals (including such goals as efficiency, reliability, economy and profitability) in a manner consistent with applicable facility design limits and equipment specifications and applicable laws and regulations. Prudent Utility Practice is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but rather to be a spectrum of acceptable practices, methods or acts in each case taking into account the Facility as an independent power project.

“Qualifying Facility” or “QF” means a cogenerator, small power producer, or non-utility generator that has been certified or self-certified by the FERC as meeting certain ownership, operating and efficiency criteria established by the Federal Energy Regulatory Commission pursuant to the Public Utility Regulatory Policies Act of 1978 (“PURPA”), the criteria for which are currently set forth in 18 C.F.R. § 292, *et seq.* (2006), Section 210 of PURPA, 16 U.S.C. § 824a-3 (2005), 16 U.S.C. 796 *et seq.* (2006), and Section 1253 of EPAct 2005, Pub. L. No. 109-58, § 1253, 119 Stat. 594 (2005) or, alternatively, analogous provisions under the laws of the State of Florida.

“Qualified Institution” means the domestic office of a United States commercial bank or trust company or a foreign bank with a United States branch with total assets of at least ten billion dollars (\$10,000,000,000) (which is not an affiliate of either party) having a general long-term senior unsecured debt rating of A- or higher (as rated by Standard & Poors Ratings Group), A3 or higher (as rated by Moody’s Investor Services) or A- or higher (as rated by Fitch Ratings).

“Rate Schedule COG-1” means PEF’s Agreement for Purchase of As-Available Energy and/or Parallel Operation with a Qualifying Facility as approved by the FPSC and as may be amended from time to time.

“REC” means renewable energy credits, green tags, green tickets, renewable certificates, tradable renewable energy credits (“T-REC”) or any tradable certificate that is produced by a renewable generator in addition to and in proportion to the production of electrical energy.

“Reduction Value” has the meaning assigned to it in Appendix B.

“Renewable Facility” means a facility that produces energy from a method that uses one or more of the following fuels or energy sources: hydrogen produced from sources other than fossil fuels, biomass, solar energy, geothermal energy, wind energy, ocean energy, hydroelectric power or waste heat from sulfuric acid manufacturing operations.

“REP/QF Entities” has the meaning assigned to it in Section 16.

“REP/QF Guarantee” means a guarantee provided by REP/QF Guarantor that is acceptable to PEF whose approval may not be unreasonably withheld.

“REP/QF Guarantor” means a party that, at the time of execution and delivery of its REP/QF Guarantee is a direct or indirect owner of REP/QF and is (a) Creditworthy or is (b) reasonably acceptable to PEF as having verifiable Creditworthiness and a net worth sufficient to secure REP/QF’s obligations.

“REP/QF Insurance” has the meaning assigned to it in Section 17.

“REP/QF Performance Security” has the meaning assigned in Section 11.

“REP/QF Security Account” means an account designated by the REP/QF for the benefit of the REP/QF free and clear of all liens (including liens of any lenders) to be established and maintained at a Qualified Institution pursuant to a control agreement in a form and substance acceptable to REP/QF whose cost is to be borne by PEF.

“Security Documentation” has the meaning assigned to it in Section 12.

“Supplemental Eligible Collateral” means additional collateral in the form of Letter of Credit or cash to augment the REP/QF Performance Security in the event of a Material Adverse Change.

“Subscription Limit” means the total capacity required to fully subscribe this Contract .

“Term” has the meaning assigned to it in Section 3.

“Termination Date” means the date upon which this Contract terminates unless terminated earlier in accordance with the provisions hereof. This date is specified in Section 4.

“Termination Fee” means the fee described in Appendix B as it applies to any Capacity Payments made under Option B, C or D.

“Termination Security” has the meaning assigned to it in Section 12.

“Transmission Provider” means the operator(s) of the Transmission System(s) or any successor thereof or any other entity or entities authorized to transmit Energy on behalf of REP/QF from the Electrical Interconnection Point.

“Transmission System” means the system of electric lines comprised wholly or substantially of high voltage lines, associated system protection, system stabilization, voltage transformation, and capacitance, reactance and other electric plant used for conveying electricity from a generating station to a substation, from one generating station to another, from one substation to another, or to or from any Electrical Interconnection Point or to ultimate consumers and shall include any interconnection owned by the Transmission Provider or PEF, but shall in no event include any lines which the Transmission Provider has specified to be part of the Distribution System except for any distribution facilities required to accept capacity and energy from the Facility.

2. Facility; Renewable Facility or Qualifying Facility Status

The Facility's location and generation capabilities are as described in the table below.

TECHNOLOGY AND GENERATOR CAPABILITIES	
Location: Specific legal description (e.g., metes and bounds or other legal description with street address required)	City: County:
Generator Type (Induction or Synchronous)	
Technology	
Fuel Type and Source	
Generator Rating (KVA)	
Maximum Capability (kW)	
Net Output (kW)	
Power Factor (%)	
Operating Voltage (kV)	
Peak Internal Load kW	

The REP/QF's failure to complete the foregoing table in its entirety shall render this Contract null and void and of no further effect.

The Facility must either maintain (i) its status as a Renewable Facility or (ii) its status as a Qualifying Facility with a design capacity of 100 kW or less. The REP/QF shall use the same fuel or energy source and maintain the status as a Renewable Facility or a Qualifying Facility throughout the term of this Contract. REP/QF shall at all times keep PEF informed of any material changes in its business which affects its Renewable Facility or Qualifying Facility status. PEF shall have the right at all times to inspect the Facility and to examine any books, records, or other documents of the REP/QF that PEF deems necessary to verify the Facility's Renewable Facility status or Qualifying Facility status. On or before March 31 of each year during the term of this Contract, the REP/QF shall provide to PEF a certificate signed by an officer of the REP/QF certifying that the REP/QF continuously maintained its status as a Renewable Facility or Qualifying Facility during the prior calendar year.

3. Term of Contract

Except as otherwise provided herein, this Contract shall become effective immediately upon its execution by the Parties and shall end at 12:01 a.m. on the Termination Date, (the "Term") unless terminated earlier in accordance with the provisions hereof. Notwithstanding the foregoing, if the Capacity Delivery Date of the Facility is not accomplished by the REP/QF before the Avoided Unit In-Service Date (or such later date as may be permitted by PEF pursuant to Section 7), this Contract shall be rendered null and void and PEF's shall have no obligations under this Contract.

4. Minimum Specifications and Milestones

As required by FPSC Rule 25-17.0832(4)(e), the minimum specifications pertaining to this Contract and milestone dates are as follows:

Avoided Unit	Repowering of PEF's Bartow facility
Avoided Unit Capacity	1279 MW
Avoided Unit In-Service Date	June 1, 2009
Avoided Unit Heat Rate	7,236 BTU/kWh
Avoided Unit Variable O&M	0.250¢ per kWh in mid-2009 dollars
Subscription Limit	Avoided Unit Capacity
Capacity Payments begin	Avoided Unit In-Service Date unless Option B, C, or D is selected
Termination Date	May 31, 2019 (10 years)
Minimum Performance Standards – On Peak Availability Factor*	89%
Minimum Performance Standards – Off Peak Availability Factor	89%
Minimum Availability Factor Required to qualify for a Capacity payment	69%
Expiration Date	April 1, 2007 unless extended by the FPSC
Completed Permits Date	June 1, 2008
Exemplary Early Capacity Payment Date	January 1, 2007

* REP/QF performance shall be as measured and/or described in Appendix A.

5. Conditions Precedent

- (a) Unless otherwise waived in writing by PEF, on or before the Drop Dead Date, REP/QF shall satisfy the following Conditions Precedent:
- (i) REP/QF shall have obtained firm transmission service necessary to deliver Capacity and energy from the Facility to the Electrical Interconnection Point;
 - (ii) REP/QF shall have obtained the Project Consents and any other Consents for which it is responsible under the terms hereof;
 - (iii) REP/QF shall have entered into Financing Documents relative to the construction of the Facility and having achieved Financial Closing;
 - (iv) REP/QF shall have entered into the Project Contracts;
 - (v) REP/QF shall have obtained insurance policies or coverage in compliance with Section 17;
 - (vi) REP/QF shall have delivered to PEF (i) a copy of its constitutional documents (certified by its corporate secretary as true, complete and up-to-date) and (ii) a copy of a corporate resolution approving the terms of this Contract and the transactions contemplated hereby and authorizing one or more individuals to execute this Contract on its behalf (such copy to have been certified by its corporate representative as true, complete and up-to-date);
 - (vii) any legislation relevant to the above items being in full force and effect;
 - (viii) in the event the REP/QF is a Qualifying Facility, REP/QF obtaining Qualifying Facility status from either the FPSC or FERC.
- (b) Promptly upon satisfaction (or waiver by PEF in writing) of the Conditions Precedent to be satisfied by REP/QF, PEF shall deliver to REP/QF a certificate evidencing such satisfaction. Subject to there being no Event of Default which has occurred and/or is continuing as at the date upon which the last of such certificates is delivered, the date of such last certificate shall constitute the effective date of this Contract (the "Effective Date")
- (c) Unless all Conditions Precedent are satisfied by REP/QF on or before the Drop Dead Date or such Conditions Precedent are waived in writing by PEF, , this Contract shall terminate on such date and neither Party shall have any further liability to the other Party hereunder.

- (d) REP/QF shall achieve the Capacity Delivery Date on or before the Avoided Unit In-Service Date.
- (e) REP/QF shall ensure that before the initial Committed Capacity Test:
 - (a) the Facility shall have been constructed so that the Committed Capacity Test may be duly and properly undertaken in accordance with Section 7; and
 - (b) an operable physical connection from the Facility to the Transmission System shall have been effected in accordance with the electrical interconnection and operating agreement required by the Transmission Provider, provided, however, that such physical connection shall be made consistent with the terms hereof.

6. Sale of Electricity by the REP/QF

6.1 Consistent with the terms hereof, the REP/QF shall sell to PEF and PEF shall purchase from the REP/QF electric power generated by the Facility. The purchase and sale of electricity pursuant to this Contract shall be a () net billing arrangement or () simultaneous purchase and sale arrangement; provided, however, that no such arrangement shall cause the REP/QF to sell more than the Facility's net output. The billing methodology may be changed at the option of the REP/QF, subject to the provisions of Appendix D.

6.2 Ownership and Offering For Sale Of Renewable Energy Attributes

- a. The REP/QF shall retain any and all rights to own and to sell any and all Environmental Attributes associated with the electric generation of the Facility, provided that: (i) PEF shall have a right of first refusal with respect to any and all bona fide offers to purchase any Environmental Attributes; and (ii) the REP/QF shall not sell Environmental Attributes to any party at a price less than that charged by PEF
- b. Notwithstanding the provisions of the foregoing Section 6.2 (a), in the event that the REP/QF wishes to sell Environmental Attributes to another party at a price less than that already contracted for by PEF, the REP/QF may proceed with such sale so long as (i) the price paid by PEF for any and all future purchases of Environmental Attributes from the REP/QF shall be adjusted to be equal to the lowest price at which the REP/QF agrees to sell Environmental Attributes to another party; and (ii) the REP/QF shall refund to PEF the amount by which any past PEF purchases of Environmental Attributes from the REP/QF exceeds the lowest price that the REP/QF agrees to charge another buyer.

6.3 The REP/QF shall not rely on interruptible standby service for the start up requirements (initial or otherwise) of the Facility.

- 6.4 The REP/QF shall be responsible for the scheduling of required transmission and for all costs, expenses, taxes, fees and charges associated with the delivery of energy to PEF. The REP/QF shall enter into a transmission service agreement with the Transmission Provider in whose service territory the Facility is to be located and the REP/QF shall make any and all transmission-related arrangements (including ancillary services) between the REP/QF and the Transmission Provider for delivery of the Facility's firm Capacity and energy to PEF. The Capacity and energy amounts paid to the REP/QF hereunder do not include transmission losses. The REP/QF shall be responsible for transmission losses that occur prior to the point at which the REP/QF's energy is delivered to PEF. The Parties recognize that the Transmission Provider may be PEF and that if PEF is the Transmission Provider, that the transmission service will be provided under a separate agreement.

7. Committed Capacity/Capacity Delivery Date

- 7.1 In the event that the REP/QF elects to make no commitment as to the quantity or timing of its deliveries to PEF, then its Committed Capacity as defined in the following Section 7.2 shall be zero (0) MW. If the Committed Capacity is zero (0) MW, Sections 7.2 through Section 7.7 and all of Section 8 shall not apply.
- 7.2 If the REP/QF commits to sell capacity to PEF, the amount of which shall be determined in accordance with this Section 7 and Appendix D. Subject to Section 7.4, the Committed Capacity is set at _____ kW, with an expected Capacity Delivery Date on or before the Avoided Unit In-Service Date.
- 7.3 Testing of the Capacity of the Facility (each such test a Committed Capacity Test) shall be performed in accordance with the procedures set forth in Section 8. The Demonstration Period for the first Committed Capacity Test shall commence no earlier than ninety (90) days before the expected Capacity Delivery Date and testing must be completed before the Avoided Unit In-Service Date. The first Committed Capacity Test shall not be successfully completed unless the Facility demonstrates a Capacity of at least one hundred percent (100%) of the Committed Capacity set forth in Section 7.2. Subject to Section 8.1, the REP/QF may schedule and perform up to three (3) Committed Capacity Tests to satisfy the requirements of the Contract with respect to the first Committed Capacity Test.
- 7.4 In addition to the first Committed Capacity Test, PEF shall have the right to require the REP/QF, by notice thereto, to validate the Committed Capacity by means of a Committed Capacity Test at any time, up to two (2) times per year, the results of which shall be provided to PEF within seven (7) calendar days of the conclusion of such test. On and after the date of such requested Committed Capacity Test, and until the completion of a subsequent Committed Capacity Test, the Committed Capacity shall be set at the lower of the Capacity tested or the Committed Capacity as set forth in Section 7.2.

- 7.5 Notwithstanding anything contrary to the terms hereof, the Committed Capacity may not exceed the amount set forth in Section 7.2 without the consent of PEF, which consent shall be granted in PEF's sole discretion.
- 7.6 In no event shall PEF make Capacity Payments to the REP/QF prior to the Capacity Delivery Date.
- 7.7 The REP/QF shall be entitled to receive Capacity Payments beginning on the Capacity Delivery Date, provided the Capacity Delivery Date occurs before the Avoided Unit In-Service Date (or such later date permitted by PEF). If the Capacity Delivery Date does not occur before the Avoided Unit In-Service Date, PEF shall immediately be entitled to draw down the Completion/Performance Security in full.

8. Testing Procedures

- 8.1 The Committed Capacity Test must be completed successfully within the Demonstration Period, which period, including the approximate start time of the Committed Capacity Test, shall be selected and scheduled by the REP/QF by means of a written notice to PEF delivered at least thirty (30) calendar days prior to the start of such period. The provisions of the foregoing sentence shall not apply to any Committed Capacity Test ordered by PEF under any of the provisions of this Contract. PEF shall have the right to be present onsite to monitor firsthand any Committed Capacity Test required or permitted under this Contract.
- 8.2 The Committed Capacity Test results shall be based on a test period of twenty-four (24) consecutive hours (the "Committed Capacity Test Period") at the highest sustained net kW rating at which the Facility can operate without exceeding the design operating conditions, temperature, pressures, and other parameters defined by the applicable manufacturer(s) for steady state operations at the Facility. The Committed Capacity Test Period shall commence at the time designated by the REP/QF pursuant to Section 8.1 or at such time requested by PEF pursuant to Section 7.4; provided, however, that the Committed Capacity Test Period may commence earlier than such time in the event that PEF is notified of, and consents to, such earlier time.
- 8.3 Normal station service use of unit auxiliaries, including, without limitation, cooling towers, heat exchangers, and other equipment required by law, shall be in service during the Committed Capacity Test Period.
- 8.4 The Capacity of the Facility shall be the minimum average hourly net output in kW (generator output minus auxiliary) measured over the Committed Capacity Test Period.

- 8.5 The Committed Capacity Test shall be performed according to standard industry testing procedures for the appropriate technology of the REP/QF.
- 8.6 The results of any Committed Capacity Test, including all data related to Facility operation and performance during testing, shall be submitted to PEF by the REP/QF within seven (7) calendar days of the conclusion of the Committed Capacity Test. The REP/QF shall certify that all such data is accurate and complete.

9. Payment for Electricity Produced by the Facility

9.1 Energy

- 9.1.1 PEF agrees to pay the REP/QF for energy produced by the Facility and delivered to PEF in accordance with the rates and procedures contained in PEF's approved Rate Schedule COG-1 if the Committed Capacity pursuant to Section 7.2 is set to zero. If the Committed Capacity is greater than zero MW, then PEF agrees to pay the REP/QF for energy produced by the Facility and delivered to PEF in accordance with the rates and procedures contained in Appendix D, as it may be amended from time to time. The Parties agree that this Contract shall be subject to all of the provisions contained in Rate Schedule COG-1 or Appendix D whichever applies as approved and on file with the FPSC.
- 9.1.2 PEF may, at its option, limit deliveries under this Contract to 110% of the Committed Capacity as set forth in Section 7. In the event that PEF chooses to limit deliveries, any energy in excess of 110% of the Committed Capacity will be paid for at the rates defined in Rate Schedule COG-1 and shall not be included in the calculations in Appendix A hereto.

9.2 Capacity

PEF agrees to pay the REP/QF for the Capacity described in Section 7 in accordance with the rates and procedures contained in Appendix D, as it may be amended and approved from time to time by the FPSC, and pursuant to the election of Option _____ of Appendix D. The REP/QF understands and agrees that Capacity Payments will only be made if the Capacity Delivery Date occurs before the Avoided Unit In-Service Date and the Facility is delivering firm Capacity and Energy to PEF. Once so selected, this Option, the Firm Capacity Rate and/or the Firm Energy Rate cannot be changed for the term of this Contract.

9.3 Payments for Energy and Capacity

9.3.1 Payments due the REP/QF will be made monthly, and normally by the twentieth Business Day following the end of the billing period. The kilowatt-hours sold by the REP/QF and the applicable avoided energy rate at which payments are being made shall accompany the payment to the REP/QF.

9.3.2 Payments to be made under this Contract shall, for a period of not longer than two (2) years, remain subject to adjustment based on billing adjustments due to error or omission by either Party, provided that such adjustments have been agreed to between the Parties.

10. Electricity Production and Plant Maintenance Schedule

10.1 No later than sixty (60) calendar days prior to the Capacity Delivery Date, and prior to October 1 of each calendar year thereafter during the term of this Contract, the REP/QF shall submit to PEF in writing a detailed plan of the amount of electricity to be generated by the Facility and delivered to PEF for each month of the following calendar year, including the time, duration and magnitude of any scheduled maintenance period(s) or reductions in Capacity.

10.2 By October 31 of each calendar year, PEF shall notify the REP/QF in writing whether the requested scheduled maintenance periods in the detailed plan are acceptable. If PEF does not accept any of the requested scheduled maintenance periods, PEF shall advise the REP/QF of the time period closest to the requested period(s) when the outage(s) can be scheduled. The REP/QF shall only schedule outages during periods approved by PEF, and such approval shall not be unreasonably withheld. Once the schedule for the detailed plan has been established and approved, either Party requesting a subsequent change in such schedule, except when such change is due to Force Majeure, must obtain approval for such change from the other Party. Such approval shall not be unreasonably withheld or delayed. Scheduled maintenance outage days shall be limited to twenty-one (21) days per calendar year. In no event shall maintenance periods be scheduled during the following periods: June 1 through September 15 and December 1 through and including the last day of February.

10.3 The REP/QF shall comply with reasonable requests by PEF regarding day-to-day and hour-by-hour communication between the Parties relative to electricity production and maintenance scheduling.

- 10.4** The Parties recognize that the intent of the availability factor in Section 4 of this Contract is an allowance for scheduled outages, forced outages and forced reductions in the output of the Facility. Therefore, the REP/QF shall provide PEF with notification of any forced outage or reduction in output which shall include the time and date at which the forced outage or reduction occurred, a brief description of the cause of the outage or reduction and the time and date when the forced outage or reduction ceased and the Facility was able to return to normal operation. This notice shall be provided to PEF within seventy-two (72) hours of the end of the forced outage or reduction.

The REP/QF is required to provide the total electrical output to PEF except (i) during a period that was scheduled in Section 10.2, (ii) during a period in which notification of a forced outage or reduction was provided, (iii) during an event of Force Majeure or (iv) during a curtailment period as described in Section 10.5.5. In the event that the REP/QF does not deliver its full electrical output to PEF during an hour not excluded in the previous sentence then the REP/QF shall be charged a rate equal to the PEF's Rate Schedule COG-1 times the difference between the Committed Capacity and the actual energy received by PEF in that hour. If, in PEF's sole judgment, it is determined that the normal operation of the REP/QF requires it to cease operation or reduce its output, the charges in this Section 10.4 may be waived.

10.5 Dispatch and Control

10.5.1 Power supplied by the REP/QF hereunder shall be in the form of three-phase 60 hertz alternating current, at a nominal operating voltage of _____ volts (_____ kV) and power factor dispatchable and controllable in the range of 90% lagging to 90% leading as measured at the interconnection point to maintain system operating parameters, including power factor, as specified from time to time by PEF.

10.5.2 The REP/QF shall operate the Facility with all system protective equipment in service whenever the Facility is connected to, or is operated in parallel with, PEF's system, except for normal testing and repair in accordance with good engineering and operating practices as agreed by the Parties. The REP/QF shall provide adequate system protection and control devices to ensure safe and protected operation of all energized equipment during normal testing and repair. All REP/QF facilities shall meet IEEE and industry standards. The REP/QF shall have independent, third party qualified personnel test, calibrate and certify in writing all protective equipment at least once every twelve (12) months in accordance with good engineering and operating practices. A unit functional trip test shall be performed after each overhaul of the Facility's turbine, generator or boilers and results provided to PEF in writing prior to returning the equipment to service. The specifics of the unit functional trip test will be consistent with good engineering and operating practices as agreed by the Parties.

- 10.5.3** If the Facility is separated from the PEF system for any reason, under no circumstances shall the REP/QF reconnect the Facility to PEF's system without first obtaining PEF'S specific approval.
- 10.5.4** During the term of this Contract, the REP/QF shall employ qualified personnel for managing, operating and maintaining the Facility and for coordinating such with PEF. The REP/QF shall ensure that operating personnel are on duty at all times, twenty-four (24) hours a calendar day and seven (7) calendar days a week. Additionally, during the term of this Contract, the REP/QF shall operate and maintain the Facility in such a manner as to ensure compliance with its obligations hereunder and in accordance with applicable law and Prudent Utility Practices.
- 10.5.5** PEF shall not be obligated to purchase, and may require curtailed or reduced deliveries of energy to the extent allowed under FPSC Rule 25-17.086 and under any curtailment plan which PEF may have on file with the FPSC from time to time.
- 10.5.6** During the term of this Contract, the REP/QF shall maintain sufficient fuel on the site of the Facility to deliver the capacity and energy associated with the Committed Capacity for an uninterrupted seventy-two-(72) hour period. At PEF's request, the REP/QF shall demonstrate this capability to PEF's reasonable satisfaction. During the term of this Contract, the REP/QF's output shall remain within a band of plus or minus ten percent (10%) of the daily output level or levels specified by the plant operator, in ninety percent (90%) of all operating hours under normal operating conditions. This calculation will be adjusted to exclude forced outage periods and periods during which the REP/QF's output is affected by a Force Majeure event.

11. Completion/Performance Security

- 11.1** Simultaneous with the execution of this agreement REP/QF shall deliver to PEF Eligible Collateral in an amount according to Table 1. REP/QF's Performance Security shall be maintained throughout the Term although the amount of Eligible Collateral shall be adjusted from time to time in accordance with Tables 1 and Section 11.4. The listed amounts are considered the initial amounts and use 2006 as the Base Year, with all amounts expressed in US Dollars.

Note: The amounts in the following Tables are for 2006 and are subject to change based on utility cost estimates for any year subsequent to the Base Year.

Table 1

Credit Class	Amount per MW	
	Years 1 - 5	Years 6 - 10
A- and Above	\$45,000	\$30,000
BBB+ to BBB	\$65,000	\$55,000
BBB-	\$90,000	\$80,000
Below BBB-	\$135,000	\$90,000

- 11.2** In the event that a Material Adverse Change occurs in respect of REP/QF, then within two (2) Business Day(s) REP/QF shall deliver to PEF Supplemental Eligible Collateral equal to 50 percent of the current Eligible Collateral amount, provided however, that in the PEF's sole discretion, based on a review of the overall circumstances of REP/QF's Material Adverse Change, the total of the Eligible Collateral and the Supplemental Eligible Collateral may be reduced but in no event shall the amount be less than the Base Performance Security Amount.
- 11.3** PEF Performance Security - In the event that a Material Adverse Change occurs in respect of PEF, within two (2) Business Days, PEF shall deliver to REP/QF Eligible Collateral in the same amount as the REP/QF Performance Security which shall be adjusted at the same times and to the same amounts set forth in Table 1 for the REP/QF Performance Security; provided however, that in REP/QF's sole discretion, base on a review of the overall circumstances or PEF's Material Adverse Change, the Eligible Collateral that PEF is required to provide may be reduced to an amount below that stated in the applicable table but no event less than the Base Performance Security Amount.
- 11.4** Performance Security Annual Adjustments – Both the REP/QF Performance Security and PEF Performance Security (if applicable) shall be adjusted on an annual basis beginning January 1, 2007 and each year of during the term of the Agreement. The values in Table 1 will be adjusted using the change in the Gross Domestic Implicit Price Deflator (GDPIPD) between the Base Year and each year during the term as reported in the Survey of Current Business published in January each year and revised thereafter, by the Bureau of Economic Analysis, United States Department of commerce, Washington, D.C. using the following formula: Current Performance Security amount (CPSA) multiplied by one plus the change in the GDPIPD, $(CPSA \times (1 + \Delta GDPIPD))$

- 11.5** Replacement Collateral, Release of Collateral - Upon any reduction of the amount of REP/QF Performance Security or PEF Performance Security pursuant to Section 11.2 or 11.3 the beneficiary thereof shall upon two (2) Business Days written request by the other Party release any Eligible or Supplemental Eligible Collateral that is no longer required. The choice of the type of Eligible Collateral by a Party may be selected from time to time by such Party and upon receipt of substitute Eligible Collateral, the holder of the Eligible Collateral for which the substitution is being made shall promptly release such Eligible Collateral. Following any termination of this agreement, the Parties shall mutually agree to a final settlement of all obligations under this Agreement which such period shall not exceed 90 days from such termination date unless extended by mutual agreement between the Parties. After such settlement, any remaining Eligible Collateral posted by a Party that has not been drawn upon by the other Party pursuant to its rights under this Contract shall be returned to such Party. Any dispute between the Parties regarding such final settlement shall be resolved according to applicable procedures set forth in Section 20.9.
- 11.6** Draws, Replenishment - A Non-Defaulting Party may draw upon Eligible Collateral or Supplemental Eligible Collateral provided by the other Party following the occurrence of an Event of Default by such other Party or pursuant to the other provisions of this Agreement in order to recover any damages to which such Non-Defaulting Party is entitled to under this Contract. In the event of such a draw then, except in the circumstance when this Contract otherwise terminates, the Defaulting Party shall within two (2) Business Days replenish the Eligible Collateral or Supplemental Eligible Collateral to the full amounts required by Table 1.
- 11.7** Reporting - REP/QF shall promptly notify PEF of any circumstance that results in REP/QF's failure to be in compliance with the REP/QF Performance Security Requirements of Section 11. From time to time, at PEF's written request, REP/QF shall provide PEF with such evidence as PEF may reasonably request, that REP/QF and any REP/QF Guarantor REP/QF Guarantee, Letter of Credit or Security Account is in Full Compliance with this agreement.

PEF shall promptly notify REP/QF of any circumstance that results in PEF's failure to be in compliance with the PEF Performance Security Requirements of Section 11.3. From time to time, at REP/QF's written request, PEF shall provide REP/QF with such evidence as REP/QF may reasonably request, that PEF and any PEF Guarantor, PEF Guarantee, Letter of Credit or Security Account is in Full Compliance with this agreement.

12. Termination Fee

12.1 In the event that the REP/QF receives Capacity Payments pursuant to Option B, Option C, or Option D of Appendix D, then upon the termination of this Contract, the REP/QF shall owe and be liable to PEF for the Termination Fee. The REP/QF's obligation to pay the Termination Fee shall survive the termination of this Contract. PEF shall provide the REP/QF, on a monthly basis, a calculation of the Termination Fee.

12.1.1 The Termination Fee shall be secured by the REP/QF by: (i) an unconditional, irrevocable, direct pay letter(s) of credit issued by a financial institution(s) with an investment grade credit rating in form and substance acceptable to PEF (including provisions (a) permitting partial and full draws and (b) permitting PEF to draw upon such Letter of Credit, in full, if such Letter of Credit is not renewed or replaced at least ten (10) Business Days prior to its expiration date); (ii) a bond issued by a financially sound company in form and substance acceptable to PEF; or (iii) a cash deposit with PEF (any of (i), (ii), or (iii), the "Termination Security"). The specific security instrument selected by the REP/QF for purposes of this Contract is:

- ☐ Unconditional, irrevocable, direct pay letter(s) of credit.
- ☐ Bond.
- ☐ Cash deposit(s) with PEF.

12.1.2 PEF shall have the right and the REP/QF shall be required to monitor the financial condition of (i) the issuer(s) in the case of any Letter of Credit and (ii) the insurer(s), in the case of any bond. In the event the senior debt rating of any issuer(s) or insurer(s) has deteriorated to a level below investment grade, PEF may require the REP/QF to replace the letter(s) of credit or the bond, as applicable. In the event that PEF notifies the REP/QF that it requires such a replacement, the replacement letter(s) of credit or bond, as applicable, must be issued by a financial institution(s) or insurer(s) with an investment grade credit rating, and meet the requirements of Section 12.1.1 within thirty (30) calendar days following such notification. Failure by the REP/QF to comply with the requirements of this Section 12.1.2 shall be grounds for PEF to draw in full on any existing Letter of Credit or bond and to exercise any other remedies it may have hereunder.

12.1.3 After the close of each calendar quarter (March 31, June 30, September 30, and December 31) occurring subsequent to the Capacity Delivery Date, upon PEF's issuance of the Termination Fee calculation as described in Section 12.1, the REP/QF must provide PEF, within ten calendar (10) days, written assurance and documentation (the "Security Documentation"), in form and substance acceptable to PEF, that the amount of the Termination Security is sufficient to cover the balance of the Termination Fee. In addition to the foregoing, at any time during the term of this Contract, PEF shall have the right to request and the REP/QF shall be obligated to deliver within five (5) calendar days of such request, such Security Documentation. Failure by the REP/QF to comply with the requirements of this Section 12.1.3 shall be grounds for PEF to draw in full on any existing Letter of Credit or bond or to retain any cash deposit, and to exercise any other remedies it may have hereunder.

12.1.4 Upon any termination of this Contract following the Capacity Delivery Date, PEF shall be entitled to receive (and in the case of the letter(s) of credit or bond, draw upon such letter(s) of credit or bond) and retain one hundred percent (100%) of the Termination Security.

13. Performance Factor

PEF desires to provide an incentive to the REP/QF to operate the Facility during on-peak and off-peak periods in a manner that approximates the projected performance of the Avoided Unit. A formula to achieve this objective is attached as Appendix A.

14. Default

Notwithstanding the occurrence of any Force Majeure as described in Section 18, each of the following shall constitute an Event of Default:

- (a) the REP/QF changes or modifies the Facility from that provided in Section 2 with respect to its type, location, technology or fuel source, without the prior written approval of PEF;
- (b) after the Capacity Delivery Date, the Facility fails for twelve (12) consecutive months to maintain an Annual Capacity Billing Factor, as described in Appendix A, of at least sixty nine percent (69%);
- (c) the REP/QF fails to satisfy its obligations to maintain sufficient fuel on the site of the Facility to deliver the capacity and energy associated with the Committed Capacity for an uninterrupted seventy-two-(72) hour period under Section 10.5.6 hereof;
- (d) the REP/QF fails to provide the Completion/Performance Security and the Termination Fee and to comply with any of the provisions of Sections 11 and 12 hereof

- (e) the REP/QF, or the entity which owns or controls the REP/QF, ceases the conduct of active business; or if proceedings under the federal bankruptcy law or insolvency laws shall be instituted by or for or against the REP/QF or the entity which owns or controls the REP/QF; or if a receiver shall be appointed for the REP/QF or any of its assets or properties, or for the entity which owns or controls the REP/QF; or if any part of the REP/QF's assets shall be attached, levied upon, encumbered, pledged, seized or taken under any judicial process, and such proceedings shall not be vacated or fully stayed within thirty (30) calendar days thereof; or if the REP/QF shall make an assignment for the benefit of creditors, or admit in writing its inability to pay its debts as they become due;
- (f) the REP/QF fails to give proper assurance of adequate performance as specified under this Contract within thirty (30) calendar days after PEF, with reasonable grounds for insecurity, has requested in writing such assurance;
- (g) the REP/QF fails to achieve licensing, certification, and all federal, state and local governmental, environmental, and licensing approvals required to initiate construction of the Facility by no later than the Completed Permits Date;
- (h) the REP/QF fails to comply with the provisions of Section 20.3 hereof;
- (i) any of the representations or warranties made by the REP/QF in this Contract is false or misleading in any material respect as of the time made;
- (j) if, at any time after the Capacity Delivery Date, the REP/QF reduces the Committed Capacity due to an event of Force Majeure and fails to repair the Facility and reset the Committed Capacity to the level set forth in Section 7.2 (as such level may be reduced by Section 7.4) within twelve (12) months following the occurrence of such event of Force Majeure; or
- (k) the REP/QF breaches any material provision of this Contract not specifically mentioned in this Section 14.

15. PEF's Rights in the Event of Default

15.1 Upon the occurrence of any of the Events of Default in Section 14, PEF may, at its option:

15.1.1 immediately terminate this Contract, without penalty or further obligation, except as set forth in Section 15.2, by written notice to the REP/QF, and offset against any payment(s) due from PEF to the REP/QF, any monies otherwise due from the REP/QF to PEF;

15.1.2 enforce the provisions of the Termination Security requirement pursuant to Section 12 hereof; and

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

15.2 Termination shall not affect the liability of either Party for obligations arising prior to such termination or for damages, if any, resulting from any breach of this Contract.

16. Indemnification

16.1 PEF and the REP shall each be responsible for its own facilities. PEF and the REP shall each be responsible for ensuring adequate safeguards for other PEF customers, PEF's and the REP's personnel and equipment, and for the protection of its own generating system. Each Party (the "Indemnifying Party") agrees, to the extent permitted by applicable law, to indemnify, pay, defend, and hold harmless the other Party (the "Indemnifying Party") and its officers, directors, employees, agents and contractors (hereinafter called respectively, "PEF Entities" and "REP Entities") from and against any and all claims, demands, costs or expenses for loss, damage, or injury to persons or property of the Indemnified Party (or to third parties) directly caused by, arising out of, or resulting from:

- (a) a breach by the Indemnifying Party of its covenants, representations, and warranties or obligations hereunder;
- (b) any act or omission by the Indemnifying Party or its contractors, agents, servants or employees in connection with the installation or operation of its generation system or the operation thereof in connection with the other Party's system;
- (c) any defect in, failure of, or fault related to, the Indemnifying Party's generation system;
- (d) the negligence or willful misconduct of the Indemnifying Party or its contractors, agents, servants or employees; or
- (e) any other event or act that is the result of, or proximately caused by, the Indemnifying Party or its contractors, agents, servants or employees related to the Contract or the Parties' performance thereunder.

16.2 Payment by an Indemnified Party to a third party shall not be a condition precedent to the obligations of the Indemnifying Party under Section 16. No Indemnified Party under Section 16 shall settle any claim for which it claims indemnification hereunder without first allowing the Indemnifying Party the right to defend such a claim. The Indemnifying Party shall have no obligations under Section 16 in the event of a breach of the foregoing sentence by the Indemnified Party. Section 16 shall survive termination of this Agreement.

17. Insurance

- 17.1** The REP/QF shall procure or cause to be procured and shall maintain throughout the entire Term of this Contract, a policy or policies of liability insurance issued by an insurer acceptable to PEF on a standard "Insurance Services Office" commercial general liability form (such policy or policies, collectively, the "REP/QF Insurance"). An original certificate of insurance shall be delivered to PEF at least fifteen (15) calendar days prior to the start of any interconnection work. At a minimum, the REP/QF Insurance shall contain (a) an endorsement providing coverage, including products liability/completed operations coverage for the term of this Contract, and (b) a broad form contractual liability endorsement covering liabilities (i) which might arise under, or in the performance or nonperformance of, this Contract and the Interconnection Agreement, or (ii) caused by operation of the Facility or any of the REP/QF's equipment or by the REP/QF's failure to maintain the Facility or the REP/QF's equipment in satisfactory and safe operating condition. Effective at least fifteen (15) calendar days prior to the synchronization of the Facility with PEF's system, the REP/QF Insurance shall be amended to include coverage for interruption or curtailment of power supply in accordance with industry standards. Without limiting the foregoing, the REP/QF Insurance must be reasonably acceptable to PEF. Any premium assessment or deductible shall be for the account of the REP/QF and not PEF.
- 17.2** The REP/QF Insurance shall have a minimum limit of one million dollars (\$1,000,000.00) per occurrence, combined single limit, for bodily injury (including death) or property damage.
- 17.3** To the extent that the REP/QF Insurance is on a "claims made" basis, the retroactive date of the policy(ies) shall be the Effective Date of this Contract or such other date as may be agreed upon to protect the interests of the PEF Entities and the REP/QF Entities. Furthermore, to the extent the REP/QF Insurance is on a "claims made" basis, the REP/QF's duty to provide insurance coverage shall survive the termination of this Contract until the expiration of the maximum statutory period of limitations in the State of Florida for actions based in contract or in tort. To the extent the REP/QF Insurance is on an "occurrence" basis, such insurance shall be maintained in effect at all times by the REP/QF during the term of this Contract.
- 17.4** The REP/QF Insurance shall provide that it may not be cancelled or materially altered without at least thirty (30) calendar days' written notice to PEF. The REP/QF shall provide PEF with a copy of any material communication or notice related to the REP/QF Insurance within ten (10) Business Days of the REP/QF's receipt or issuance thereof.

- 17.5 The REP/QF shall be designated as the named insured and PEF shall be designated as an additional named insured under the REP/QF Insurance. The REP/QF Insurance shall be endorsed to be primary to any coverage maintained by PEF.

18. Force Majeure

- 18.1 "Force Majeure" is defined as an event or circumstance that is not reasonably foreseeable, is beyond the reasonable control of and is not caused by the negligence or lack of due diligence of the Party claiming Force Majeure or its contractors or suppliers and adversely affects the performance by that Party of its obligations under or pursuant to this agreement. Such events or circumstances may include, but are not limited to, actions or inactions of civil or military authority (including courts and governmental or administrative agencies), acts of God, war, riot or insurrection, blockades, embargoes, sabotage, epidemics, explosions and fires not originating in the Facility or caused by its operation, hurricanes, floods, strikes, lockouts or other labor disputes or difficulties (not caused by the failure of the affected party to comply with the terms of a collective bargaining agreement). REP/QF equipment breakdown or inability to use equipment caused by its design, construction, operation, maintenance or inability to meet regulatory standards, or otherwise caused by an event originating in the Facility, or a REP/QF failure to obtain on a timely basis and maintain a necessary permit or other regulatory approval, shall not be considered an event of Force Majeure, unless the REP/QF can conclusively demonstrate, to the reasonable satisfaction of PEF, that the event was not reasonably foreseeable, was beyond the REP/QF's reasonable control and was not caused by the negligence or lack of due diligence of the REP/QF or its agents, contractors or suppliers and adversely affects the performance by that Party of its obligations under or pursuant to this agreement.
- 18.2 Except as otherwise provided in this Contract, each Party shall be excused from performance when its nonperformance was caused, directly or indirectly by an event of Force Majeure.
- 18.3 In the event of any delay or nonperformance resulting from an event of Force Majeure, the Party claiming Force Majeure shall notify the other Party in writing within five (5) Business Days of the occurrence of the event of Force Majeure, of the nature cause, date of commencement thereof and the anticipated extent of such delay, and shall indicate whether any deadlines or date(s), imposed hereunder may be affected thereby. The suspension of performance shall be of no greater scope and of no greater duration than the cure for the Force Majeure requires. A Party claiming Force Majeure shall not be entitled to any relief therefore unless and until conforming notice is provided. The Party claiming Force Majeure shall notify the other Party of the cessation of the event of Force Majeure or of the conclusion of the affected Party's cure for the event of Force Majeure in either case within two (2) Business Days thereof.

- 18.4 The Party claiming Force Majeure shall use its best efforts to cure the cause(s) preventing its performance of this Contract; provided, however, the settlement of strikes, lockouts and other labor disputes shall be entirely within the discretion of the affected Party and such Party shall not be required to settle such strikes, lockouts or other labor disputes by acceding to demands which such Party deems to be unfavorable.
- 18.5 If the REP/QF suffers an occurrence of an event of Force Majeure that reduces the generating capability of the Facility below the Committed Capacity, the REP/QF may, upon notice to PEF temporarily adjust the Committed Capacity as provided in Sections 18.5 and 18.6. Such adjustment shall be effective the first calendar day immediately following PEF's receipt of the notice or such later date as may be specified by the REP/QF. Furthermore, such adjustment shall be the minimum amount necessitated by the event of Force Majeure.
- 18.6 If the Facility is rendered completely inoperative as a result of Force Majeure, the REP/QF shall temporarily set the Committed Capacity equal to 0 kW until such time as the Facility can partially or fully operate at the Committed Capacity that existed prior to the Force Majeure. If the Committed Capacity is 0 kW, PEF shall have no obligation to make Capacity Payments hereunder.
- 18.7 If, at any time during the occurrence of an event of Force Majeure or during its cure, the Facility can partially or fully operate, then the REP/QF shall temporarily set the Committed Capacity at the maximum capability that the Facility can reasonably be expected to operate.
- 18.8 Upon the cessation of the event of Force Majeure or the conclusion of the cure for the event of Force Majeure, the Committed Capacity shall be restored to the Committed Capacity that existed immediately prior to the Force Majeure. Notwithstanding any other provisions of this Contract, upon such cessation or cure, PEF shall have right to require a Committed Capacity Test to demonstrate the Facility's compliance with the requirements of this Section 18.7. Any Committed Capacity Test required by PEF under this Section 18.7 shall be additional to any Committed Capacity Test under Section 7.4.
- 18.9 During the occurrence of an event of Force Majeure and a reduction in Committed Capacity under Section 18.4 all Monthly Capacity Payments shall reflect, pro rata, the reduction in Committed Capacity, and the Monthly Capacity Payments will continue to be calculated in accordance with the pay-for-performance provisions in Appendix A.

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

19. Representations, Warranties, and Covenants of REP/QF

The REP/QF represents and warrants that as of the Effective Date:

19.1 Organization, Standing and Qualification

The REP/QF is a _____ (corporation, partnership, or other, as applicable) duly organized and validly existing in good standing under the laws of _____ and has all necessary power and authority to carry on its business as presently conducted to own or hold under lease its properties and to enter into and perform its obligations under this Contract and all other related documents and agreements to which it is or shall be a Party. The REP/QF is duly qualified or licensed to do business in the State of Florida and in all other jurisdictions wherein the nature of its business and operations or the character of the properties owned or leased by it makes such qualification or licensing necessary and where the failure to be so qualified or licensed would impair its ability to perform its obligations under this Contract or would result in a material liability to or would have a material adverse effect on PEF.

19.2 Due Authorization, No Approvals, No Defaults

Each of the execution, delivery and performance by the REP/QF of this Contract has been duly authorized by all necessary action on the part of the REP/QF, does not require any approval, except as has been heretofore obtained, of the _____ (shareholders, partners, or others, as applicable) of the REP/QF or any consent of or approval from any trustee, lessor or holder of any indebtedness or other obligation of the REP/QF, except for such as have been duly obtained, and does not contravene or constitute a default under any law, the _____ (articles of incorporation, bylaws, or other as applicable) of the REP/QF, or any agreement, judgment, injunction, order, decree or other instrument binding upon the REP/QF, or subject the Facility or any component part thereof to any lien other than as contemplated or permitted by this Contract.

19.3 Compliance with Laws

The REP/QF has knowledge of all laws and business practices that must be followed in performing its obligations under this Contract. The REP/QF is in compliance with all laws, except to the extent that failure to comply therewith would not, in the aggregate, have a material adverse effect on the REP/QF or PEF.

19.4 Governmental Approvals

Except as expressly contemplated herein, neither the execution and delivery by the REP/QF of this Contract, nor the consummation by the REP/QF of any of the transaction contemplated thereby, requires the consent or approval of, the giving of notice to, the registration with, the recording or filing of any document with, or the taking of any other action with respect to governmental authority, except with respect to permits (a) which have already been obtained and are in full force and effect or (b) are not yet required (and with respect to which the REP/QF has no reason to believe that the same will not be readily obtainable in the ordinary course of business upon due application therefore).

19.5 No Suits, Proceedings

There are no actions, suits, proceedings or investigations pending or, to the knowledge of the REP/QF, threatened against it at law or in equity before any court or tribunal of the United States or any other jurisdiction which individually or in the aggregate could result in any materially adverse effect on the REP/QF's business, properties, or assets or its condition, financial or otherwise, or in any impairment of its ability to perform its obligations under this Contract. The REP/QF has no knowledge of a violation or default with respect to any law which could result in any such materially adverse effect or impairment.

19.6 Environmental Matters

To the best of its knowledge after diligent inquiry, the REP/QF knows of no (a) existing violations of any environmental laws at the Facility, including those governing hazardous materials or (b) pending, ongoing, or unresolved administrative or enforcement investigations, compliance orders, claims, demands, actions, or other litigation brought by governmental authorities or other third parties alleging violations of any environmental law or permit which would materially and adversely affect the operation of the Facility as contemplated by this Contract.

20. General Provisions

20.1 Project Viability

To assist PEF in assessing the REP/QF's financial and technical viability, the REP/QF shall provide the information and documents requested in Appendix C or substantially similar documents, to the extent the documents apply to the type of Facility covered by this Contract and to the extent the documents are available. All documents to be considered by PEF must be submitted at the time this Contract is presented to PEF. Failure to provide the following such documents may result in a determination of non-viability by PEF.

20.2 Permits

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

20.3 Project Management

If requested by PEF, the REP/QF shall submit to PEF its integrated project schedule for PEF's review within sixty (60) calendar days from the execution of this Contract, and a start-up and test schedule for the Facility at least sixty (60) calendar days prior to start-up and testing of the Facility. These schedules shall identify key licensing, permitting, construction and operating milestone dates and activities. If requested by PEF, the REP/QF shall submit progress reports in a form satisfactory to PEF every calendar month until the Capacity Delivery Date and shall notify PEF of any changes in such schedules within ten (10) calendar days after such changes are determined. PEF shall have the right to monitor the construction, start-up and testing of the Facility, either on-site or off-site. PEF's technical review and inspections of the Facility and resulting requests, if any, shall not be construed as endorsing the design thereof or as any warranty as to the safety, durability or reliability of the Facility.

The REP/QF shall provide PEF with the final designer's/manufacturer's generator capability curves, protective relay types, proposed protective relay settings, main one-line diagrams, protective relay functional diagrams, and alternating current and direct elementary diagrams for review and inspection at PEF no later than one hundred eighty (180) calendar days prior to the initial synchronization date.

20.4 Assignment

The REP/QF may not assign this Contract, without PEF's prior written approval, which approval may be withheld at PEF's sole discretion.

20.5 Disclaimer

In executing this Contract, PEF does not, nor should it be construed, to extend its credit or financial support for benefit of any third parties lending money to or having other transactions with the REP/QF or any assigns of this Contract.

20.6 Notification

All formal notices relating to this Contract shall be deemed duly given when delivered in person, or sent by registered or certified mail, or sent by fax if followed immediately with a copy sent by registered or certified mail, to the individuals designated below. The Parties designate the following individuals to be notified or to whom payment shall be sent until such time as either Party furnishes the other Party written instructions to contact another individual:

For the REP/QF:

For PEF:

Progress Energy Florida
Cogeneration Manager BT 9G
100 Central Avenue
St. Petersburg, FL 33701

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

Florida Power Corporation
d/b/a Progress Energy Florida, Inc.
100 Central Avenue
St. Petersburg, FL 33701

Attention: Cogeneration Manager BT 9G

20.7 Applicable Law

This Contract shall be construed in accordance with and governed by the laws of the State of Florida, and the rights of the parties shall be construed in accordance with the laws of the State of Florida.

20.8 Taxation

In the event that PEF becomes liable for additional taxes, including interest and/or penalties arising from an Internal Revenue Services determination, through audit, ruling or other authority, that PEF's payments to the REP/QF for Capacity under Options B, C, or D of the Appendix D are not fully deductible when paid (additional tax liability), PEF may bill the REP/QF monthly for the costs, including carrying charges, interest and/or penalties, associated with the fact that all or a portion of these Capacity Payments are not currently deductible for federal and/or state income tax purposes. PEF, at its option, may offset or recoup these costs against amounts due the REP/QF hereunder. These costs would be calculated so as to place PEF in the same economic position in which it would have been if the entire Capacity Payments had been deductible in the period in which the payments were made. If PEF decides to appeal the Internal Revenue Service's determination, the decision as to whether the appeal should be made through the administrative or judicial process or both, and all subsequent decisions pertaining to the appeal (both substantive and procedural), shall rest exclusively with PEF.

20.9 Resolution of Disputes**20.9.1 Notice of Dispute**

In the event that any dispute, controversy or claim arising out of or relating to this Contract or the breach, termination or validity thereof should arise between the Parties (a "Dispute"), the Party may declare a Dispute by delivering to the other Party a written notice identifying the disputed issue.

20.9.2 Resolution by Parties

Upon receipt of a written notice claiming a Disputed, executives of both Parties shall meet at a mutually agreeable time and place within ten (10) Business Days after delivery of such notice and thereafter as often as they reasonably deem necessary, to exchange relevant information and to attempt to resolve the Dispute. In such meetings and exchanges, a Party shall have the right to designate as confidential any information that such Party offers. No confidential information exchanged in such meetings for the purpose of resolving a Dispute may be used by a Party in litigation against the other Party. If the matter has not been resolved within thirty (30) Days of the disputing Party's notice having been issued, or if the Parties fail to meet within ten (10) Business Days as required above, either Party may initiate binding arbitration in St. Petersburg, Florida, conducted in accordance with the then current American Arbitration Association's ("AAA") Large, Complex Commercial Rules or other mutually agreed upon procedures.

20.10 Limitation of Liability

IN NO EVENT SHALL PEF, ITS PARENT CORPORATION, OFFICERS, DIRECTORS, EMPLOYEES, AND AGENTS BE LIABLE FOR ANY INCIDENTAL, INDIRECT, SPECIAL, CONSEQUENTIAL, EXEMPLARY, PUNITIVE, OR MULTIPLE DAMAGES RESULTING FROM ANY CLAIM OR CAUSE OF ACTION, WHETHER BROUGHT IN CONTRACT, TORT (INCLUDING, BUT NOT LIMITED TO, NEGLIGENCE OR STRICT LIABILITY), OR ANY OTHER LEGAL THEORY.

20.11 Severability

If any part of this Contract, for any reason, is declared invalid or unenforceable by a public authority of appropriate jurisdiction, then such decision shall not affect the validity of the remainder of the Contract, which remainder shall remain in force and effect as if this Contract had been executed without the invalid or unenforceable portion.

20.12 Complete Agreement and Amendments

All previous communications or agreements between the Parties, whether verbal or written, with reference to the subject matter of this Contract are hereby abrogated. No amendment or modification to this Contract shall be binding unless it shall be set forth in writing and duly executed by both Parties. This Contract constitutes the entire agreement between the Parties.

20.13 Survival of Contract

Subject to the requirements of Section 20.4, this Contract, as it may be amended from time to time, shall be binding upon, and inure to the benefit of, the Parties' respective successors-in-interest and legal representatives.

20.14 Record Retention

The REP/QF shall maintain for a period of five (5) years from the date of termination hereof all records relating to the performance of its obligations hereunder, and to cause all REP/QF Entities to retain for the same period all such records.

20.15 No Waiver

No waiver of any of the terms and conditions of this Contract shall be effective unless in writing and signed by the Party against whom such waiver is sought to be enforced. Any wavier of the terms hereof shall be effective only in the specific instance and for the specific purpose given. The failure of a Party to insist, in any instance, on the strict performance of any of the terms and conditions hereof shall not be construed as a waiver of such Party's right in the future to insist on such strict performance.

20.16 Set-Off

PEF may at any time, but shall be under no obligation to, set off or recoup any and all sums due from the REP/QF against sums due to the REP/QF hereunder without undergoing any legal process.



SECTION No. IX
SECOND REVISED SHEET NO. 9.950
CANCELS FIRST REVISED SHEET NO. 9.950

IN WITNESS WHEREOF, the REP/QF and PEF executed this Contract on the later of the dates set forth below.

REP/QF

**FLORIDA POWER CORPORATION d/b/a
PROGRESS ENERGY FLORIDA, INC.**

Signature

Signature

Print Name

Print Name

Title

Title

Date

Date

APPENDIX A
TO
PROGRESS ENERGY FLORIDA
RENEWABLE OR QUALIFYING FACILITY STANDARD OFFER CONTRACT
MONTHLY CAPACITY PAYMENT CALCULATION

Capitalized terms not otherwise defined herein have the meaning ascribed to them in the Standard Offer Contract for the Purchase of Firm Capacity and Energy from a Renewable Energy Producer of Qualifying Facility Less Than 100 kW.

- A. In the event that the ACBF is less than 69%, then no Monthly Capacity Payment shall be due. That is:

$$MCP = 0$$

- B. In the event that the ACBF is equal to or greater than 69% but less than 89%, then the Monthly Capacity Payment shall be calculated by using the following formula:

$$MCP = BCP [5 \times (ACBF - .69)] \times CC$$

- C. In the event that the ACBF is equal to or greater than 89%, then the Monthly Capacity Payment shall be calculated by using the following formula:

$$MCP = BCP \times CC$$

Where:

MCP = Monthly Capacity Payment in dollars.

BCP = Base Capacity Payment in \$/kW/Month as specified in Appendix D.

CC = Committed Capacity in kW.

- ACBF = Annual Capacity Billing Factor. The ACBF shall be the electric energy actually received by PEF for the 12 consecutive months preceding the date of calculation excluding any energy received during an event of Force Majeure in which the Committed Capacity is temporarily set equal to 0 kW, divided by the product of the Committed Capacity and the number of hours in the 12 consecutive months preceding the date of calculation excluding the hours during an event of Force Majeure in which the Committed Capacity is temporarily set equal to 0 kW. If an event of Force Majeure occurs during the 12 consecutive months preceding the date of calculation in which the Committed Capacity is temporarily set to a value greater than 0 kW then the 12 month rolling average will be pro-rated accordingly. During the first 12 consecutive Monthly Billing Periods commencing with the first Monthly Billing Period in which Capacity Payments are to be made, the calculation of 12-month rolling average ACBF shall be performed as follows (a) during the first Monthly Billing Period, the ACBF shall be equal to the Monthly Availability Factor; (b) thereafter, the calculation of the ACBF shall be computed by electric energy actually received by PEF for the number of full consecutive months preceding the date of calculation excluding any energy received during an event of Force Majeure in which the Committed Capacity is temporarily set equal to 0 kW, divided by the product of the Committed Capacity and the number of hours in the number of full consecutive months preceding the date of calculation excluding the hours during an event of Force Majeure in which the Committed Capacity is temporarily set equal to 0 kW. If an event of Force Majeure occurs during the months preceding the date of calculation in which the Committed Capacity is temporarily set to a value greater than 0 kW then the 12 month rolling average will be pro-rated accordingly. This calculation shall be performed at the end of each Monthly Billing Period until enough Monthly Billing Periods have elapsed to calculate a true 12-month rolling average ACBF.
- MAF = Monthly Availability Factor. The total energy received during the Monthly Billing Period for which the calculation is made, divided by the product of Committed Capacity times the total hours during the Monthly Billing Period.
- Monthly Billing Period = The period beginning on the first calendar day of each calendar month, except that the initial Monthly Billing Period shall consist of the period beginning 12:01 a.m., on the Capacity Delivery Date and ending with the last calendar day of such month.

**APPENDIX B
TO
PROGRESS ENERGY FLORIDA'S STANDARD OFFER CONTRACT
TERMINATION FEE**

Capitalized terms not otherwise defined herein have the meaning ascribed to them in the Standard Offer Contract for the Purchase of Firm Capacity and Energy from a Renewable Energy Producer of Qualifying Facility Less Than 100 kW.

The "Termination Fee" shall be the sum of the values for each month beginning with the month in which the Capacity Delivery Date occurs through the month of the Termination Date (or month of calculation, as the case may be) computed according to the following formula:

$$\sum_{i=1}^n (MCP_i - MCPC_i) \cdot (1 + r)^{(n-i)}$$

with: $MCPC = 0$ for all periods prior to the in-service date of the Avoided Unit:

where

i = number of Monthly Billing Period commencing with the Capacity Delivery Date (i.e., the month in which Capacity Delivery Date occurs = 1; the month following this month in which Capacity Delivery Date occurs = 2 etc.)

n = the number of Monthly Billing Periods which have elapsed from the month in which the Capacity Delivery Date occurs through the month of termination (or month of calculation, as the case may be)

r = PEF's incremental after-tax avoided cost of capital (defined as r in Appendix D). MCP_i = Monthly Capacity Payment paid to REPQF corresponding to the Monthly Billing Period i , calculated in accordance with Appendix A.

$MCPC_i$ = Monthly Capacity Payment for Option A corresponding to the Monthly Billing Period i , calculated in accordance with this Contract.

In the event that for any Monthly Billing Period, the computation of the value of the Termination Fee for such Monthly Billing Period (as set forth above) yields a value equal to or greater than zero, the amount of the Termination Fee shall be increased by the amount of such value.

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

- a. In the event that in the applicable Monthly Billing Period the Annual Capacity Billing Factor, as defined in Appendix A is less than 69%, then the Initial Reduction Value shall be adjusted to equal zero (Reduction Value = 0), and the Termination Fee shall not be reduced for the applicable Monthly Billing Period.
- b. In the event that in the applicable Monthly Billing Period the Annual Capacity Billing Factor, as defined in Appendix A, is equal to or greater than 69% but less than 89%, then the Reduction Value shall be determined as follows:

$$\text{Reduction Value} = \text{Initial Reduction Value} \times [5 \times (\text{ACBF} - .69)]$$

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

- c. In the event that in the applicable Monthly Billing Period the Annual Capacity Billing Factor, as defined in Appendix A, is equal to or greater than 89%, then the Initial Reduction Value shall not be adjusted (Reduction Value = Initial Reduction Value), and the Termination Fee shall be reduced for the applicable Monthly Billing period by the amount of the Initial Reduction Value.

In no event shall PEF be liable to the REP/QF at any time for any amount by which the Termination Fee, adjusted in accordance with the foregoing, is less than zero (0).

**APPENDIX C
TO
PROGRESS ENERGY FLORIDA'S STANDARD OFFER CONTRACT**

DETAILED PROJECT INFORMATION

Capitalized terms not otherwise defined herein have the meaning ascribed to them in the Standard Offer Contract for the Purchase of Firm Capacity and Energy from a Renewable Energy Producer of Qualifying Facility Less Than 100 kW.

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

I. FACILITY DESCRIPTION

- Project Name
- Project Location

- * Street Address
- * Size Plot Plan
- * Legal Description of Site

- Generating Technology
- Primary Fuel
- Alternate Fuel (if applicable)
- Committed Capacity
- Expected In-Service Date

- Contact Person

- * Individual's Name and Title
- * Company Name
- * Address
- * Telephone Number
- * Fax Number

II. PROJECT PARTICIPANTS

- Indicate the entities responsible for the following project management activities and provide a detailed description of the experience and capabilities of the entities:

- * Project Development
 - * Siting and Licensing the Facility
 - * Designing the Facility
 - * Constructing the Facility
 - * Securing the Fuel Supply
 - * Operating the Facility
- Provide details on all electrical facilities which are currently under construction or operational which were developed by the REP/QF.
 - Describe the financing structure for the projects identified above, including the type of financing used, the permanent financing term, the major lenders and the percentage of equity invested at Financial Closing.

III. FUEL SUPPLY

- Describe all fuels to be used to generate electricity at the Facility. Indicate the specific physical and chemical characteristics of each fuel type (*e.g.* Btu content, sulfur content, ash content, etc.). Identify special considerations regarding fuel supply origin, source and handling, storage and processing requirements.
- Provide AFR necessary to support planned levels of generation and list the assumptions used to determine these quantities.
- Provide a summary of the status of the fuel supply arrangements in place to meet the AFR, in each year of the proposed operating life of the Facility. Use the categories below to describe the current arrangement for securing the AFR.

<u>Category</u>	<u>Description of Fuel Supply Arrangement</u>
owned =	fuel is from a fully developed source owned by one or more of the project participants
contract =	fully executed firm fuel contract exists between the developer(s) and fuel supplier(s)
LOI =	a letter of intent for fuel supply exists between developer(s) and fuel supplier(s)
SPP =	small power production facility will burn biomass, waste, or another renewable resource
spot =	fuel supply will be purchased on the spot market
none =	no firm fuel supply arrangement currently in place
other =	fuel supply arrangement which does not fit any of the above categories (please describe)

- Indicate the percentage of the Facility's AFR which is covered by the above fuel supply arrangement(s) for each proposed operating year. The percent of AFR covered for each operating year must total 100%. For fuel supply arrangements identified as owned, contract, or LOI, provide documentation to support this category and explain the fuel price mechanism of the arrangement. In addition, indicate whether or not the fuel price includes deliver and, if so, to what location.

- Describe fuel transportation networks available for delivering all primary and secondary fuel to the Facility site. Indicate the mode, route and distance of each segment of the journey, from fuel source to the Facility site. Discuss the current status and pertinent factors impacting future availability of the transportation network.
- Provide AFTR necessary to support planned levels of generation and list the assumptions used to determine these quantities.
- Provide a summary of the status of the fuel transportation arrangements in place to meet the AFTR in each year of the proposed operating life of the Facility. Use the categories below to describe the current arrangement for securing the AFTR.

owned = fuel transport via a fully developed system owned by one or more of the project participants

contract = fully executed firm transportation contract exists between the developer(s) and fuel transporter(s)

LOI = a letter of intent for fuel transport exists between developer(s) and fuel transporter(s)

spot = fuel transportation will be purchased on the spot market

none = no firm fuel transportation arrangement currently in place

other = fuel transportation arrangement which does not fit any of the above categories (please describe)

- Provide the maximum, minimum and average fuel inventory levels to be maintained for primary and secondary fuels at the Facility site. List the assumptions used in determining the inventory levels.
- Provide information regarding REP/QF's plans to maintain sufficient on site fuel to deliver capacity and energy for an uninterrupted seventy-two (72) hour period.

IV. PLANT DISPATCHABILITY/CONTROLLABILITY

- Provide the following operating characteristics and a detailed explanation supporting the performance capabilities indicated:
 - * Ramp Rate (MW/minute)
 - * Peak Capability (% above Committed Capacity)
 - * Minimum power level (% of Committed Capacity)
 - * Facility Turnaround Time, Hot to Hot (hours)
 - * Start-up Time from Cold Shutdown (hours)
 - * Unit Cycling (# cycles/yr.)
 - * MW and MVAR Control (ACC, Manual, Other (please explain))

V. SITING AND LICENSING

- Provide a licensing/permitting milestone schedule, which lists all permits, licenses and variances, required to site the Facility. The milestone schedule shall also identify key milestone dates for baseline monitoring, application preparation, agency review, certification and licensing/siting board approval, and agency permit issuance.
- Provide a licensing/permitting plan that addresses the issues of air emission, water use, wastewater discharge, wetlands, endangered species, protected properties, surrounding land use, zoning for the Facility, associated linear facilities and support of and opposition to the Facility.
- List the emission/effluent discharge limits the Facility will meet and describe in detail the pollution control equipment to be used to meet these limits.

VI. FACILITY DEVELOPMENT AND PERFORMANCE

- Submit a detailed engineering, procurement, construction, startup and commercial operation schedule. The schedule shall include milestones for site acquisition, engineering phases, selection of the major equipment vendors, architect engineer, and Facility operator, steam host integration and delivery of major equipment. A discussion of the current status of each milestone should also be included where applicable.
- Attach a diagram of the power block arrangement. Provide a list of the major equipment vendors and the name and model number of the major equipment to be installed.
- Provide a detailed description of the proposed environmental control technology for the Facility and describe the capabilities of the proposed technology.
- Attach preliminary flow diagrams for the steam system, water system, and fuel system, and a main electrical one line diagram for the Facility.
- State the expected heat rate (HHV) at 75 degrees Fahrenheit for loads of 100%, 75% and 50%. In addition, attach a preliminary heat balance for the Facility.

VII. FINANCIAL

- Provide PEF with assurances that the proposed REP/QF project is financially viable in accordance with FPSC Rule 25-17.0832(4)(c) by attaching a detailed pro-forma cash flow analysis. The pro-forma must include, at a minimum, the following assumptions for each year of the project.

- Annual Project Revenues

- * Capacity Payments (\$ and \$/kW/Mo.)
- * Variable O&M (\$ and \$/MWh)
- * Energy (\$ and \$/MWh)
- * Tipping Fees (\$ and \$/ton)
- * Interest Income
- * Other Revenues
- * Variable O&M Escalation (%/yr.)
- * Energy Escalation (%/yr.)
- * Tipping Fee Escalation (%/yr.)

- Annual Project Expense

- * Fixed O&M (\$ and \$/kW/Mo.)
- * Variable O&M (\$ and \$/MWh)
- * Energy (\$ and \$/MWh)
- * Property Taxes (\$)
- * Insurance (\$)
- * Emission Compliance (\$ and \$/MWh)
- * Depreciation (\$ and %/yr.)
- * Other Expenses (\$)
- * Fixed O&M Escalation (%/yr.)
- * Variable O&M Escalation (%/yr.)
- * Energy Escalation (%/yr.)

- Other Project Information

- * Installed Cost of the Facility (\$ and \$/kW)
- * Committed Capacity (kW)
- * Average Heat Rate - HHV (MBTU/kWh)
- * Federal Income Tax Rate (%)
- * Facility Capacity Factor (%)
- * Energy Sold to PEF (MWh)

- Permanent Financing

- * Permanent Financing Term (yr.)
- * Project Capital Structure (percentage of long-term debt, subordinated debt, tax exempt debt and equity)
- * Financing Costs (cost of long-term debt, subordinated debt, tax exempt debt and equity)
- * Annual Interest Expense
- * Annual Debt Service (\$)
- * Amortization Schedule (beginning balance, interest expense, principal reduction, ending balance)

- Provide details of the financing plan for the project and indicate whether the project will be non-recourse project financed. If it will not be project financed please explain the alternative financing arrangement.
- Submit financial statements for the last two years on the principals of the project, and provide an illustration of the project ownership structure.

APPENDIX D
TO
PROGRESS ENERGY FLORIDA RENEWABLE OR QUALIFYING FACILITY
STANDARD OFFER CONTRACT
RATE SCHEDULE REN-CC

Capitalized terms not otherwise defined herein have the meaning ascribed to them in the Standard Offer Contract for the Purchase of Firm Capacity and Energy from a Renewable Energy Producer of Qualifying Facility Less Than 100 kW.

SCHEDULE

REN-CC, Firm Capacity and Energy from a Renewable Energy Provider ("REP") or a Qualifying Facility ("QF")

AVAILABLE

PEF will, under the provisions of this schedule and the Contract to which this Appendix is attached and incorporated into by reference, purchase firm capacity and energy offered by a REP/QF as defined in the contract. PEF's obligation to contract to purchase firm capacity from such REP/QF by means of this schedule and the Contract will continue only as long as, and the extent that, the subscription limit is not exceeded and, in any event, no later than the Expiration Date unless extended by the FPSC.

APPLICABLE

To REP/QFs as defined in the Contract producing capacity and energy for sale to PEF on a firm basis pursuant to the terms and conditions of this schedule and the Contract. "Firm Capacity and Energy" are described by FPSC Rule 25-17.0832, F.A.C., and are capacity and energy produced and sold by a REP/QF pursuant to the Contract provisions addressing (among other things) quantity, time and reliability of delivery.

CHARACTER OF SERVICE

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

LIMITATION

Purchases under this schedule are subject to FPSC Rules 25-17.080 through 25-17.091, F.A.C., and are limited to those REP/QFs which:

- A. Are defined in the Contract;
- B. Execute a Contract;
- C. Provide capacity which would not result in the Subscription Limit to be exceeded.

RATES FOR PURCHASES BY PEF

Firm Capacity and Energy are purchased at unit cost, in dollars per kilowatt per month and cents per kilowatt-hour, respectively, based on the value of deferring additional capacity required by PEF. For the purpose of this schedule, an Avoided Unit has been designated by PEF. PEF's next Avoided Unit has been identified in Section 4 of the Contract. Schedule 1 to this Appendix describes the methodology used to calculate payment schedules, general terms, and conditions applicable to the Contract filed and approved pursuant to FPSC Rules 25-17.080 through 25-17.091, F.A.C.

A. Firm Capacity Rates

Four options, A through D, as set forth below, are available for payments of firm capacity that is produced by a REP/QF and delivered to PEF. Once selected, an option shall remain in effect for the term of the Contract. Exemplary payment schedules, shown below, contain the monthly rate per kilowatt of firm Capacity which the REP/QF has contractually committed to deliver to PEF and are based on a contract term which extends through the Termination Date in Section 4 of the Contract. Payment schedules for other contract terms will be made available to any REP/QF upon request and may be calculated based on the methodologies described in Schedule 1. The currently approved parameters used to calculate the following schedule of payments are found in Schedule 2 to this Appendix.

Option A - Fixed Value of Deferral Payments - Normal Capacity

Payment schedules under this option are based on the value of a year-by-year deferral of PEF's Avoided Unit with an in-service date as of the Avoided Unit In-Service Date in Section 4 of the Contract, calculated in accordance with FPSC Rule 25-17.0832, F.A.C., as described in Schedule 1. Once this option is selected, the current schedule of payments shall remain fixed and in effect throughout the term of the Contract. The payment schedule for this option follows the description of Option D.

Option B - Fixed Value of Deferral Payments - Early Capacity

Payment schedules under this option are based upon the early capital cost component of the value of a year-by-year deferral of the Avoided Unit. The term "early" with respect to Option B means that these payments can start prior to the anticipated in-service date of the Avoided Unit; provided, however, that under no circumstances may payments begin before this REP/QF is delivering Firm Capacity and Energy to PEF pursuant to the terms of the Contract. When this option is selected, the Capacity Payments shall be made monthly commencing no earlier than the Capacity Delivery Date of the REP/QF and calculated as shown on Schedule 1. Capacity Payments under Option B do not result in a prepayment or create a future benefit.

The REP/QF shall select the month and year in which the deliveries of firm capacity and energy to PEF are to commence and Capacity Payments are to start. PEF will provide the REP/QF with a schedule of capacity payment rates based on the month and year in which the deliveries of firm capacity and energy are to commence and the term of the Contract. The exemplary payment schedule following Option D is based on a contract term that begins on the Exemplary Early Capacity Payment Date in Section 4 of the Contract.

Option C - Fixed Value of Deferral Payment - Levelized Capacity

Payment schedules under this option are based upon the levelized capital cost component of the value of a year-by-year deferral of the Avoided Unit. The capital portion of Capacity Payments under this option shall consist of equal monthly payments over the term of the Contract, calculated as shown on Schedule 1. 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. These calculations are shown in Schedule 1. The payment schedule for this option follows Option D. Capacity Payments under Option C do not result in a prepayment or create a future benefit.

Option D - Fixed Value of Deferral Payment - Early Levelized Capacity

Payment schedules under this option are based upon the early levelized capital cost component of the value of a year-by-year deferral of the Avoided Unit. The capital portion of Capacity Payments under this option shall consist of equal monthly payments over the term of the Renewable or Qualifying Facility Standard Offer Contract, calculated as shown on Schedule 1. The fixed operation and maintenance expense shall be calculated as shown in Schedule 1. At the option of the REP/QF, payments for early levelized capacity shall commence at any time after the specified early capacity date and before the anticipated in-service date of PEF's Avoided Unit, provided that the REP/QF is delivering firm capacity and energy to PEF pursuant to the terms of the Contract. The term "early" with respect to Option D means that Capacity Payments may begin earlier than the anticipated in-service date of PEF's avoided unit. Capacity Payments under Option D do not result in a prepayment or create a future benefit.

EXAMPLE MONTHLY CAPACITY PAYMENT IN \$kW/MONTH
PEF'S June 1, 2009 Repowering of PEF's Bartow facility Renewable Or Qualifying Facility
Standard Offer Contract Avoided Capacity Payments

(\$/kW/MONTH)

Contract Year	<u>Option A</u>	<u>Option B</u>	<u>Option C</u>	<u>Option D</u>
	Normal Capacity Payment Starting on the Avoided Unit In-Service Date	Early Capacity Payment Starting on the Exemplary Capacity Payment Date	Levelized Capacity Payment Starting on the Avoided Unit In-Service Date	Early Levelized Capacity Payment Starting on the Exemplary Capacity Payment Date
2007	-	3.01	-	3.34
2008	-	3.08	-	3.35
2009	4.02	3.16	4.39	3.36
2010	4.12	3.24	4.40	3.36
2011	4.22	3.32	4.41	3.37
2012	4.33	3.40	4.42	3.38
2013	4.43	3.49	4.43	3.39
2014	4.54	3.57	4.44	3.40
2015	4.66	3.66	4.45	3.41
2016	4.77	3.75	4.46	3.42
2017	4.89	3.85	4.48	3.42
2018	5.02	3.94	4.49	3.43

B. Energy Rates

Payments Prior to the Avoided Unit In-Service Date

The energy rate, in cents per kilowatt-hour (¢/kWh), shall be based on PEF's actual hourly avoided energy costs which are calculated by PEF in accordance with FPSC Rule 25-17.0825, F.A.C.

The calculation of payments to the REP/QF shall be based on the sum over all hours of the billing period, of the product of each hour's avoided energy cost times the amount of energy (kWh) delivered to PEF from the Facility for that hour. All purchases shall be adjusted for losses from the point of metering to the point of interconnection.

Payments Starting on Avoided Unit In-Service Date

The calculation of payments to the REP/QF for energy delivered to PEF on and after the Avoided Unit In-Service Date shall be the sum, over all hours of the Monthly Billing Period, of the product of (a) each hour's Firm Energy Rate ($\text{\$/kWh}$); and (b) the amount of energy (kWh) delivered to PEF from the Facility during that hour.

The Firm Energy Rate shall be, on an hour-by-hour basis, PEF's Avoided Unit Energy Cost. For any other period during which energy is delivered by the REP/QF to PEF, the Firm Energy Rate in cents per kilowatt hour ($\text{\$/kWh}$) shall be the following on an hour-by-hour basis: the lesser of (a) the As-Available Energy Rate and (b) the Avoided Unit Energy Cost. The Avoided Unit Energy Cost, in cents per kilowatt - hour ($\text{\$/kWh}$) shall be defined as the product of (a) the Avoided Unit Fuel Cost and (b) the Avoided Unit Heat Rate; plus (c) the Avoided Unit Variable O&M.

For the purposes of this agreement, the Avoided Unit Fuel Cost shall be determined from gas prices published in Platts Inside FERC, Gas Market Report, first of the month posting for Florida Gas Transmission Zone 3, plus Gulfstream Natural Gas System's applicable Usage-2 rate (Reservation Charge of \$0.55), Usage-1 rate (Commodity Charge of \$0.02) and the applicable Gulfstream Natural Gas System's Use percentage (not to exceed 1.53%) in accordance with the terms and conditions of Gulfstream Natural Gas System's tariff, as all such charges, surcharges and percentages are in effect from time to time for service under Gulfstream Natural Gas System's Rate Schedule FTS.

ESTIMATED AS-AVAILABLE ENERGY COST

For informational purposes only, the estimated incremental avoided energy costs for the next four semi-annual periods are as follows. The following estimates include variable operation and maintenance expenses.

<u>Applicable Period</u>	<u>Average ¢/KWH</u>
October 1, 2006 - March 31, 2007	7.1
April 1, 2007 - September 30, 2007	9.6
October 1, 2007 - March 31, 2008	8.3
April 1, 2008 - September 30, 2008	9.2

ESTIMATED UNIT FUEL COST

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

\$/MMBTU

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
11.56	11.39	8.32	8.69	8.80	8.75	8.66	8.58	8.93

DELIVERY VOLTAGE ADJUSTMENT

PEF's average system line losses are analyzed annually for the prior calendar year, and delivery efficiencies are developed for the transmission, distribution primary, and distribution secondary voltage levels. This analysis is provided in the PEF's semi-annual fuel cost recovery filing with the FPSC in Exhibit Schedule E1. An adjustment factor, calculated as the reciprocal of the appropriate delivery efficiency factor, is applicable to the above determined energy costs if the REP/QF is within PEF's service territory to reflect the delivery voltage level at which REP/QF energy is received by the PEF.

The current delivery voltage adjustment factors are:

<u>Delivery Voltage</u>	<u>Adjustment Factor</u>
Transmission Voltage Delivery	1.0202
Primary Voltage Delivery	1.0317
Secondary Voltage Delivery	1.0656

PERFORMANCE CRITERIA

Payments for firm Capacity are conditioned on the REP/QF's ability to maintain the following performance criteria:

A. Capacity Delivery Date

The Capacity Delivery Date shall be no later than the Avoided Unit In-Service Date.

B. Availability and Capacity Factor

The Facility's availability and capacity factor are used in the determination of firm Capacity Payments through a performance based calculation as detailed in Appendix A to the Contract.

METERING REQUIREMENTS

The REP/QFs within the territory served by PEF shall be required to purchase from PEF hourly recording meters to measure their energy deliveries to PEF. Energy purchases from the REP/QFs outside the territory of PEF shall be measured as the quantities scheduled for interchange to PEF by the entity delivering Firm Capacity and Energy to PEF.

For the purpose of this Contract, the on-peak hours shall be those hours occurring April 1 through October 31, from 11:00 a.m. to 10:00 p.m., and November 1 through March 31, from 6:00 a.m. to 12:00 noon and 5:00 p.m. to 10:00 p.m. prevailing Eastern time. PEF shall have the right to change such On-Peak Hours by providing the REP/QF a minimum of thirty calendar days' advance written notice.

BILLING OPTIONS

A REP/QF, upon entering into this Contract for the sale of firm capacity and energy or prior to delivery of as-available energy, may elect to make either simultaneous purchases from and sales to PEF, or net sales to PEF; provided, however, that no such arrangement shall cause the REP/QF to sell more than the Facility's net output. A decision on billing methods may only be changed: 1) when a REP/QF selling as-available energy enters into this Contract for the sale of firm capacity and energy; 2) when a Contract expires or is lawfully terminated by either the REP/QF or PEF; 3) when the REP/QF is selling as-available energy and has not changed billing methods within the last twelve months; 4) when the election to change billing methods will not contravene the provisions of FPSC Rule 25-17.0832 or a contract between the REP/QF and PEF.

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

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

CHARGES TO RENEWABLE ENERGY PROVIDER

The REP/QF shall be responsible for all applicable charges as currently approved or as they may be approved by the Florida Public Service Commission, including, but not limited to:

A. Retail Service Charges

The REP/QF shall be responsible for all FPSC approved charges for any retail service that may be provided by PEF. The REP/QF shall be billed \$74.42 monthly for the costs of meter reading, billing, and other administrative costs.

B. Interconnection Charge for Non-Variable Utility Expenses

The REP/QF shall bear the cost required for interconnection, including the metering. The REP/QF shall have the option of (i) payment in full for the interconnection costs including the time value of money during the construction of the interconnection facilities and providing a surety bond, Letter of Credit or comparable assurance of payment acceptable to PEF adequate to cover the interconnection cost estimates, (ii) payment of monthly invoices from PEF for actual costs progressively incurred by PEF in installing the interconnection facilities, or (iii) upon a showing of credit worthiness, making equal monthly installment payments over a period no longer than thirty six (36) months toward the full cost of interconnection. In the latter case, PEF shall assess 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.

C. Interconnection Charge for Variable Utility Expenses

The REP/QF shall be billed monthly for the variable utility expenses associated with the operation, maintenance and repair of the interconnection facilities. These include (a) PEF's inspections of the interconnection facilities and (b) maintenance of any equipment beyond that which would be required to provide normal electric service to the REP/QF if no sales to PEF were involved.

The REP/QF may pay a monthly charge equal to a percentage of the installed cost of the interconnection facilities. This monthly rate is stated in the Agreement for the Purchase of As-Available Energy and/or Parallel Operation With a Qualifying Facility as filed with the Florida Public Service Commission and may be amended periodically. The current rate is 0.5% per month of the installed cost of the interconnection facilities.

TERMS OF SERVICE

- A. It shall be the REP/QF's responsibility to inform PEF of any change in its electric generation capability.
- B. Any electric service delivered by PEF to a REP/QF located in PEF's service area shall be subject to the following terms and conditions:
- (1) A REP/QF shall be metered separately and billed under the applicable retail rate schedule(s), whose terms and conditions shall pertain.
 - (2) A security deposit will be required in accordance with FPSC Rules 25-17.082(5) and 25-6.097, F.A.C., and the following:
 - (i) In the first year of operation, the security deposit should be based upon the singular month in which the REP/QF's projected purchases from PEF exceed, by the greatest amount, PEF's estimated purchases from the REP/QF. The security deposit should be equal to twice the amount of the difference estimated for that month. The deposit is required upon interconnection.
 - (ii) For each year thereafter, a review of the actual sales and purchases between the REP/QF and PEF will be conducted to determine the actual month of maximum difference. The security deposit should be adjusted to equal twice the greatest amount by which the actual monthly purchases by the REP/QF exceed the actual sales in PEF in that month.
 - (3) PEF shall specify the point of interconnection and voltage level.
 - (4) The REP/QF must enter into an interconnection to PEF's system. Specific features of the REP/QF and its interconnection to PEF's facilities will be considered by PEF in preparing the interconnection agreement.
- C. Service under this rate schedule is subject to the rules and regulations of the FPSC.

**SCHEDULE 1
TO RATE SCHEDULE REN-CC****CALCULATION OF VALUE OF DEFERRAL PAYMENTS****APPLICABILITY**

This Schedule 1 provides a detailed description of the methodology used by PEF to calculate the monthly values of deferring or avoiding the Avoided Unit identified in the Contract. When used in conjunction with the current FPSC-approved cost parameters associated with the Avoided Unit contained in Schedule 2, a REP/QF may determine the applicable value of deferral capacity payment rate associated with the timing and operation of its particular facility should the REP/QF enter into a Contract with PEF.

Also contained in this Schedule 1 is the discussion of the types and forms of surety bond requirements or equivalent assurance for payment of the Termination Fee acceptable to PEF in the event of contractual default by a REP/QF.

CALCULATION OF VALUE OF DEFERRAL OPTION A

FPSC Rule 25-17.0832(5) specifies that avoided capacity costs, in dollars per kilowatt per month, associated with capacity sold to a utility by a REP/QF pursuant to Contract shall be defined as the year-by-year value of deferral of the Avoided Unit. The year-by-year value of deferral shall be the difference in revenue requirements associated with deferring the Avoided Unit one year, and shall be calculated as follows:

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

Where, for a one year deferral:

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

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

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

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 for the Avoided Unit which 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;
- i_o = annual escalation rate associated with the operation and maintenance expense of the Avoided Unit;
- 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 the Avoided Unit In-Service Date and ending with the Termination Date.

CALCULATION OF FIXED VALUE OF DEFERRAL PAYMENTS - EARLY CAPACITY-OPTION B

Under the fixed value of deferral Option A, payments for firm capacity shall not commence until the in-service date of the Avoided unit(s). At the option of the REP/QF, however, PEF may begin making payments for capacity consisting of the capital cost component of the value of a year-by-year deferral of the Avoided Unit prior to the anticipated in-service date of the Avoided Unit. When such payments for capacity are elected, the avoided capital cost component of Capacity Payments shall be paid monthly commencing no earlier than the Capacity Delivery Date of the REP/QF, and shall be calculated as follows:

$$A_M = [A_c (1 + i_p)^{(m-1)} + A_o (1 + i_o)^{(m-1)}] / 12 \quad \text{for } m = 1 \text{ to } t$$

Where:

- A_M = monthly payments to be made to the REP/QF for each month of the contract year n , in dollars per kilowatt per month in which REP/QF delivers capacity pursuant to the early capacity option;
- i_p = annual escalation rate associated with the plant cost of the Avoided Unit;
- i_o = annual escalation rate associated with the operation and maintenance expense of the Avoided Unit;

m = year for which the fixed value of deferral payments under the early capacity option are made to a REP/QF, starting in year one and ending in the year t;

t = the Term, in years, of the Contract:

$$A_c = F [(1 - R) / (1 - R^t)]$$

Where:

F = the cumulative present value, in the year that the contractual payments will begin, of the avoided capital cost component of Capacity Payments which would have been made had Capacity Payments commenced with the Avoided Unit In-Service Date;

$$R = (1 + i_p) / (1 + r)$$

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

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

Where:

G = The cumulative present value, in the year that the contractual payments will begin, of the avoided fixed operation and maintenance expense component of Capacity Payments which would have been made had Capacity Payments commenced with the Avoided Unit In-Service Date.

$$R = (1 + i_o) / (1 + r)$$

The currently approved parameters applicable to the formulas above are found in Schedule 2.

**CALCULATION OF FIXED VALUE OF DEFERRAL PAYMENTS -
LEVELIZED AND EARLY LEVELIZED CAPACITY - OPTION C & OPTION D,
RESPECTIVELY**

Monthly fixed value of deferral payments for levelized and early levelized capacity shall be calculated as follows:

$$P_L = (F / 12) \cdot [r / 1 - (1 + r)^{-t}] + O$$

Where:

- P_L = the monthly levelized capacity payment, starting on or prior to the in-service date of PEF's Avoided Unit(s);
- F = the cumulative present value, in the year that the contractual payments will begin, of the avoided capital cost component of the Capacity Payments which would have been made had the Capacity Payments not been levelized;
- r = the annual discount rate, defined as PEF's incremental after-tax cost of capital;
- t = the Term, in years of the Contract
- O = the monthly fixed operation and maintenance component of the Capacity Payments, calculated in accordance with calculation of the fixed value of deferral payments for the levelized capacity or the early levelized capacity options.

RISK-RELATED GUARANTEES

With the exception of governmental solid waste facilities covered by FPSC Rule 25-17.091, FPSC Rule 25-17.0832 paragraph (4)(e)10 requires that, when fixed value or deferral payments - early capacity, levelized capacity, or early levelized capacity are elected, the REP/QF must provide a surety bond or equivalent assurance of securing the payment of a Termination Fee in the event the REP/QF is unable to meet the terms and conditions of its Contract. Depending on the nature of the REP/QF's operation, financial health and solvency, and its ability to meet the terms and conditions of the Contract, one of the following may constitute an equivalent assurance of payment:

- (1) Bond;
- (2) Cash deposit(s) with PEF;
- (3) Unconditional, irrevocable, direct pay Letter of Credit;
- (4) Unsecured promise by a municipal, county or state government to repay payment for early or levelized capacity in the event of default, in conjunction with a legally binding commitment from such government allowing the utility to levy a surcharge on either the electric bills of the government's electricity consuming facilities or the constituent electric customers of such government to assure that payments for early or levelized capacity are repaid;
- (5) Unsecured promise by a privately-owned REP/QF to repay payments for early or levelized capacity in the event of default, in conjunction with a legally binding commitment from the owner(s) of the REP/QF, parent company, and/or subsidiary companies located in Florida to assure that payments for early, levelized or early levelized capacity are repaid; or
- (6) Other guarantees acceptable to PEF.

PEF will cooperate with each REP/QF applying for fixed value of deferral payments under the early, levelized or early levelized capacity options to determine the exact form of an "equivalent assurance" for payment of the Termination Fee to be required based on the particular aspects of the REP/QF. PEF will endeavor to accommodate an equivalent assurance of repayment which is in the best interests of both the REP/QF and PEF's ratepayers.

**SCHEDULE 2
TO RATE SCHEDULE REN-CC
CAPACITY OPTION PARAMETERS**

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

Where, for one year deferral:

		<u>Value</u>
VAC_m	= PEF's value of avoided capacity and O&M, in dollars per kilowatt per month, during month m;	\$4.02
K	= present value of carrying charges for one dollar of investment over L years, with carrying charges computed using average annual rate base and assumed to be paid at the middle of each year and present valued to the middle of the first year;	1.414
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;	\$435.08
O_n	= total fixed operation and maintenance expense, for the year n, in mid-year dollars per kilowatt per year, of the Avoided Unit;	\$4.88
i_p	= annual escalation rate associated with the plant cost of the Avoided Unit;	2.5%
i_o	= annual escalation rate associated with the operation and maintenance expense of the Avoided Unit;	2.5%
r	= annual discount rate, defined as PEF's incremental after-tax cost of capital;	8.10%
L	= expected life of the Avoided Unit;	25
n	= year for which the Avoided Unit is deferred starting with the Avoided Unit In-Service Date and ending with the Termination Date.	2009

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

A_m	=	monthly avoided capital cost component of Capacity Payments to be made to the REP/QF starting as early as one two year prior to the Avoided Unit In-Service Date, in dollars per kilowatt per month;	\$2.70
i_p	=	annual escalation rate associated with the plant cost of the Avoided Unit;	2.5%
n	=	year for which early Capacity Payments to a REP/QF are to begin;	2007
F	=	the cumulative present value of the avoided capital cost component of Capacity Payments which would have been made had Capacity Payments commenced with the anticipated in-service date of the Avoided Unit and continued for a period of 10 years;	\$273.15
r	=	annual discount rate, defined as PEF's incremental after-tax cost of capital;	8.10%
t	=	the Term, in years, of the Contract for the purchase of firm capacity commencing prior to the in-service date of the Avoided Unit;	12
G	=	the cumulative present value of the avoided fixed operation and maintenance expense component of Capacity Payments which would have been made had Capacity Payments commenced with the anticipated in-service date of the Avoided Unit and continued until the Termination Date.	\$30.76

**APPENDIX E
FPSC RULES 25-17.080 THROUGH 25-17.091
ARE PROVIDED IN SECTION VIII
ON THIS TARIFF BOOK**

Legislative Version

(Sheets 9.910 – 9.977)

STANDARD OFFER CONTRACT FOR THE PURCHASE OF FIRM CAPACITY
AND ENERGY FROM A RENEWABLE ENERGY PRODUCER
OR QUALIFYING FACILITY LESS THAN 100 KW

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SECTION No. IX
~~FIRST~~ SECOND REVISED SHEET NO. 9.911
CANCELS ~~ORIGINAL~~ FIRST REVISED SHEET NO.
9.911

STANDARD OFFER CONTRACT FOR THE PURCHASE OF FIRM CAPACITY
AND ENERGY FROM A RENEWABLE ENERGY PRODUCER
OR QUALIFYING FACILITY LESS THAN 100 KW

between

and

PROGRESS ENERGY FLORIDA

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**STANDARD OFFER CONTRACT FOR THE PURCHASE OF FIRM CAPACITY
AND ENERGY FROM A RENEWABLE ENERGY PRODUCER
OR QUALIFYING FACILITY LESS THAN 100 KW**

THIS STANDARD OFFER CONTRACT FOR THE PURCHASE OF FIRM CAPACITY AND ENERGY (hereinafter referred to as the "Contract") is made and entered this ____ day of _____, _____ (hereinafter referred to as the "~~Effective~~Execution Date"), by and between _____ (hereinafter "the Renewable Energy Provider/Qualifying Facility ("REP/QF"), and Florida Power Corporation d/b/a Progress Energy Florida (hereinafter "PEF"), a private utility corporation organized and existing under the laws of the State of Florida. The REP/QF and PEF shall be individually be identified herein as the "Party" and collectively as the "Parties". This Contract contains five Appendices which are incorporated into and made part of this Contract: Appendix A: ~~Pay for Performance Provisions~~; Monthly Capacity Payment Calculation; Appendix B: Termination Fee; Appendix C: Detailed Project Information; Appendix D: Rate Schedule ~~REN-CC~~; and Appendix E: Florida Public Service Commission ("FPSC") Rules 25-17.080 through 25-17.091, F.A.C.

WITNESSETH:

WHEREAS, the REP/QF desires to sell, and PEF desires to purchase electricity to be generated by the REP/QF consistent with Florida Statute Chapter 366.91 (2005) and FPSC Rules 25-17.080 through 25-17.091 F.A.C.; and

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

WHEREAS, the FPSC has approved this Contract for the Purchase of Firm Capacity and Energy from a Renewable Energy Producer or Qualifying Facility less than 100kW; and

WHEREAS, the REP/QF guarantees that the Facility is capable of delivering firm capacity and energy to PEF for the term of this Contract in a manner consistent with the provision of this Contract;

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

1. Definitions

"AFR" means the Facility's annual fuel requirement.

"AFTR" means the Facility's annual fuel transportation requirement

"Annual Capacity Billing Factor" or "ACBF" means 12 month rolling average of the Monthly Availability Factor as further defined and explained in Appendix A.

"Appendices" shall mean the schedules, exhibits, and attachments which are appended hereto and are hereby incorporated by reference and made a part of this Contract. Such Appendices include:

"Appendix A" sets forth the Monthly Capacity Payment Calculation.

"Appendix B" sets forth the Termination Fee.

"Appendix C" sets forth the Detailed Project Information.

"Appendix D" sets forth Rate Schedule REN-CC.

"Appendix E" sets forth Florida Public Service Commission ("FPSC") Rules 25-17.080 through 25-17.091, F.A.C.

"As-Available Energy Rate" means the rate calculated by PEF in accordance with FPSC Rule 25-17.0825, F.A.C., and PEF's Rate Schedule COG-1, as they may each be amended from time to time

"Authorization to Construct" means authorization issued by any appropriate Government Agency to construct or reconstruct the Facility granted to REP/QF in accordance with the laws of the State of Florida and any relevant federal law.

"Avoided Unit" means the electrical generating unit described in Section 4 upon which this Contract is based.

"Avoided Unit Energy Cost" has the meaning assigned to it in Appendix D.

"Avoided Unit Fuel Cost" has the meaning assigned to it in Appendix D.

"Avoided Unit Heat Rate" means the average annual heat rate of the Avoided Unit as defined in Section 4.

"Avoided Unit In-Service Date" means the date upon which the Avoided Unit would have started commercial operation as specified in Section 4.

"Avoided Unit Variable O&M" means the Avoided Unit variable operation and maintenance expenses as defined in Section 4. This rate will escalate annually based upon CPI-U. The annual escalation will begin in the payment for January deliveries.

“Base Capacity Payment” or “BCP” means capacity payment rates defined in Appendix D and further defined by the selection of Option A,B,C or D in Section 9.2.

“Base Performance Security Amount” means the dollar amount per MW listed in the Table 1 in Section 11 for years 1-5 associated with the applicable credit class of the Party.

“Base Year” means the year that this Contract was approved by the FPSC.

“Business Day” means any day except a day upon which banks licensed to operate in the State of Florida are authorized, directed or permitted to close, Saturday, Sunday or a weekday that is observed as a public holiday in the State of Florida.

“CAMD” means the Clean Air Markets Division of the Environmental Protection Agency or successor administrator (collectively with any local, state, regional, or federal entity given jurisdiction over a program involving transferability of Environmental Attributes).

“Capacity” means the minimum average hourly net capacity (generator output minus auxiliary load) measured over the Committed Capacity Test Period.

“Capacity Delivery Date” means the first calendar day immediately following the date of the Facility's successful completion of the first Committed Capacity Test.

“Capacity Payment” means the payment defined in Section 9.2 and Appendix A.

“Committed Capacity” or “CC” means the capacity in MW that the REP/QF commits to sell to PEF, the amount of which shall be determined in accordance with Section 7 and Appendix D.

“Committed Capacity Test” means the testing of the capacity of the Facility performed in accordance with the procedures set forth in Section 8.

“Committed Capacity Test Period” means a test period of twenty-four (24) consecutive hours.

“Completed Permits Date” means the date by which the REP/QF must complete licensing, certification, and all federal, state and local governmental, environmental, and licensing approvals required to initiate construction of the Facility. This date is specified in Section 4.

“Completion/Performance Security” means the security described in Section 11.

“Conditions Precedent” shall have the meaning assigned to it in Section 5.

“Consent” means a Governmental Approval or other contract, license, approval, permission, authorization or other right of whatsoever nature (including any renewal or replacement of same) necessary or desirable for the construction of the Facility infrastructure or for the use of the Facility for the generation of electricity or for the transmission of electricity to the Transmission System (including, but not limited to, the Project Consents); or for any other matters relevant to the performance of REP/QF's obligations under this Contract.

"Contract" means this standard offer contract for the purchase of Firm Capacity and Energy from a Renewable Energy Producer or Qualifying Facility with a nameplate capacity of less than 100 kW.

"CPI-U" means the revised monthly consumer price index for All Urban Consumers, U.S. City Average (CPI-U) (All Items 1982-84 = 100) promulgated by the Bureau of Labor Statistics of the United States Department of Labor.

"Creditworthy" with respect to a Party or its credit support provider, as applicable, means a party is rated by at least two (2) of the three (3) following rating agencies Standard & Poors (S&P), Moody's Investor Services (Moody's) and Fitch Rating Services (Fitch). Rating shall be the unsecured, senior long-term debt or deposit obligations (not supported by third party credit enhancement). Both ratings (if company is only rated by 2 of the 3 agencies) or at least two (2) of the three (3) (if company is rated by all three agencies) must be (i) BBB- or greater from S&P (ii) Baa3 or greater from Moody's (iii) BBB- or greater from Fitch.

"Demonstration Period" means a sixty-hour period in which the Committed Capacity Test must be completed.

"Distribution System" means the distribution system consisting of electric lines, electric plant, transformers and switchgear is used for conveying electricity to ultimate consumers, but not including any part of the Transmission System.

"Dispute" shall have the meaning assigned to it in Section 20.9.

"Drop Dead Date" means the date which is twelve (12) months following the Execution Date.

"Eastern Prevailing Time" means the time in effect in the Eastern Time Zone of the United States of America, whether Eastern Standard Time or Eastern Daylight Savings Time.

"Effective Date" has the meaning assigned to it in Section 5.

"Electrical Interconnection Point" means the physical point at which the Facility is connected with the Transmission System or, if REP/QF interconnects with a Transmission System other than PEF's, PEF's interconnection with the Transmission Provider's Transmission System, or such other physical point on which REP/QF and PEF may agree.

"Eligible Collateral" means (i) a Letter of Credit from a Qualified Institution or (ii) cash deposited into a PEF Security Account by REP/QF or REP/QF Security Account by PEF, as the case may be, or (iii) REP/QF Guarantee or PEF Guarantee or a combination of (i), (ii) and/or (iii) as outlined in Section 11.

"Energy" means megawatt-hours generated by the Facility of the character commonly known as three-phase, sixty hertz electric energy that is delivered at a nominal voltage at the Electrical Interconnection Point.

“Environmental Attributes” means all attributes of an environmental or other nature that are created or otherwise arise from the Facility’s generation of electricity from a renewable energy source in contrast with the generation of electricity using nuclear or fossil fuels or other traditional resources. Forms of such attributes include, without limitation, any and all environmental air quality credits, green credits, renewable energy credits (“RECs”), carbon credits, emissions reduction credits, certificates, tags, offsets, allowances, or similar products or rights, howsoever entitled, (i) resulting from the avoidance of the emission of any gas, chemical, or other substance, including but not limited to, mercury, nitrogen oxide, sulfur dioxide, carbon dioxide, carbon monoxide, particulate matter or similar pollutants or contaminants of air, water or soil gas, chemical, or other substance, and (ii) attributable to the generation, purchase, sale or use of Energy from or by the Facility, or otherwise attributable to the Facility during the Term. Environmental Attributes include, without limitation, those currently existing or arising during the Term under local, state, regional, federal, or international legislation or regulation relevant to the avoidance of any emission described in this Contract under any governmental, regulatory or voluntary program, including, but not limited to, the United Nations Framework Convention on Climate Change and related Kyoto Protocol or other programs, laws or regulations involving or administered by the Clean Air Markets Division of the Environmental Protection Agency (“CAMD”) or successor administrator (collectively with any local, state, regional, or federal entity given jurisdiction over a program involving transferability of Environmental Attributes.).

“EPT” means Eastern Prevailing Time.

“Event of Default” has the meaning assigned to it in Section 14.

“Execution Date” has the meaning assigned to it in the opening paragraph of this Contract.

“Exemplary Early Capacity Payment Date” means the exemplary date used to calculate Capacity Payments for Option B and D. This date is specified in Section 4. The actual Capacity Payments for Option B and D will be calculated based upon the Capacity Delivery Date.

“Expiration Date” means the final date upon which this Contract can be executed. This date is specified in Section 4.

“Facility” means all equipment, as described in this Contract, used to produce electric energy and, and all equipment that is owned or controlled by the REP/QF required for parallel operation with the Transmission System. In the case of a cogenerator the Facility includes all equipment that is owned or controlled by the REP/QF to produce useful thermal energy through the sequential use of energy.

“FERC” means the Federal Energy Regulatory Commission or its successor.

"Financial Closing" means the fulfillment of each of the following conditions:

- (a) the execution and delivery of the Financing Documents; and
- (b) all Conditions Precedent to the initial availability for disbursement of funds under the Financing Documents (other than relating to the effectiveness of this Contract) are satisfied or waived.

"Financing Documents" shall mean documentation with respect to any private equity investment in REP/QF, any loan agreements (including agreements for any subordinated debt), notes, bonds, indentures, guarantees, security agreements and hedging agreements relating to the financing or refinancing of the design, development, construction, Testing, Commissioning, operation and maintenance of the Facility or any guarantee by any Financing Party of the repayment of all or any portion of such financing or refinancing.

"Financing Party" means the Persons (including any trustee or agent on behalf of such Persons) providing financing or refinancing to or on behalf of REP/QF for the design, development, construction, testing, commissioning, operation and maintenance of the Facility (whether limited recourse, or with or without recourse).

"Firm Capacity and Energy" has the meaning assigned to it in Appendix D.

"Firm Capacity Rate" has the meaning assigned to it in Appendix D.

"Firm Energy Rate" has the meaning assigned to it in Appendix D.

"Force Majeure" has the meaning given to it in Section 18.

"FPSC" means the Florida Public Service Commission or its successor.

"Government Agency" means the United States of America, or any state or any other political subdivision thereof, including without limitation, any municipality, township or county, and any domestic entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including, without limitation, any corporation or other entity owned or controlled by any of the foregoing.

"Governmental Approval" means any authorization, consent, approval, license, ruling, permit, exemption, variance, order, judgment, instruction, condition, direction, directive, decree, declaration of or regulation by any Government Agency relating to the construction, development, ownership, occupation, start-up, Testing, operation or maintenance of the Facility or to the execution, delivery or performance of this Contract as any of the foregoing are in effect as of the date of this Contract.

"Gross Domestic Product Implicit Price Deflator" or "GDPIPD" has the meaning assigned to it in Section 11.

"IEEE" means the Institute of Electrical and Electronics Engineers, Inc.

"Indemnified Party" has the meaning assigned to it in Section 16.

"Indemnifying Party" has the meaning assigned to it in Section 16.

"Initial Reduction Value" has the meaning assigned to it in Appendix B.

"Insurance Services Office" has the meaning assigned to it in Section 17.

"KVA" means one or more kilovolts-amperes of electricity, as the context requires.

"kW" means one or more kilowatts of electricity, as the context requires.

"kWh" means one or more kilowatthours of electricity, as the context requires.

"Letter of Credit" means a stand-by letter of credit from a Qualified Institution that is acceptable to PEF whose approval may not be unreasonably withheld.

"LOI" means a letter of intent for fuel supply.

"Material Adverse Change" means as to PEF, that PEF or PEF Guarantor, if applicable, or, as to REP/QF, that REP/QF or REP/QF Guarantor, if applicable, any of the following events: (a) such party is no longer Creditworthy or (b) the party of Party's guarantor, if applicable, defaults on an aggregate of fifty million dollars (\$50,000,000) or five percent (5%) of equity, whichever is less.

"MCPC" means the Monthly Capacity Payment for Option A.

"Monthly Billing Period" means the period beginning on the first calendar day of each calendar month, except that the initial Monthly Billing Period shall consist of the period beginning 12:01 a.m., on the Capacity Delivery Date and ending with the last calendar day of such month.

"Monthly Availability Factor" or "MAF" means the total energy received during the Monthly Billing Period for which the calculation is made, divided by the product of Committed Capacity times the total hours during the Monthly Billing Period.

"Monthly Capacity Payment" or "MCP" means the payment for Capacity calculated in accordance with Appendix A.

"MW" means one or more megawatts of electricity, as the context requires.

"MWh" means one or more megawatt-hours of electricity, as the context requires.

"Option A" means normal Capacity Payments as described in Appendix D.

"Option B" means early Capacity Payments as described in Appendix D.

"Option C" means levelized Capacity Payments as described in Appendix D.

"Option D" means early levelized Capacity Payments as described in Appendix D.

"Party" or "Parties" has the meaning assigned to it in the opening paragraph of this Contract.

"PEF" has the meaning assigned to it in the opening paragraph of this Contract.

"PEF Entities" has the meaning assigned to it in Section 16.

"PEF Guarantee" means a guarantee provided by PEF Guarantor that is acceptable to REP/QF whose approval may not be unreasonably withheld.

"PEF Guarantor" means a party that, at the time of execution and delivery of its PEF Guarantee is a direct or indirect owner of PEF and is (a) Creditworthy or is (b) reasonably acceptable to REP/QF as having verifiable Creditworthiness and a net worth sufficient to secure PEF's obligations.

"PEF Performance Security" has the meaning assigned to it in Section 11.

"PEF Security Account" means an account designated by PEF for the benefit of PEF free and clear of all liens (including liens of any lenders) to be established and maintained at a Qualified Institution pursuant to a control agreement in a form and substance acceptable to PEF whose cost is to be borne by the REP/QF.

"Person" means any individual, partnership, corporation, association, joint stock company trust, joint venture, unincorporated organization, or Governmental Agency (or any department, agency, or political subdivision thereof).

"Project Consents" mean the following Consents, each of which is necessary to REP/QF for the fulfillment of REP/QF's obligations hereunder:

- (a) the Authorization to Construct;
- (b) planning permission and consents in respect of the Facility, and any electricity substation located at the Facility site, including but not limited to, a prevention of significant deterioration permit, a noise, proximity and visual impact permit, and any required zoning permit; and
- (c) any integrated pollution control license.

"Project Contracts" means this Contract, and any other contract required to construct, operate and maintain the Facility. The Project Contracts may include, but are not limited to, the turnkey engineering, procurement and construction contract, the electrical interconnection and operating agreement, the fuel supply agreement, the facility site lease, and the operation and maintenance agreement.

“Prudent Utility Practices” means any of the practices, methods, standards and acts (including, but not limited to, the practices, methods and acts engaged in or approved by a significant portion of owners and operators of power plants of technology, complexity and size similar to the Facility in the United States) that, at a particular time, in the exercise of reasonable judgment in light of the facts known or that should reasonably have been known at the time a decision was made, could have been expected to accomplish the desired result and goals (including such goals as efficiency, reliability, economy and profitability) in a manner consistent with applicable facility design limits and equipment specifications and applicable laws and regulations. Prudent Utility Practice is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but rather to be a spectrum of acceptable practices, methods or acts in each case taking into account the Facility as an independent power project.

“Qualifying Facility” or “QF” means a cogenerator, small power producer, or non-utility generator that has been certified or self-certified by the FERC as meeting certain ownership, operating and efficiency criteria established by the Federal Energy Regulatory Commission pursuant to the Public Utility Regulatory Policies Act of 1978 (“PURPA”), the criteria for which are currently set forth in 18 C.F.R. § 292, *et seq.* (2006), Section 210 of PURPA, 16 U.S.C. § 824a-3 (2005), 16 U.S.C. 796 *et seq.* (2006), and Section 1253 of EPAct 2005, Pub. L. No. 109-58, § 1253, 119 Stat. 594 (2005) or, alternatively, analogous provisions under the laws of the State of Florida.

“Qualified Institution” means the domestic office of a United States commercial bank or trust company or a foreign bank with a United States branch with total assets of at least ten billion dollars (\$10,000,000,000) (which is not an affiliate of either party) having a general long-term senior unsecured debt rating of A- or higher (as rated by Standard & Poors Ratings Group), A3 or higher (as rated by Moody’s Investor Services) or A- or higher (as rated by Fitch Ratings).

“Rate Schedule COG-1” means PEF’s Agreement for Purchase of As-Available Energy and/or Parallel Operation with a Qualifying Facility as approved by the FPSC and as may be amended from time to time.

“REC” means renewable energy credits, green tags, green tickets, renewable certificates, tradable renewable energy credits (“T-REC”) or any tradable certificate that is produced by a renewable generator in addition to and in proportion to the production of electrical energy.

“Reduction Value” has the meaning assigned to it in Appendix B.

“Renewable Facility” means a facility that produces energy from a method that uses one or more of the following fuels or energy sources: hydrogen produced from sources other than fossil fuels, biomass, solar energy, geothermal energy, wind energy, ocean energy, hydroelectric power or waste heat from sulfuric acid manufacturing operations.

“REP/QF Entities” has the meaning assigned to it in Section 16.

“REP/QF Guarantee” means a guarantee provided by REP/QF Guarantor that is acceptable to PEF whose approval may not be unreasonably withheld.

"REP/QF Guarantor" means a party that, at the time of execution and delivery of its REP/QF Guarantee is a direct or indirect owner of REP/QF and is (a) Creditworthy or is (b) reasonably acceptable to PEF as having verifiable Creditworthiness and a net worth sufficient to secure REP/QF's obligations.

"REP/QF Insurance" has the meaning assigned to it in Section 17.

"REP/QF Performance Security" has the meaning assigned in Section 11.

"REP/QF Security Account" means an account designated by the REP/QF for the benefit of the REP/QF free and clear of all liens (including liens of any lenders) to be established and maintained at a Qualified Institution pursuant to a control agreement in a form and substance acceptable to REP/QF whose cost is to be borne by PEF.

"Security Documentation" has the meaning assigned to it in Section 12.

"Supplemental Eligible Collateral" means additional collateral in the form of Letter of Credit or cash to augment the REP/QF Performance Security in the event of a Material Adverse Change.

"Subscription Limit" means the total capacity required to fully subscribe this Contract .

"Term" has the meaning assigned to it in Section 3.

"Termination Date" means the date upon which this Contract terminates unless terminated earlier in accordance with the provisions hereof. This date is specified in Section 4.

"Termination Fee" means the fee described in Appendix B as it applies to any Capacity Payments made under Option B, C or D.

"Termination Security" has the meaning assigned to it in Section 12.

"Transmission Provider" means the operator(s) of the Transmission System(s) or any successor thereof or any other entity or entities authorized to transmit Energy on behalf of REP/QF from the Electrical Interconnection Point.

"Transmission System" means the system of electric lines comprised wholly or substantially of high voltage lines, associated system protection, system stabilization, voltage transformation, and capacitance, reactance and other electric plant used for conveying electricity from a generating station to a substation, from one generating station to another, from one substation to another, or to or from any Electrical Interconnection Point or to ultimate consumers and shall include any interconnection owned by the Transmission Provider or PEF, but shall in no event include any lines which the Transmission Provider has specified to be part of the Distribution System except for any distribution facilities required to accept capacity and energy from the Facility.

**12. Facility; Renewable Facility or Qualifying Facility Status**

The REP ~~contemplates installing and operating a _____ KVA~~
~~generator located at _____~~
~~(hereinafter called the "Facility"). The generator is designed to produce a maximum of~~
~~_____ kilowatts (kW) of electric power at a 90% lagging to 90% leading power~~
~~factor. The facility's~~Facility's location and generation capabilities are as described in the table below.

TECHNOLOGY AND GENERATOR CAPABILITIES	
Location: Specific legal description (e.g., metes and bounds or other legal description with street address required)	City: County:
Generator Type (Induction or Synchronous)	
Technology	
Fuel Type and Source	
Generator Rating (KVA)	
Maximum Capability (kW)	
Net Output (kW)	
Power Factor (%)	
Operating Voltage (kV)	
Peak Internal Load kW	

The REP's/QF's failure to complete the foregoing table in its entirety shall render this Contract null and void and of no further effect.

~~The Facility must either (i) produce energy from a method that uses one or more of the following fuels or energy sources: hydrogen produced from sources other than fossil fuels, biomass, solar energy, geothermal energy, wind energy, ocean energy, hydroelectric power or waste heat from sulfuric acid manufacturing operations or (ii) have been certified or have self-certified as a "qualifying facility" pursuant to the regulations of the Federal Energy Regulatory Commission ("FERC"). In the event that the Facility is a "qualifying facility" then its design capacity must be 100 kW or less. The REP shall use the same fuel or energy source and maintain the "qualifying" status of the Facility, if applicable, throughout the term of this Contract. REP shall at all times~~

~~keep PEF informed of any material changes in its business which affect its renewable or qualifying status.~~ The Facility must either maintain (i) its status as a Renewable Facility or (ii) its status as a Qualifying Facility with a design capacity of 100 kW or less. The REP/QF shall use the same fuel or energy source and maintain the status as a Renewable Facility or a Qualifying Facility throughout the term of this Contract. REP/QF shall at all times keep PEF informed of any material changes in its business which affects its Renewable Facility or Qualifying Facility status. PEF shall have the right at all times to inspect the Facility and to examine any books, records, or other documents of the REP/QF that PEF deems necessary to verify the Facility's ~~renewable~~ Renewable Facility status or qualifying ~~Qualifying Facility status.~~ On or before March 31 of each year during the term of this Contract, the REP/QF shall provide to PEF a certificate signed by an officer of the REP/QF certifying that the REP ~~continuously produced energy from a source listed in this section or~~ QF continuously maintained qualifying status ~~its status as a Renewable Facility or Qualifying Facility during the prior calendar year.~~

23. Term of Contract

Except as otherwise provided herein, this Contract shall become effective immediately upon its execution by the Parties and shall end at 12:01 a.m. May 31, 2019, on the Termination Date, (the "Term") unless terminated earlier in accordance with the provisions hereof. Notwithstanding the foregoing, if the Capacity Delivery Date of the Facility is not accomplished by the REP/QF before June 1, 2009 the Avoided Unit In-Service Date (or such later date as may be permitted by PEF pursuant to Section 5(7)), this Contract shall be rendered null and void and PEF's shall have no obligations under this Contract shall be rendered of no force and effect.

34. Minimum Specifications and Milestones

As required by FPSC Rule 25-17.0832(a), below are 4)(e), the minimum specifications pertaining to this Contract and milestone dates are as follows:

- a. The avoided unit ("Avoided Unit") on which this Contract is based is a 1279 MW repowering of PEF's Bartow facility with an in-service date of June 1, 2009.

<u>Avoided Unit</u>	<u>Repowering of PEF's Bartow facility</u>
<u>Avoided Unit Capacity</u>	<u>1279 MW</u>
<u>Avoided Unit In-Service Date</u>	<u>June 1, 2009</u>
<u>Avoided Unit Heat Rate</u>	<u>7,236 BTU/kWh</u>
<u>Avoided Unit Variable O&M</u>	<u>0.250¢ per kWh in mid-2009 dollars</u>
<u>Subscription Limit</u>	<u>Avoided Unit Capacity</u>
<u>Capacity Payments begin</u>	<u>Avoided Unit In-Service Date unless Option B, C, or D is selected</u>
<u>Termination Date</u>	<u>May 31, 2019 (10 years)</u>
<u>Minimum Performance Standards – On Peak Availability Factor*</u>	<u>89%</u>
<u>Minimum Performance Standards – Off Peak Availability Factor</u>	<u>89%</u>
<u>Minimum Availability Factor Required to qualify for a Capacity payment</u>	<u>69%</u>
<u>Expiration Date</u>	<u>April 1, 2007 unless extended by the FPSC</u>
<u>Completed Permits Date</u>	<u>June 1, 2008</u>
<u>Exemplary Early Capacity Payment Date</u>	<u>January 1, 2007</u>

* REP/QF performance shall be as measured and/or described in Appendix A.

- b. The total Committed Capacity needed to fully subscribe the Avoided Unit is 1279 MW (the "Subscription Limit").
- c. The date by which firm capacity and energy deliveries from the REP to PEF shall commence is June 1, 2009 unless the Facility chooses capacity payments under Options B, C, or D of Rate Schedule REN, pursuant to the terms of this Contract.
- d. The period of time over which firm capacity and energy shall be delivered from the REP to PEF is the ten (10) year period beginning on December 1, 2009.

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

	<u>On Peak*</u>	<u>Off Peak</u>
Availability Factor:	89%	89%

~~* REP Performance shall be as measured and/or described in Appendix A.~~

f. ~~This offer shall expire on the earlier of (i) the date of the subscription limit is fully subscribed or (ii) April 1, 2007 unless extended by the FPSC.~~

5. Conditions Precedent

- (a) Unless otherwise waived in writing by PEF, on or before the Drop Dead Date, REP/QF shall satisfy the following Conditions Precedent:
- (i) REP/QF shall have obtained firm transmission service necessary to deliver Capacity and energy from the Facility to the Electrical Interconnection Point;
 - (ii) REP/QF shall have obtained the Project Consents and any other Consents for which it is responsible under the terms hereof;
 - (iii) REP/QF shall have entered into Financing Documents relative to the construction of the Facility and having achieved Financial Closing;
 - (iv) REP/QF shall have entered into the Project Contracts;
 - (v) REP/QF shall have obtained insurance policies or coverage in compliance with Section 17;
 - (vi) REP/QF shall have delivered to PEF (i) a copy of its constitutional documents (certified by its corporate secretary as true, complete and up-to-date) and (ii) a copy of a corporate resolution approving the terms of this Contract and the transactions contemplated hereby and authorizing one or more individuals to execute this Contract on its behalf (such copy to have been certified by its corporate representative as true, complete and up-to-date);
 - (vii) any legislation relevant to the above items being in full force and effect;
 - (viii) in the event the REP/QF is a Qualifying Facility, REP/QF obtaining Qualifying Facility status from either the FPSC or FERC.
- (b) Promptly upon satisfaction (or waiver by PEF in writing) of the Conditions Precedent to be satisfied by REP/QF, PEF shall deliver to REP/QF a certificate evidencing such satisfaction. Subject to there being no Event of Default which has occurred and/or is continuing as at the date upon which the last of such certificates is delivered, the date of such last certificate shall constitute the effective date of this Contract (the "Effective Date")
- (c) Unless all Conditions Precedent are satisfied by REP/QF on or before the Drop Dead Date or such Conditions Precedent are waived in writing by PEF, this Contract shall terminate on such date and neither Party shall have any further liability to the other Party hereunder.

- (d) REP/QF shall achieve the Capacity Delivery Date on or before the Avoided Unit In-Service Date.
- (e) REP/QF shall ensure that before the initial Committed Capacity Test:
 - (a) the Facility shall have been constructed so that the Committed Capacity Test may be duly and properly undertaken in accordance with Section 7; and
 - (b) an operable physical connection from the Facility to the Transmission System shall have been effected in accordance with the electrical interconnection and operating agreement required by the Transmission Provider, provided, however, that such physical connection shall be made consistent with the terms hereof.

46. Sale of Electricity by the REP/QF

46.1 Consistent with the terms hereof, the REP/QF shall sell to PEF and PEF shall purchase from the REP/QF electric power generated by the Facility. The purchase and sale of electricity pursuant to this Contract shall be a () net billing arrangement or () simultaneous purchase and sale arrangement; provided, however, that no such arrangement shall cause the REP/QF to sell more than the Facility's net output. The billing methodology may be changed at the option of the REP/QF, subject to the provisions of ~~PEF Rate Schedule REN~~Appendix D.

46.2 Ownership and Offering For Sale Of Renewable Energy Attributes

- a. The REP-/QF shall retain any and all rights to own and to sell any and all ~~environmental attributes~~ Environmental Attributes associated with the electric generation of the Facility, ~~including but not limited to any and all renewable energy certificates, "green tags" or other tradable environmental interests (collectively "RECs"), of any description;~~ provided that: (i) PEF shall have a right of first refusal with respect to any and all bona fide offers to purchase any RECsEnvironmental Attributes; and (ii) the REP/QF shall not sell RECsEnvironmental Attributes to any party at a price less than that charged by PEF.
- b. Notwithstanding the provisions of the foregoing Section 46.2 (a), in the event that the REP/QF wishes to sell RECsEnvironmental Attributes to another party at a price less than that already contracted for by PEF, the REP/QF may proceed with such sale so long as (i) the price paid by PEF for any and all future purchases of RECsEnvironmental Attributes from the REP/QF shall be adjusted to be equal to the lowest price at which the REP/QF agrees to sell RECsEnvironmental Attributes to another party; and (ii) the REP/QF shall refund to PEF the amount by which any past PEF purchases of RECsEnvironmental Attributes from the REP-/QF exceeds the lowest price that the REP/QF agrees to charge another buyer.



46.3 The REP/QF shall not rely on interruptible standby service for the start up requirements (initial or otherwise) of the Facility.

46.4 The REP/QF shall be responsible for the scheduling of required transmission and for all costs, expenses, taxes, fees and charges associated with the delivery of energy to PEF. The REP/QF shall enter into a transmission service agreement with the ~~utility~~ Transmission Provider in whose service territory the Facility is to be located and the REP/QF shall make any and all transmission-related arrangements (including ancillary services) between the REP/QF and the ~~transmission provider~~ Transmission Provider for delivery of the Facility's firm ~~capacity~~ Capacity and energy to PEF. The ~~capacity~~ Capacity and energy amounts paid to the REP/QF hereunder do not include transmission losses. The REP/QF shall be responsible for transmission losses that occur prior to the point at which the REP's/QF's energy is delivered to PEF. The Parties recognize that the ~~transmission provider~~ Transmission Provider may be PEF and that if PEF is the Transmission Provider, that the transmission service will be provided under a separate agreement.

57. Committed Capacity/Capacity Delivery Date

~~7.15.17.1~~ In the event that the REP/QF elects to make no commitment as to the quantity or timing of its deliveries to PEF, then its Committed Capacity as defined in the following Section 57.2 shall be zero (0) MW. If the Committed Capacity is zero (0) MW, Sections 57.2 through Section ~~5.8~~ 7.7 and all of Section ~~6~~ 8 shall not apply.

~~5.27.2~~ If ~~The the~~ REP/QF commits to sell capacity to PEF, the amount of which shall be determined in accordance with this Section 57 and PEF's ~~approved Rate Schedule REN (the "Committed Capacity")~~ Appendix D. Subject to Section 57.4, the Committed Capacity is set at _____ kW, with an expected Capacity Delivery Date of ~~June 1, 2009~~ on or before the Avoided Unit In-Service Date.

~~5.37.3~~ Testing of the eCapacity of the Facility (each such test a "Committed Capacity Test") shall be performed in accordance with the procedures set forth in Section 68. The Demonstration Period for the first Committed Capacity Test shall commence no earlier than ninety (90) days before the expected Capacity Delivery Date ~~January 1, 2007~~ and testing must be completed before the Avoided Unit In-Service Date ~~by 11:59 p.m., May 31, 2009~~. The first Committed Capacity Test shall not be successfully completed unless the Facility demonstrates a Capacity of at least one hundred percent (100%) of the Committed Capacity set forth in Section 57.2. Subject to Section 68.1, the REP/QF may schedule and perform up to three (3) Committed Capacity Tests to satisfy the requirements of the Contract with respect to the first Committed Capacity Test.

~~5.47.4~~ In addition to the first Committed Capacity Test, PEF shall have the right to require the REP/QF, by notice thereto, to validate the Committed Capacity by means of a Committed Capacity Test at any time, up to ~~six-two (62)~~ six (6) times per

year, the results of which shall be provided to PEF within seven (7) calendar days of the conclusion of such test. On and after the date of such requested Committed Capacity Test, and until the completion of a subsequent Committed Capacity Test, the Committed Capacity shall be set at the lower of the Capacity tested or the Committed Capacity as set forth in Section 57.2.

~~5.57.5~~ Notwithstanding anything contrary to the terms hereof, the Committed Capacity may not exceed the amount set forth in Section ~~57.2~~ without the consent of PEF, which consent shall be granted in PEF's sole discretion.

~~5.6~~ The "Capacity Delivery Date" shall be defined as the first calendar day immediately following the date of the Facility's successful completion of the first Committed Capacity Test.

~~5.77.6~~ In no event shall PEF make ~~capacity payments~~ Capacity Payments to the REP/QF prior to the Capacity Delivery Date.

~~5.87.7~~ The REP/QF shall be entitled to receive ~~capacity payments~~ Capacity Payments beginning on the Capacity Delivery Date, provided the Capacity Delivery Date occurs ~~on or after January 1, 2007 and on or before June 1, 2009~~ before the Avoided Unit In-Service Date (or such later date permitted by PEF pursuant to the following sentence). If the Capacity Delivery Date does not occur ~~on or before June 1, 2009~~ the Avoided Unit In-Service Date, PEF shall immediately be entitled to draw down the Completion/Performance ~~security~~ Security in full.

68. Testing Procedures

~~68.1~~ The Committed Capacity Test must be completed successfully within a ~~sixty-hour~~ period (the "Demonstration Period"), which period, including the approximate start time of the Committed Capacity Test, shall be selected and scheduled by the ~~REP~~ REP/QF by means of a written notice to PEF delivered at least thirty (30) calendar days prior to the start of such period. The provisions of the foregoing sentence shall not apply to any Committed Capacity Test ordered by PEF under any of the provisions of this Contract. PEF shall have the right to be present onsite to monitor firsthand any Committed Capacity Test required or permitted under this Contract.

~~8.2~~ The Committed Capacity Test results shall be based on a test period of twenty-four (24) consecutive hours (the "Committed Capacity Test Period") at the highest sustained net kW rating at which the Facility can operate without exceeding the design operating conditions, temperature, pressures, and other parameters defined by the applicable manufacturer(s) for steady state operations at the Facility. The Committed Capacity Test Period shall commence at the time designated by the REP/QF pursuant to Section ~~68.1~~ or at such time requested by PEF pursuant to Section ~~57.4~~; provided, however, that the Committed Capacity Test Period may commence earlier than such time in the event that PEF is notified of, and consents to, such earlier time.

~~68.3~~ Normal station service use of unit auxiliaries, including, without limitation, cooling towers, heat exchangers, and other equipment required by law, shall be in service during the Committed Capacity Test Period.

- 68.4 The Capacity of the Facility (~~the "Capacity"~~) shall be the minimum average hourly net ~~capacity~~ output in kW (generator output minus auxiliary) measured over the Committed Capacity Test Period.

68.5 The Committed Capacity Test shall be performed according to standard industry testing procedures for the appropriate technology of the REP/QF.

68.6 The results of any Committed Capacity Test, including all data related to Facility operation and performance during testing, shall be submitted to PEF by the REP/QF within seven (7) calendar days of the conclusion of the Committed Capacity Test. The REP/QF shall certify that all such data is accurate and complete.

79. Payment for Electricity Produced by the Facility

79.1 Energy

9.1.1 PEF agrees to pay the REP/QF for energy produced by the Facility and delivered to PEF in accordance with the rates and procedures contained in PEF's approved Rate Schedule COG-1 if the Committed Capacity pursuant to Section ~~5-17.2~~ is set to zero. If the Committed Capacity is greater than zero MW, then PEF agrees to pay the REP/QF for energy produced by the Facility and delivered to PEF in accordance with the rates and procedures contained in ~~PEF's approved Rate Schedule REN~~ Appendix D, as it may be amended from time to time. The Parties agree that this Contract shall be subject to all of the provisions contained in Rate Schedule COG-1 or REN Appendix D whichever applies as approved and on file with the FPSC.

9.1.2 PEF may, at its option, limit deliveries under this ~~Renewable or Qualifying Facility Standard Offer Contract~~ to 110% of the Committed Capacity as set forth in Section ~~5-7~~. In the event that PEF chooses to limit deliveries, any energy in excess of 110% of the Committed Capacity will be paid for at the rates defined in Rate Schedule COG-1 and shall not be included in the calculations in Appendix A hereto.

7.29.2 Capacity

PEF agrees to pay the REP/QF for the Capacity described in Section ~~57~~ in accordance with the rates and procedures contained in ~~Rate Schedule REN~~ Appendix D, as it may be amended and approved from time to time by the FPSC, and pursuant to the election of Option _____ of ~~Rate Schedule REN~~ Appendix D. The REP/QF understands and agrees that Capacity ~~payments~~ Payments will only be made ~~under Option B, Option C, or Option D of Rate Schedule REN~~ if the REP has achieved the Capacity Delivery Date occurs before the Avoided Unit In-Service Date and the Facility is delivering firm capacity Capacity and ~~energy~~ Energy to PEF. Once so selected, this ~~option~~ Option, the Firm Capacity Rate and/or the Firm Energy Rate cannot be changed for the term of this Contract.

79.3 Payments for Energy and Capacity

9.3.1 Payments due the REP/QF will be made monthly, and normally by the twentieth ~~business day~~ Business Day following the end of the billing period. The kilowatt-hours sold by the REP/QF and the applicable avoided energy rate at which payments are being made shall accompany the payment to the REP/QF.

9.3.2 Payments to be made under this Contract shall, for a period of not longer than two (2) years, remain subject to adjustment based on billing adjustments due to error or omission by either Party, provided that such adjustments have been agreed to between the Parties.

810. Electricity Production and Plant Maintenance Schedule

810.1 No later than sixty (60) calendar days prior to the Capacity Delivery Date, and prior to October 1 of each calendar year thereafter during the term of this Contract, the REP/QF shall submit to PEF in writing a detailed plan of the amount of electricity to be generated by the Facility and delivered to PEF for each month of the following calendar year, including the time, duration and magnitude of any scheduled maintenance period(s) or reductions in Capacity.

810.2 By October 31 of each calendar year, PEF shall notify the REP/QF in writing whether the requested scheduled maintenance periods in the detailed plan are acceptable. If PEF does not accept any of the requested scheduled maintenance periods, PEF shall advise the REP/QF of the time period closest to the requested period(s) when the outage(s) can be scheduled. The REP/QF shall only schedule outages during periods approved by PEF, and such approval shall not be unreasonably withheld. Once the schedule for the detailed plan has been established and approved, either Party requesting a subsequent change in such schedule, except when such change is due to Force Majeure, must obtain approval for such change from the other Party. Such approval shall not be unreasonably withheld or delayed. Scheduled maintenance outage days shall be limited to twenty-one (21) days per calendar year. In no event shall maintenance periods be scheduled during the following periods: June 1 through September 15 and December 1 through and including the last day of February-28 (or 29th as the case may be).

810.3 The REP/QF shall comply with reasonable requests by PEF regarding day-to-day and hour-by-hour communication between the Parties relative to electricity production and maintenance scheduling.

810.4 The Parties recognize that the intent of the availability factor in Section 34 of this Contract is an allowance for scheduled outages, forced outages and forced reductions in the output of the Facility. Therefore, the REP/QF shall provide PEF with notification of any forced outage or reduction in output which shall include the time and date at which the forced outage or reduction occurred, a brief description of the cause of the outage or reduction and the time and date when the forced outage or reduction ceased and the Facility was able to return to normal operation. This notice shall be provided to PEF within seventy-two (72) hours of the end of the forced outage or reduction.

The REP/QF is required to provide the total electrical output to PEF except (i) during a period that was scheduled in Section 810.2, (ii) during a period in which notification of a forced outage or reduction was provided, (iii) during an event of Force Majeure or (iv) during a curtailment period as described in Section 810.5.5. In the event that the REP/QF does not deliver its full electrical output to PEF during an hour not excluded in the previous sentence then the REP/QF shall be charged a rate equal to the PEF's Rate Schedule COG-1 times the difference between the Committed Capacity and the actual energy received by PEF in that hour. If, in PEF's sole judgment, it is determined that the normal operation of the REP/QF requires it to cease operation or reduce its output, the charges in this Section 810.4 may be waived.

810.5 Dispatch and Control

810.5.1 Power supplied by the REP/QF hereunder shall be in the form of three-phase 60 ~~Hertz~~hertz alternating current, at a nominal operating voltage of _____ volts (_____ kV) and power factor dispatchable and controllable in the range of 90% lagging to 90% leading as measured at the interconnection point to maintain system operating parameters, including power factor, as specified from time to time by PEF.

810.5.2 The REP/QF shall operate the Facility with all system protective equipment in service whenever the Facility is connected to, or is operated in parallel with, PEF's system, except for normal testing and repair in accordance with good engineering and operating practices as agreed by the Parties. The REP/QF shall provide adequate system protection and control devices to ensure safe and protected operation of all energized equipment during normal testing and repair. All REP/QF facilities shall meet IEEE and industry standards. The REP/QF shall have independent, third party qualified personnel test, calibrate and certify in writing all protective equipment at least once every twelve (12) months in accordance with good engineering and operating practices. A unit functional trip test shall be performed after each overhaul of the Facility's turbine, generator or boilers and results provided to PEF in writing prior to returning the equipment to service. The specifics of the unit functional trip test will be consistent with good engineering and operating practices as agreed by the Parties.

810.5.3 If the Facility is separated from the PEF system for any reason, under no circumstances shall the REP/QF reconnect the Facility to PEF's system without first obtaining PEF'S specific approval.

810.5.4 During the term of this Contract, the REP/QF shall employ qualified personnel for managing, operating and maintaining the Facility and for coordinating such with PEF. The REP/QF shall ensure that operating personnel are on duty at all times, twenty-four (24) hours a calendar day and seven (7) calendar days a week. Additionally, during the term of this Contract, the REP/QF shall operate and maintain the Facility in such a manner as to ensure compliance with its obligations hereunder and in accordance with applicable law and ~~prudent utility practices~~ Prudent Utility Practices.

810.5.5 PEF shall not be obligated to purchase, and may require curtailed or reduced deliveries of energy to the extent allowed under FPSC Rule 25-17.086 and under any curtailment plan which PEF may have on file with the FPSC from time to time.

810.5.6 During the term of this Contract, the REP/QF shall maintain sufficient fuel on the site of the Facility to deliver the capacity and energy associated with the Committed Capacity for an uninterrupted seventy-two-(72) hour period. At PEF's request, the REP/QF shall demonstrate this capability to PEF's reasonable satisfaction. During the term of this Contract, the REP's/QF's output shall remain within a band of plus or minus ten percent (10%) of the daily output level or levels specified by the plant operator, in ninety percent (90%) of all operating hours under normal operating conditions. This calculation will be adjusted to exclude forced outage periods and periods during which the REP's/QF's output is affected by a Force Majeure event.

911. Completion/Performance Security

11.1 Simultaneous with the execution of this agreement REP/QF shall deliver to PEF Eligible Collateral in an amount according to Table 1. REP/QF's Performance Security shall be maintained throughout the Term although the amount of Eligible Collateral shall be adjusted from time to time in accordance with Tables 1 and Section 11.4. The listed amounts are considered the initial amounts and use 2006 as the Base Year, with all amounts expressed in US Dollars.

Note: The amounts in the following Tables are for 2006 and are subject to change based on utility cost estimates for any year subsequent to the Base Year.

Table 1

<u>Credit Class</u>	<u>Amount per MW</u> <u>Years 1 - 5</u>	<u>Amount per MW</u> <u>Years 6 - 10</u>
<u>A- and Above</u>	<u>\$45,000</u>	<u>\$30,000</u>
<u>BBB+ to BBB</u>	<u>\$65,000</u>	<u>\$55,000</u>
<u>BBB-</u>	<u>\$90,000</u>	<u>\$80,000</u>
<u>Below BBB-</u>	<u>\$135,000</u>	<u>\$90,000</u>

- 11.2** In the event that a Material Adverse Change occurs in respect of REP/QF, then within two (2) Business Day(s) REP/QF shall deliver to PEF Supplemental Eligible Collateral equal to 50 percent of the current Eligible Collateral amount, provided however, that in the PEF's sole discretion, based on a review of the overall circumstances of REP/QF's Material Adverse Change, the total of the Eligible Collateral and the Supplemental Eligible Collateral may be reduced but in no event shall the amount be less than the Base Performance Security Amount.
- 11.3** PEF Performance Security - In the event that a Material Adverse Change occurs in respect of PEF, within two (2) Business Days, PEF shall deliver to REP/QF Eligible Collateral in the same amount as the REP/QF Performance Security which shall be adjusted at the same times and to the same amounts set forth in Table 1 for the REP/QF Performance Security; provided however, that in REP/QF's sole discretion, base on a review of the overall circumstances or PEF's Material Adverse Change, the Eligible Collateral that PEF is required to provide may be reduced to an amount below that stated in the applicable table but no event less than the Base Performance Security Amount.
- 11.4** Performance Security Annual Adjustments – Both the REP/QF Performance Security and PEF Performance Security (if applicable) shall be adjusted on an annual basis beginning January 1, 2007 and each year of during the term of the Agreement. The values in Table 1 will be adjusted using the change in the Gross Domestic Implicit Price Deflator (GDPIPD) between the Base Year and each year during the term as reported in the Survey of Current Business published in January each year and revised thereafter, by the Bureau of Economic Analysis, United States Department of commerce, Washington, D.C. using the following formula: Current Performance Security amount (CPSA) multiplied by one plus the change in the GDPIPD, $(CPSA \times (1 + \Delta GDPIPD))$

- 11.5 Replacement Collateral, Release of Collateral - Upon any reduction of the amount of REP/QF Performance Security or PEF Performance Security pursuant to Section 11.2 or 11.3 the beneficiary thereof shall upon two (2) Business Days written request by the other Party release any Eligible or Supplemental Eligible Collateral that is no longer required. The choice of the type of Eligible Collateral by a Party may be selected from time to time by such Party and upon receipt of substitute Eligible Collateral, the holder of the Eligible Collateral for which the substitution is being made shall promptly release such Eligible Collateral. Following any termination of this agreement, the Parties shall mutually agree to a final settlement of all obligations under this Agreement which such period shall not exceed 90 days from such termination date unless extended by mutual agreement between the Parties. After such settlement, any remaining Eligible Collateral posted by a Party that has not been drawn upon by the other Party pursuant to its rights under this Contract shall be returned to such Party. Any dispute between the Parties regarding such final settlement shall be resolved according to applicable procedures set forth in Section 20.9.
- 11.6 Draws, Replenishment - A Non-Defaulting Party may draw upon Eligible Collateral or Supplemental Eligible Collateral provided by the other Party following the occurrence of an Event of Default by such other Party or pursuant to the other provisions of this Agreement in order to recover any damages to which such Non-Defaulting Party is entitled to under this Contract. In the event of such a draw then, except in the circumstance when this Contract otherwise terminates, the Defaulting Party shall within two (2) Business Days replenish the Eligible Collateral or Supplemental Eligible Collateral to the full amounts required by Table 1.
- 11.7 Reporting - REP/QF shall promptly notify PEF of any circumstance that results in REP/QF's failure to be in compliance with the REP/QF Performance Security Requirements of Section 11. From time to time, at PEF's written request, REP/QF shall provide PEF with such evidence as PEF may reasonably request, that REP/QF and any REP/QF Guarantor REP/QF Guarantee, Letter of Credit or Security Account is in Full Compliance with this agreement.
- PEF shall promptly notify REP/QF of any circumstance that results in PEF's failure to be in compliance with the PEF Performance Security Requirements of Section 11.3. From time to time, at REP/QF's written request, PEF shall provide REP/QF with such evidence as REP/QF may reasonably request, that PEF and any PEF Guarantor, PEF Guarantee, Letter of Credit or Security Account is in Full Compliance with this agreement.
- ~~9.1 As security for the achievement of the Capacity Delivery Date and satisfactory performance of its obligations hereunder, the REP/QF shall provide PEF either: (a) an unconditional, irrevocable, direct pay letter(s) of credit in effect through the first (1st) anniversary of the Capacity Delivery Date (or the next Business Day thereafter), issued by a financial institution(s) having an investment grade credit~~

~~rating, in form and substance acceptable to PEF (including provisions (i) permitting partial and full draws and (ii) permitting PEF to draw in full if such letter of credit is not renewed or replaced as required by the terms hereof at least ten (10) Business Days prior to its expiration date); (b) a cash deposit(s) with PEF; or (c) a bond issued by a financially sound company in form and substance acceptable to PEF. Such letter(s) of credit, cash deposit(s) or bond shall be provided in the amount and by the date listed below:~~

~~9.1.1 \$30.00 per kW (as set forth in Section 7.2) within thirty (30) calendar days of the execution of this Contract by the Parties hereto.~~

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

- ~~_____ () Unconditional, irrevocable, direct pay letter(s) of credit.~~
- ~~_____ () Bond.~~
- ~~_____ () Cash deposit(s) with PEF.~~

~~9.2 PEF shall have the right and the REP/QF shall be required to monitor the financial condition of the issuer(s) in the event any letter of credit is provided by the REP/QF. In the event the senior debt rating of any issuer(s) has deteriorated to a level below investment grade, PEF may require the REP/QF to replace the letter(s) of credit. Replacement letter(s) of credit must be issued by a financial institution(s) with an investment grade credit rating, and meet the requirements of Section 11.1, within thirty (30) calendar days following written notification to the REP/QF of the requirement to replace. Failure by the REP/QF to comply with the requirements of this Section 11.2 shall be grounds for PEF to draw in full on the existing letter of credit and to exercise any other remedies it may have hereunder or at law or in equity.~~

~~93 If an Event of Default under Section 14 occurs, PEF shall be entitled immediately to receive, draw upon, or retain, as the case may be, one hundred percent (100%) of the then applicable Completion/Performance Security.~~

~~94 If an Event of Default has not occurred and the REP/QF fails to achieve the Capacity Delivery Date before the Avoided Unit In Service Date, PEF shall be entitled immediately to receive, draw upon, or retain, as the case may be, one hundred percent (100%) of the Completion/Performance Security. The Parties acknowledge that the injury that PEF will suffer as a result of delayed availability of Committed Capacity and energy is difficult to ascertain and that PEF may accept such sums as liquidated damages or resort to any other remedies which may be available to it under law or in equity. If the Capacity Delivery Date is achieved before Avoided Unit In Service Date, then the REP/QF shall be entitled to reduce the amount of the Completion/Performance Security to an amount equal to \$15.00 per kW (for the number of kW set forth in Section 7.2).~~

~~96 In the event that PEF requires the REP/QF to perform one or more Committed Capacity Test(s) at any time pursuant to Section 7.4 and, in connection with any~~

~~such Committed Capacity Test(s), the REP/QF fails to demonstrate a Capacity of at least one hundred percent (100%) of the Committed Capacity set forth in Section 7.2, PEF shall be entitled immediately to receive, draw upon, or retain, as the case may be, one hundred percent (100%) of the then remaining amount of the Completion/Performance Security.~~

1012. Termination Fee

1012.1 In the event that the REP/QF receives ~~capacity payments~~ Capacity Payments pursuant to Option B, Option C, or Option D of ~~Rate Schedule REN~~ Appendix D, then upon the termination of this Contract, the REP/QF shall owe and be liable to PEF for ~~a termination fee calculated in accordance with Appendix B (the "Termination Fee")~~. The ~~Termination Fee is in the nature of liquidated damages due as a consequence of terminating this Contract.~~ The REP's REP/QF's obligation to pay the Termination Fee shall survive the termination of this Contract. PEF shall provide the REP/QF, on a monthly basis, a calculation of the Termination Fee.

1012.1.1 The Termination Fee shall be secured by the REP/QF by: (i) an unconditional, irrevocable, direct pay letter(s) of credit issued by a financial institution(s) with an investment grade credit rating in form and substance acceptable to PEF (including provisions (a) permitting partial and full draws and (b) permitting PEF to draw upon such ~~letter~~ Letter of ~~credit~~ Credit, in full, if such ~~letter~~ Letter of ~~credit~~ Credit is not renewed or replaced at least ten (10) ~~business days~~ Business Days prior to its expiration date); (ii) a bond issued by a financially sound company in form and substance acceptable to PEF; or (iii) a cash deposit with PEF (any of (i), (ii), or (iii), the "Termination Security"). The specific security instrument selected by the REP/QF for purposes of this Contract is:

- () Unconditional, irrevocable, direct pay letter(s) of credit.
- () Bond.
- () Cash deposit(s) with PEF.

1012.1.2 PEF shall have the right and the REP/QF shall be required to monitor the financial condition of (i) the issuer(s) in the case of any ~~letter~~ Letter of ~~credit~~ Credit and (ii) the insurer(s), in the case of any bond. In the event the senior debt rating of any issuer(s) or insurer(s) has deteriorated to a level below investment grade, PEF may require the REP/QF to replace the letter(s) of credit or the bond, as applicable. In the event that PEF notifies the REP/QF that it requires such a replacement, the replacement letter(s) of credit or bond, as applicable, must be issued by a financial institution(s) or insurer(s) with an investment grade credit rating, and meet the requirements of Section **1012.1.1** within thirty (30) calendar days following such notification. Failure by the REP/QF to comply with the requirements of this Section **1012.1.2** shall be grounds for PEF to draw in full on any existing ~~letter~~ Letter of ~~credit~~ Credit or bond and to exercise any other remedies it may have hereunder.



1012.1.3

After the close of each calendar quarter (March 31, June 30, September 30, and December 31) occurring subsequent to the Capacity Delivery Date, upon PEF's issuance of the Termination Fee calculation as described in Section 1012.1, the REP/QF must provide PEF, within ten calendar (10) days, written assurance and documentation (the "Security Documentation"), in form and substance acceptable to PEF, that the amount of the Termination Security is sufficient to cover the balance of the Termination Fee. In addition to the foregoing, at any time during the term of this Contract, PEF shall have the right to request and the REP/QF shall be obligated to deliver within five (5) calendar days of such request, such Security Documentation. Failure by the REP/QF to comply with the requirements of this Section 1012.1.3 shall be grounds for PEF to draw in full on any existing ~~letter~~ Letter of credit-Credit or bond or to retain any cash deposit, and to exercise any other remedies it may have hereunder.

1012.1.4

Upon any termination of this Contract following the Capacity Delivery Date, PEF shall be entitled to receive (and in the case of the letter(s) of credit or bond, draw upon such letter(s) of credit or bond) and retain one hundred percent (100%) of the Termination Security.

1113. Performance Factor

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

1214. Default

Notwithstanding the occurrence of any Force Majeure as described in Section 1618, each of the following shall constitute an Event of Default:

- (a) ~~The~~ the REP/QF changes or modifies the Facility from that provided in Section 12 with respect to its type, location, technology or fuel source, without the prior written approval of PEF;
- (b) ~~After~~ after the Capacity Delivery Date, the Facility fails for twelve (12) consecutive months to maintain an Annual Capacity Billing Factor, as described in Appendix A, of at least ~~seventy-sixty nine~~ percent (7069%);
- (c) ~~The~~ the REP/QF fails to satisfy its obligations to maintain sufficient fuel on the site of the Facility to deliver the capacity and energy associated with the Committed Capacity for an uninterrupted seventy-two-(72) hour period under Section 10.5.6 hereof;



Progress Energy

SECTION No. IX

FIRST ~~SECOND~~ REVISED SHEET NO. 9.937

CANCELS ORIGINAL ~~FIRST REVISED~~ SHEET NO.
9.937

- (d) ~~The~~ the REP/QF fails to provide the Completion ~~and~~ Performance Security and the Termination Fee and to comply with any of the provisions of Sections ~~911~~ and ~~1012~~ 12 hereof;

- (e) ~~The~~ the REP/QF, or the entity which owns or controls the REP/QF, ceases the conduct of active business; or if proceedings under the federal bankruptcy law or insolvency laws shall be instituted by or for or against the REP/QF or the entity which owns or controls the REP/QF; or if a receiver shall be appointed for the REP/QF or any of its assets or properties, or for the entity which owns or controls the REP/QF; or if any part of the REP's/QF's assets shall be attached, levied upon, encumbered, pledged, seized or taken under any judicial process, and such proceedings shall not be vacated or fully stayed within thirty (30) calendar days thereof; or if the REP/QF shall make an assignment for the benefit of creditors, or admit in writing its inability to pay its debts as they become due;
- (gf) ~~The~~ the REP/QF fails to give proper assurance of adequate performance as specified under this Contract within thirty (30) calendar days after PEF, with reasonable grounds for insecurity, has requested in writing such assurance;
- (hg) ~~The~~ the REP/QF fails to achieve licensing, certification, and all federal, state and local governmental, environmental, and licensing approvals required to initiate construction of the Facility by no later than ~~June 1, 2008~~ the Completed Permits Date;
- (ih) ~~The~~ the REP/QF fails to comply with the provisions of Section ~~48~~20.3 hereof;
- (ji) ~~Any~~ any of the representations or warranties made by the REP/QF in this Contract is false or misleading in any material respect as of the time made;
- (kj) ~~If~~ if, at any time after the Capacity Delivery Date, the REP/QF reduces the Committed Capacity due to an event of Force Majeure and fails to repair the Facility and reset the Committed Capacity to the level set forth in Section ~~57~~2 (as such level may be reduced by Section ~~57~~4) within twelve (12) months following the occurrence of such event of Force Majeure; or
- (lk) ~~The~~ the REP/QF breaches any material provision of this Contract not specifically mentioned in this Section ~~42~~14.

~~13.~~ 15. **PEF's Rights in the Event of Default**

15.1 Upon the occurrence of any of the Events of Default in Section ~~42~~14, PEF may, at its option:

~~13~~15.1.1 ~~Terminate~~ immediately terminate this Contract, without penalty or further obligation, except as set forth in Section ~~43~~15.2, by written notice to the REP/QF, and offset against any payment(s) due from PEF to the REP/QF, any monies otherwise due from the REP/QF to PEF;

~~13~~15.1.2 ~~Enforce~~ enforce the provisions of the Termination Security requirement pursuant to Section ~~40~~12 hereof; and

1315.1.3 ~~Exercise~~exercise any other remedy(ies) which may be available to PEF at law or in equity.

1315.2 Termination shall not affect the liability of either Party for obligations arising prior to such termination or for damages, if any, resulting from any breach of this Contract.

1416. Indemnification

1416.1 PEF and the REP shall each be responsible for its own facilities. PEF and the REP shall each be responsible for ensuring adequate safeguards for other PEF customers, PEF's and the REP's personnel and equipment, and for the protection of its own generating system. Each Party (the "Indemnifying Party") agrees, to the extent permitted by applicable law, to indemnify, pay, defend, and hold harmless the other Party (the "Indemnifying Party") and its officers, directors, employees, agents and contractors (hereinafter called respectively, "PEF Entities" and "REP Entities") from and against any and all claims, demands, costs or expenses for loss, damage, or injury to persons or property of the Indemnified Party (or to third parties) directly caused by, arising out of, or resulting from:

- (a) a breach by the Indemnifying Party of its covenants, representations, and warranties or obligations hereunder;
- (b) any act or omission by the Indemnifying Party or its contractors, agents, servants or employees in connection with the installation or operation of its generation system or the operation thereof in connection with the other Party's system;
- (c) any defect in, failure of, or fault related to, the Indemnifying Party's generation system;
- (d) the negligence or willful misconduct of the Indemnifying Party or its contractors, agents, servants or employees; or
- (e) any other event or act that is the result of, or proximately caused by, the Indemnifying Party or its contractors, agents, servants or employees related to the Contract or the Parties' performance thereunder.

1416.12 Payment by an Indemnified Party to a third party shall not be a condition precedent to the obligations of the Indemnifying Party under Section 1416. No Indemnified Party under Section 1416 shall settle any claim for which it claims indemnification hereunder without first allowing the Indemnifying Party the right to defend such a claim. The Indemnifying Party shall have no obligations under Section 1416 in the event of a breach of the foregoing sentence by the Indemnified Party. Section 1416 shall survive termination of this Agreement.

17. Insurance

1517.1 The REP/QF shall procure or cause to be procured and shall maintain throughout the entire ~~term~~Term of this Contract, a policy or policies of liability insurance issued by an insurer acceptable to PEF on a standard ~~"Insurance Services Office"~~ commercial general liability form (such policy or policies, collectively, the ~~"REP/QF Insurance"~~). An original certificate of insurance shall be delivered to PEF at least fifteen (15) calendar days prior to the start of any interconnection work. At a minimum, the REP/QF Insurance shall contain (a) an endorsement providing coverage, including products liability/completed operations coverage for the term of this Contract, and (b) a broad form contractual liability endorsement covering liabilities (i) which might arise under, or in the performance or nonperformance of, this Contract and the Interconnection Agreement, or (ii) caused by operation of the Facility or any of the REP's/QF's equipment or by the REP's/QF's failure to maintain the Facility or the REP's/QF's equipment in satisfactory and safe operating condition. Effective at least fifteen (15) calendar days prior to the synchronization of the Facility with PEF's system, the REP/QF Insurance shall be amended to include coverage for interruption or curtailment of power supply in accordance with industry standards. Without limiting the foregoing, the REP/QF Insurance must be reasonably acceptable to PEF. Any premium assessment or deductible shall be for the account of the REP/QF and not PEF.

1517.2 The REP/QF Insurance shall have a minimum limit of ~~One Million Dollars~~one million dollars (\$1,000,000.00) per occurrence, combined single limit, for bodily injury (including death) or property damage.

1517.3 To the extent that the REP/QF Insurance is on a ~~"claims made"~~ basis, the retroactive date of the policy(ies) shall be the ~~effective date~~Effective Date of this Contract or such other date as may be agreed upon to protect the interests of the PEF Entities and the REP/QF Entities. Furthermore, to the extent the REP/QF Insurance is on a ~~"claims made"~~ basis, the REP's/QF's duty to provide insurance coverage shall survive the termination of this Contract until the expiration of the maximum statutory period of limitations in the State of Florida for actions based in contract or in tort. To the extent the REP/QF Insurance is on an ~~"occurrence"~~ basis, such insurance shall be maintained in effect at all times by the REP/QF during the term of this Contract.

1517.4 The REP/QF Insurance shall provide that it may not be cancelled or materially altered without at least thirty (30) calendar ~~days~~days' written notice to PEF. The REP/QF shall provide PEF with a copy of any material communication or notice related to the REP/QF Insurance within ten (10) ~~business days~~Business Days of the REP's/QF's receipt or issuance thereof.

~~15~~17.5 The REP/QF shall be designated as the named insured and PEF shall be designated as an additional named insured under the REP/QF Insurance. The REP/QF Insurance shall be endorsed to be primary to any coverage maintained by PEF.

1618. Force Majeure

18.1 "Force Majeure" is defined as an event or circumstance that is not reasonably foreseeable, is beyond the reasonable control of and is not caused by the negligence or lack of due diligence of the ~~affected~~ Party claiming Force Majeure or its contractors or suppliers; and adversely affects the performance by that Party of its obligations under or pursuant to this agreement. Such events or circumstances may include, but are not limited to, actions or inactions of civil or military authority (including courts and governmental or administrative agencies), acts of God, war, riot or insurrection, blockades, embargoes, sabotage, epidemics, explosions and fires not originating in the Facility or caused by its operation, hurricanes, floods, strikes, lockouts or other labor disputes or difficulties (not caused by the failure of the affected party to comply with the terms of a collective bargaining agreement). REP/QF equipment breakdown or inability to use equipment caused by its design, construction, operation, maintenance or inability to meet regulatory standards, or otherwise caused by an event originating in the Facility, or a REP/QF failure to obtain on a timely basis and maintain a necessary permit or other regulatory approval, shall not be considered an event of Force Majeure, unless the REP/QF can conclusively demonstrate, to the reasonable satisfaction of PEF, that the event was not reasonably foreseeable, was beyond the REP's/QF's reasonable control and was not caused by the negligence or lack of due diligence of the REP/QF or its agents, contractors or suppliers and adversely affects the performance by that Party of its obligations under or pursuant to this agreement.

~~16.1~~18.2 Except as otherwise provided in this Contract, each Party shall be excused from performance when its nonperformance was caused, directly or indirectly by an event of Force Majeure.

~~16.2~~18.3 In the event of any delay or nonperformance resulting from an event of Force Majeure, the Party claiming Force Majeure shall notify the other Party in writing within five (5) ~~business days~~ Business Days of the occurrence of the event of Force Majeure, of the nature cause, date of commencement thereof and the anticipated extent of such delay, and shall indicate whether any deadlines or date(s), imposed hereunder may be affected thereby. The suspension of performance shall be of no greater scope and of no greater duration than the cure for the Force Majeure requires. A Party claiming Force Majeure shall not be entitled to any relief ~~therefor~~ therefore unless and until conforming notice is provided. The Party claiming Force Majeure shall notify the other Party of the cessation of the event of Force Majeure or of the conclusion of the affected



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Party's cure for the event of Force Majeure in either case within two (2) ~~business~~
~~days~~ Business Days thereof.

ISSUED BY: Lori J. Cross, Manager, Utility Regulatory Planning Javier J. Portuondo, Manager, Regulatory Services - Florida
EFFECTIVE:

16.318.4 The Party claiming Force Majeure shall use its best efforts to cure the cause(s) preventing its performance of this Contract; provided, however, the settlement of strikes, lockouts and other labor disputes shall be entirely within the discretion of the affected Party and such Party shall not be required to settle such strikes, lockouts or other labor disputes by acceding to demands which such Party deems to be unfavorable.

16.418.5 If the REP/QF suffers an occurrence of an event of Force Majeure that reduces the generating capability of the Facility below the Committed Capacity, the REP/QF may, upon notice to PEF temporarily adjust the Committed Capacity as provided in Sections ~~16~~18.5 and ~~16~~18.6. Such adjustment shall be effective the first calendar day immediately following PEF's receipt of the notice or such later date as may be specified by the REP-/QF. Furthermore, such adjustment shall be the minimum amount necessitated by the event of Force Majeure.

16.518.6 If the Facility is rendered completely inoperative as a result of Force Majeure, the REP/QF shall temporarily set the Committed Capacity equal to 0 kW until such time as the Facility can partially or fully operate at the Committed Capacity that existed prior to the Force Majeure. If the Committed Capacity is 0 kW, PEF shall have no obligation to make Capacity Payments hereunder.

16.618.7 If, at any time during the occurrence of an event of Force Majeure or during its cure, the Facility can partially or fully operate, then the REP/QF shall temporarily set the Committed Capacity at the maximum capability that the Facility can reasonably be expected to operate.

16.718.8 Upon the cessation of the event of Force Majeure or the conclusion of the cure for the event of Force Majeure, the Committed Capacity shall be restored to the Committed Capacity that existed immediately prior to the Force Majeure. Notwithstanding any other provisions of this Contract, upon such cessation or cure, PEF shall have right to require a Committed Capacity Test to demonstrate the Facility's compliance with the requirements of this ~~section~~ 16.7Section 18.7. Any Committed Capacity Test required by PEF under this Section 18.7 shall be additional to any Committed Capacity Test under Section 57.4.

16.818.9 During the occurrence of an event of Force Majeure and a reduction in Committed Capacity under Section ~~16~~18.4 all Monthly Capacity Payments shall reflect, pro rata, the reduction in Committed Capacity, and the Monthly Capacity Payments will continue to be calculated in accordance with the pay-for-performance provisions in Appendix A.

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

1719. Representations, Warranties, and Covenants of REP/QF

The REP/QF represents and warrants that as of the Effective Date:

1719.1 Organization, Standing and Qualification

The REP/QF is a _____ (corporation, partnership, or other, as applicable) duly organized and validly existing in good standing under the laws of _____ and has all necessary power and authority to carry on its business as presently conducted to own or hold under lease its properties and to enter into and perform its obligations under this Contract and all other related documents and agreements to which it is or shall be a Party. The REP/QF is duly qualified or licensed to do business in the State of Florida and in all other jurisdictions wherein the nature of its business and operations or the character of the properties owned or leased by it makes such qualification or licensing necessary and where the failure to be so qualified or licensed would impair its ability to perform its obligations under this Contract or would result in a material liability to or would have a material adverse effect on PEF.

1719.2 Due Authorization, No Approvals, No Defaults

Each of the execution, delivery and performance by the REP/QF of this Contract has been duly authorized by all necessary action on the part of the REP/QF, does not require any approval, except as has been heretofore obtained, of the _____ (shareholders, partners, or others, as applicable) of the REP/QF or any consent of or approval from any trustee, lessor or holder of any indebtedness or other obligation of the REP/QF, except for such as have been duly obtained, and does not contravene or constitute a default under any law, the _____ (articles of incorporation, bylaws, or other as applicable) of the REP/QF, or any agreement, judgment, injunction, order, decree or other instrument binding upon the REP/QF, or subject the Facility or any component part thereof to any lien other than as contemplated or permitted by this Contract.

1719.3 Compliance with Laws

The REP/QF has knowledge of all laws and business practices that must be followed in performing its obligations under this Contract. The REP/QF is in compliance with all laws, except to the extent that failure to comply therewith would not, in the aggregate, have a material adverse effect on the REP/QF or PEF.

1719.4 Governmental Approvals

Except as expressly contemplated herein, neither the execution and delivery by the REP/QF of this Contract, nor the consummation by the REP/QF of any of the transaction contemplated thereby, requires the consent or approval of, the giving of notice to, the registration with, the recording or filing of any document with, or the taking of any other action with respect to governmental authority, except with respect to permits (a) which have already been obtained and are in full force and effect or (b) are not yet required (and with respect to which the REP/QF has no reason to believe that the same will not be readily obtainable in the ordinary course of business upon due application therefore).

1719.5 No Suits, Proceedings

There are no actions, suits, proceedings or investigations pending or, to the knowledge of the REP/QF, threatened against it at law or in equity before any court or tribunal of the United States or any other jurisdiction which individually or in the aggregate could result in any materially adverse effect on the REP's/QF's business, properties, or assets or its condition, financial or otherwise, or in any impairment of its ability to perform its obligations under this Contract. The REP/QF has no knowledge of a violation or default with respect to any law which could result in any such materially adverse effect or impairment.

1719.6 Environmental Matters

To the best of its knowledge after diligent inquiry, the REP/QF knows of no (a) existing violations of any environmental laws at the Facility, including those governing hazardous materials or (b) pending, ongoing, or unresolved administrative or enforcement investigations, compliance orders, claims, demands, actions, or other litigation brought by governmental authorities or other third parties alleging violations of any environmental law or permit which would materially and adversely affect the operation of the Facility as contemplated by this Contract.

1820. General Provisions**1820.1 Project Viability**

To assist PEF in assessing the REP's/QF's financial and technical viability, the REP/QF shall provide the information and documents requested in Appendix C or substantially similar documents, to the extent the documents apply to the type of Facility covered by this Contract and to the extent the documents are available. All documents to be considered by PEF must be submitted at the time this Contract is presented to PEF. Failure to provide the following such documents may result in a determination of non-viability by PEF.

1820.2 Permits

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

1820.3 Project Management

If requested by PEF, the REP/QF shall submit to PEF its integrated project schedule for PEF's review within sixty (60) calendar days from the execution of this Contract, and a start-up and test schedule for the Facility at least sixty (60) calendar days prior to start-up and testing of the Facility. These schedules shall identify key licensing, permitting, construction and operating milestone dates and activities. If requested by PEF, the REP/QF shall submit progress reports in a form satisfactory to PEF every calendar month until the Capacity Delivery Date and shall notify PEF of any changes in such schedules within ten (10) calendar days after such changes are determined. PEF shall have the right to monitor the construction, start-up and testing of the Facility, either on-site or off-site. PEF's technical review and inspections of the Facility and resulting requests, if any, shall not be construed as endorsing the design thereof or as any warranty as to the safety, durability or reliability of the Facility.

The REP/QF shall provide PEF with the final designer's/manufacturer's generator capability curves, protective relay types, proposed protective relay settings, main one-line diagrams, protective relay functional diagrams, and alternating current and direct elementary diagrams for review and inspection at PEF no later than one hundred eighty (180) calendar days prior to the initial synchronization date.

18.420.4 Assignment

The REP/QF may not assign this Contract, without PEF's prior written approval, which approval may be withheld at PEF's sole discretion.

18.520.5 Disclaimer

In executing this Contract, PEF does not, nor should it be construed, to extend its credit or financial support for benefit of any third parties lending money to or having other transactions with the REP/QF or any assigns of this Contract.

18.620.6 Notification

All formal notices relating to this Contract shall be deemed duly given when delivered in person, or sent by registered or certified mail, or sent by fax if followed immediately with a copy sent by registered or certified mail, to the individuals designated below. The Parties designate the following individuals to be notified or to whom payment shall be sent until such time as either Party furnishes the other Party written instructions to contact another individual:

For the REP/QF:

For PEF:

~~Florida Power Corporation~~ Progress
Energy Florida
Cogeneration Manager BT 9G
100 Central Avenue
St. Petersburg, FL 33701

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

Florida Power Corporation
d/b/a Progress Energy Florida, Inc.
100 Central Avenue
St. Petersburg, FL 33701

Attention: Cogeneration Manager BT 9G

1820.7 Applicable Law

This Contract shall be construed in accordance with and governed by the laws of the State of Florida, and the rights of the parties shall be construed in accordance with the laws of the State of Florida.

1820.8 Taxation

In the event that PEF becomes liable for additional taxes, including interest and/or penalties arising from an Internal Revenue Services determination, through audit, ruling or other authority, that PEF's payments to the REP/QF for Capacity under Options B, C, or D of the ~~Rate Schedule REN~~ Appendix D are not fully deductible when paid (additional tax liability), PEF may bill the REP/QF monthly for the costs, including carrying charges, interest and/or penalties, associated with the fact that all or a portion of these Capacity Payments are not currently deductible for federal and/or state income tax purposes. PEF, at its option, may offset or recoup these costs against amounts due the REP/QF hereunder. These costs would be calculated so as to place PEF in the same economic position in which it would have been if the entire Capacity Payments had been deductible in the period in which the payments were made. If PEF decides to appeal the Internal Revenue Service's determination, the decision as to whether the appeal should be made through the administrative or judicial process or both, and all subsequent decisions pertaining to the appeal (both substantive and procedural), shall rest exclusively with PEF.

~~18.9 In no event shall PEF, its parent corporation, officers, directors, employees, and agents be liable for any incidental, indirect, special, consequential, exemplary, punitive, or multiple damages resulting from any claim or cause of action, whether brought in contract, tort (including, but not limited to, negligence or strict liability), or any other legal theory.~~

20.9 Resolution of Disputes**20.9.1 Notice of Dispute**

In the event that any dispute, controversy or claim arising out of or relating to this Contract or the breach, termination or validity thereof should arise between the Parties (a "Dispute"), the Party may declare a Dispute by delivering to the other Party a written notice identifying the disputed issue.

20.9.2 Resolution by Parties

Upon receipt of a written notice claiming a Disputed, executives of both Parties shall meet at a mutually agreeable time and place within ten (10) Business Days after delivery of such notice and thereafter as often as they reasonably deem necessary, to exchange relevant information and to attempt to resolve the Dispute. In such meetings and exchanges, a Party shall have the right to designate as confidential any information that such Party offers. No confidential information exchanged in such meetings for the purpose of resolving a Dispute may be used by a Party in litigation against the other Party. If the matter has not been resolved within thirty

(30) Days of the disputing Party's notice having been issued, or if the Parties fail to meet within ten (10) Business Days as required above, either Party may initiate binding arbitration in St. Petersburg, Florida, conducted in accordance with the then current American Arbitration Association's ("AAA") Large, Complex Commercial Rules or other mutually agreed upon procedures.

20.10 Limitation of Liability

IN NO EVENT SHALL PEF, ITS PARENT CORPORATION, OFFICERS, DIRECTORS, EMPLOYEES, AND AGENTS BE LIABLE FOR ANY INCIDENTAL, INDIRECT, SPECIAL, CONSEQUENTIAL, EXEMPLARY, PUNITIVE, OR MULTIPLE DAMAGES RESULTING FROM ANY CLAIM OR CAUSE OF ACTION, WHETHER BROUGHT IN CONTRACT, TORT (INCLUDING, BUT NOT LIMITED TO, NEGLIGENCE OR STRICT LIABILITY), OR ANY OTHER LEGAL THEORY.

18.1020.11 Severability

If any part of this Contract, for any reason, is declared invalid or unenforceable by a public authority of appropriate jurisdiction, then such decision shall not affect the validity of the remainder of the Contract, which remainder shall remain in force and effect as if this Contract had been executed without the invalid or unenforceable portion.

18.1120.12 Complete Agreement and Amendments

All previous communications or agreements between the Parties, whether verbal or written, with reference to the subject matter of this Contract are hereby abrogated. No amendment or modification to this Contract shall be binding unless it shall be set forth in writing and duly executed by both Parties. This Contract constitutes the entire agreement between the Parties.

18.12—20.13 Survival of Contract

~~This~~Subject to the requirements of Section 20.4, ~~this~~ Contract, as it may be amended from time to time, shall be binding upon, and inure to the benefit of, the Parties' respective successors-in-interest and legal representatives.

18.13—20.14 Record Retention

The REP ~~agrees to~~/QF shall maintain for a period of five (5) years from the date of termination hereof all records relating to the performance of its obligations hereunder, and to cause all REP/QF Entities to retain for the same period all such records.



18.14 — 20.15 No Waiver

No waiver of any of the terms and conditions of this Contract shall be effective unless in writing and signed by the Party against whom such waiver is sought to be enforced. Any wavier of the terms hereof shall be effective only in the specific instance and for the specific purpose given. The failure of a Party to insist, in any instance, on the strict performance of any of the terms and conditions hereof shall not be construed as a waiver of such Party's right in the future to insist on such strict performance.

18.15 20.16 Set-Off

PEF may at any time, but shall be under no obligation to, set off or recoup any and all sums due from the REP/QF against sums due to the REP/QF hereunder without undergoing any legal process.



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CANCELS ORIGINAL FIRST REVISED SHEET NO.
9.950

____IN WITNESS WHEREOF, the REP/QF and PEF executed this Contract on the later of
the dates set forth below.

REP/QF

**FLORIDA POWER CORORPATION d/b/a
PROGRESS ENERGY FLORIDA, INC.**

Signature

Signature

Print Name

Print Name

Title

Title

Date

Date

ISSUED BY: Lori J. Cross, Manager, Utility Regulatory Planning Javier J. Portuondo, Manager, Regulatory Services—Florida
EFFECTIVE:

APPENDIX A
TO
PROGRESS ENERGY FLORIDA
RENEWABLE OR QUALIFYING FACILITY STANDARD OFFER CONTRACT

~~RATE SCHEDULE REN~~

SCHEDULE

MONTHLY CAPACITY PAYMENT CALCULATION

~~REN~~, Capitalized terms not otherwise defined herein have the meaning ascribed to them in the Standard Offer Contract for the Purchase of Firm Capacity and Energy from a Renewable Energy Producer of Qualifying Facility Less Than 100 kW.

AVAILABLE

PEF will, under the following:

- A. In the event that the ~~Annual Capacity Billing Factor~~ ("ACBF"), as defined below, is less than ~~50~~69.69%, then no Monthly ~~capacity~~ Capacity Payment shall be due.
That is:

$$MCP = 0$$

- B. In the event that the ACBF is equal to or greater than ~~50~~69.69% but less than 89.89%, then the Monthly Capacity Payment shall be calculated by using the following formula:

$$MCP = BCP [5 \times (ACBF - .6969)] \times CC$$

- C. In the event that the ACBF is equal to or greater than ~~89~~89.89%, then the Monthly Capacity Payment shall be calculated by using the following formula:

$$MCP = BCP \times CC$$

Where:

- MCP = Monthly Capacity Payment in dollars.
BCP = Base Capacity Payment in \$/kW/Month as specified in PEF's ~~Rate Schedule REN~~, Appendix D.
CC = Committed Capacity in kW.

ACBF = Annual Capacity Billing Factor. This factor is calculated using the 12-month rolling average of the Monthly Capacity Factor. This 12-month rolling average The ACBF shall be defined as the electric energy actually received by PEF for the 12 consecutive months preceding the date of calculation excluding any energy received during an event of Force Majeure in which the Committed Capacity is temporarily set equal to 0 kW, divided by the product of the Committed Capacity and the number of hours in the 12 consecutive months preceding the date of calculation excluding the hours during an event of Force Majeure in which the Committed Capacity is temporarily set equal to 0 kW. If an event of Force Majeure occurs during the 12 consecutive months preceding the date of calculation in which the Committed Capacity is temporarily set to a value greater than 0 kW then the 12-month rolling average will be pro-rated accordingly. During the first 12 consecutive Monthly Billing Periods commencing with the first Monthly Billing Period in which Capacity ~~payments~~ Payments are to be made, the calculation of 12-month rolling average ~~Annual Capacity Billing Factor~~ ACBF shall be performed as follows (a) during the first Monthly Billing Period, the ~~Annual Capacity Billing Factor~~ ACBF shall be equal to the ~~Monthly Capacity Availability~~ Factor; (b) thereafter, the calculation of the ~~Annual Capacity Billing Factor~~ ACBF shall be computed by electric energy actually received by PEF for the number of full consecutive months preceding the date of calculation excluding any energy received during an event of Force Majeure in which the Committed Capacity is temporarily set equal to 0 kW, divided by the product of the Committed Capacity and the number of hours in the number of full consecutive months preceding the date of calculation excluding the hours during an event of Force Majeure in which the Committed Capacity is temporarily set equal to 0 kW. If an event of Force Majeure occurs during the months preceding the date of calculation in which the Committed Capacity is temporarily set to a value greater than 0 kW then the 12-month rolling average will be pro-rated accordingly. This calculation shall be performed at the end of each Monthly Billing Period until enough Monthly Billing Periods have elapsed to calculate a true 12-month rolling average ~~Annual Capacity Billing Factor~~ ACBF.

~~MCFMA~~ F = Monthly ~~Capacity Availability~~ Factor. The total energy received during the Monthly Billing Period for which the calculation is made, divided by the product of Committed Capacity times the total hours during the Monthly Billing Period.

Monthly Billing Period = The period beginning on the first calendar day of each calendar month, except that the initial Monthly Billing Period shall consist of the period beginning 12:01 a.m., on the Capacity Delivery Date and ending with the last calendar day of such month.

**APPENDIX B
TO
PROGRESS ENERGY FLORIDA'S STANDARD OFFER CONTRACT
TERMINATION FEE**

Capitalized terms not otherwise defined herein have the meaning ascribed to them in the Standard Offer Contract for the Purchase of Firm Capacity and Energy from a Renewable Energy Producer of Qualifying Facility Less Than 100 kW.

The "Termination Fee" shall be the sum of the values for each month beginning with the month in which the Capacity Delivery Date occurs through the month of ~~termination~~ the Termination Date (or month of calculation, as the case may be) computed according to the following formula:

$$\sum_{i=1}^n (MCP_i - MCPC_i) \cdot (1 + r)^{(n-i)}$$

with: MCPC = 0 for all periods prior to the in-service date of ~~PEF's~~ the Avoided Unit:

where

i = number of Monthly Billing Period commencing with the Capacity Delivery Date (i.e., the month in which Capacity Delivery ~~date~~ Date occurs = 1; the month following this month in which Capacity Delivery Date occurs = 2 etc.)

n = the number of Monthly Billing Periods which have elapsed from the month in which the Capacity Delivery Date occurs through the month of termination (or month of calculation, as the case may be)

r = PEF's incremental after-tax avoided cost of capital (defined as r in ~~REN~~ Appendix D).

MCP_i = Monthly Capacity Payment paid to REPQF corresponding to the Monthly Billing Period i, calculated in accordance with Appendix A.

MCPC_i = Monthly Capacity Payment for Option A corresponding to the Monthly Billing Period i, calculated in accordance with ~~REN~~ this Contract.

In the event that for any Monthly Billing Period, the computation of the value of the Termination Fee for such Monthly Billing Period (as set forth above) yields a value equal to or greater than zero, the amount of the Termination Fee shall be increased by the amount of such value.

ISSUED BY: Lori J. Cross, Manager, Utility Regulatory Planning ~~Javier J. Portuondo, Manager, Regulatory Services—Florida~~
EFFECTIVE:

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

- a. In the event that in the applicable Monthly Billing Period the Annual Capacity Billing Factor (~~ACBF~~), as defined in Appendix A is less than ~~5069%~~, then the Initial Reduction Value shall be adjusted to equal zero (Reduction Value = 0), and the Termination Fee shall not be reduced for the applicable Monthly Billing Period.
- b. In the event that in the applicable Monthly Billing Period the Annual Capacity Billing Factor (~~ACBF~~), as defined in Appendix A, is equal to or greater than ~~5069%~~ but less than ~~8989%~~, then the Reduction Value shall be determined as follows:

$$\text{Reduction Value} = \text{Initial Reduction Value} \times [5 \times (\text{ACBF} - .6969)]$$

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

- c. In the event that in the applicable Monthly Billing Period the Annual Capacity Billing Factor (~~ACBF~~), as defined in Appendix A, is equal to or greater than ~~8989%~~, then the Initial Reduction Value shall not be adjusted (Reduction Value = Initial Reduction Value), and the Termination Fee shall be reduced for the applicable Monthly Billing period by the amount of the Initial Reduction Value.

In no event shall PEF be liable to the REP/QF at any time for any amount by which the Termination Fee, adjusted in accordance with the foregoing, is less than zero (0).

**APPENDIX C
TO
PROGRESS ENERGY FLORIDA'S STANDARD OFFER CONTRACT
DETAILED PROJECT INFORMATION**

Capitalized terms not otherwise defined herein have the meaning ascribed to them in the Standard Offer Contract for the Purchase of Firm Capacity and Energy from a Renewable Energy Producer of Qualifying Facility Less Than 100 kW.

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

I. FACILITY DESCRIPTION

- Project Name
- Project Location

- * Street Address
- * Size Plot Plan
- * Legal Description of Site

- Generating Technology
- Primary Fuel
- Alternate Fuel (if applicable)
- Committed Capacity
- Expected In-Service Date

- Contact Person

- * Individual's Name and Title
- * Company Name
- * Address
- * Telephone Number
- * Fax Number

II. PROJECT PARTICIPANTS

- Indicate the entities responsible for the following project management activities and provide a detailed description of the experience and capabilities of the entities:

- * Project Development
- * Siting and Licensing the Facility
- * Designing the Facility
- * Constructing the Facility
- * Securing the Fuel Supply
- * Operating the Facility

- *• Provide details on all electrical facilities which are currently under construction or operational which were developed by the REP-/QF.
- *• Describe the financing structure for the projects identified above, including the type of financing used, the permanent financing term, the major lenders and the percentage of equity invested at ~~financial closing~~ Financial Closing.

III. FUEL SUPPLY

- Describe all fuels to be used to generate electricity at the Facility. Indicate the specific physical and chemical characteristics of each fuel type (e.g. Btu content, sulfur content, ash content, etc.). Identify special considerations regarding fuel supply origin, source and handling, storage and processing requirements.
- Provide ~~annual fuel requirements (AFR)~~ necessary to support planned levels of generation and list the assumptions used to determine these quantities.
- Provide a summary of the status of the fuel supply arrangements in place to meet the AFR, in each year of the proposed operating life of the Facility. Use the categories below to describe the current arrangement for securing the AFR.

<u>Category</u>	<u>Description of Fuel Supply Arrangement</u>
owned =	fuel is from a fully developed source owned by one or more of the project participants
contract =	fully executed firm fuel contract exists between the developer(s) and fuel supplier(s)
LOI =	a letter of intent for fuel supply exists between developer(s) and fuel supplier(s)
SPP =	small power production facility will burn biomass, waste, or another renewable resource
spot =	fuel supply will be purchased on the spot market
none =	no firm fuel supply arrangement currently in place
other =	fuel supply arrangement which does not fit any of the above categories (please describe)

- Indicate the percentage of the Facility's AFR which is covered by the above fuel supply arrangement(s) for each proposed operating year. The percent of AFR covered for each operating year must total 100%. For fuel supply arrangements identified as owned, contract, or LOI, provide documentation to support this category



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and explain the fuel price mechanism of the arrangement. In addition, indicate whether or not the fuel price includes deliver and, if so, to what location.

- Describe fuel transportation networks available for delivering all primary and secondary fuel to the Facility site. Indicate the mode, route and distance of each segment of the journey, from fuel source to the Facility site. Discuss the current status and pertinent factors impacting future availability of the transportation network.
- Provide ~~annual fuel transportation requirements (AFTR)~~ necessary to support planned levels of generation and list the assumptions used to determine these quantities.
- Provide a summary of the status of the fuel transportation arrangements in place to meet the AFTR in each year of the proposed operating life of the Facility. Use the categories below to describe the current arrangement for securing the AFTR.

owned = fuel transport via a fully developed system owned by one or more of the project participants
contract = fully executed firm transportation contract exists between the developer(s) and fuel transporter(s)
LOI = a letter of intent for fuel transport exists between developer(s) and fuel transporter(s)
spot = fuel transportation will be purchased on the spot market
none = no firm fuel transportation arrangement currently in place
other = fuel transportation arrangement which does not fit any of the above categories (please describe)

- Provide the maximum, minimum and average fuel inventory levels to be maintained for primary and secondary fuels at the Facility site. List the assumptions used in determining the inventory levels.
- Provide information regarding REP's/QF's plans to maintain sufficient on site fuel to deliver capacity and energy for an uninterrupted seventy-two (72) hour period.

IV. PLANT DISPATCHABILITY/CONTROLLABILITY

- Provide the following operating characteristics and a detailed explanation supporting the performance capabilities indicated:
 - * Ramp Rate (MW/minute)
 - * Peak Capability (% above Committed Capacity)
 - * Minimum power level (% of Committed Capacity)
 - * Facility Turnaround Time, Hot to Hot (hours)
 - * Start-up Time from Cold Shutdown (hours)
 - * Unit Cycling (# cycles/yr.)
 - * MW and MVAR Control (ACC, Manual, Other (please explain))

V. SITING AND LICENSING

- Provide a licensing/permitting milestone schedule, which lists all permits, licenses and variances, required to site the Facility. The milestone schedule shall also identify key milestone dates for baseline monitoring, application preparation, agency review, certification and licensing/siting board approval, and agency permit issuance.
- Provide a licensing/permitting plan that addresses the issues of air emission, water use, wastewater discharge, wetlands, endangered species, protected properties, surrounding land use, zoning for the Facility, associated linear facilities and support of and opposition to the Facility.
- List the emission/effluent discharge limits the Facility will meet and describe in detail the pollution control equipment to be used to meet these limits.

VI. FACILITY DEVELOPMENT AND PERFORMANCE

- Submit a detailed engineering, procurement, construction, startup and commercial operation schedule. The schedule shall include milestones for site acquisition, engineering phases, selection of the major equipment vendors, architect engineer, ~~PEF contractor~~ and Facility operator, steam host integration and delivery of major equipment. A discussion of the current status of each milestone should also be included where applicable.
- Attach a diagram of the power block arrangement. Provide a list of the major equipment vendors and the name and model number of the major equipment to be installed.
- Provide a detailed description of the proposed environmental control technology for the Facility and describe the capabilities of the proposed technology.
- Attach preliminary flow diagrams for the steam system, water system, and fuel system, and a main electrical one line diagram for the Facility.
- State the expected heat rate (HHV) at 75 degrees Fahrenheit for loads of 100%, 75% and 50%. In addition, attach a preliminary heat balance for the Facility.

VII. FINANCIAL

- Provide PEF with assurances that the proposed REP/QF project is financially viable in accordance with FPSC Rule 25-17.0832(4)(c) by attaching a detailed pro-forma cash flow analysis. The pro-forma must include, at a minimum, the following assumptions for each year of the project.

- Annual Project Revenues

- * Capacity Payments (\$ and \$/kW/Mo.)
- * Variable O&M (\$ and \$/MWh)
- * Energy (\$ and \$/MWh)
- * Tipping Fees (\$ and \$/ton)
- * Interest Income
- * Other Revenues
- * Variable O&M Escalation (%/yr.)
- * Energy Escalation (%/yr.)
- * Tipping Fee Escalation (%/yr.)

- Annual Project Expense

- * Fixed O&M (\$ and \$/kW/Mo.)
- * Variable O&M (\$ and \$/MWh)
- * Energy (\$ and \$/MWh)
- * Property Taxes (\$)
- * Insurance (\$)
- * Emission Compliance (\$ and \$/MWh)
- * Depreciation (\$ and %/yr.)
- * Other Expenses (\$)
- * Fixed O&M Escalation (%/yr.)
- * Variable O&M Escalation (%/yr.)
- * Energy Escalation (%/yr.)

- Other Project Information

- * Installed Cost of the Facility (\$ and \$/kW)
- * Committed Capacity (kW)
- * Average Heat Rate - HHV (MBTU/kWh)
- * Federal Income Tax Rate (%)
- * Facility Capacity Factor (%)
- * Energy Sold to PEF (MWh)

- Permanent Financing

- * Permanent Financing Term (yr.)
- * Project Capital Structure (percentage of long-term debt, subordinated debt, tax exempt debt and equity)
- * Financing Costs (cost of long-term debt, subordinated debt, tax exempt debt and equity)
- * Annual Interest Expense
- * Annual Debt Service (\$)
- * Amortization Schedule (beginning balance, interest expense, principal reduction, ending balance)

- Provide details of the financing plan for the project and indicate whether the project will be non-recourse project financed. If it will not be project financed please explain the alternative financing arrangement.
- Submit financial statements for the last two years on the principals of the project, and provide an illustration of the project ownership structure.

APPENDIX D**TO****PROGRESS ENERGY FLORIDA RENEWABLE OR QUALIFYING FACILITY
STANDARD OFFER CONTRACT****RATE SCHEDULE REN-CC**

Capitalized terms not otherwise defined herein have the meaning ascribed to them in the Standard Offer Contract for the Purchase of Firm Capacity and Energy from a Renewable Energy Producer of Qualifying Facility Less Than 100 kW.

SCHEDULE

REN-CC, Firm Capacity and Energy from a Renewable Energy Provider ("REP") or a Qualifying Facility ("QF")

AVAILABLE

PEF will, under the provisions of this ~~Schedule and PEF's Renewable or Qualifying Facility Standard Offer schedule and the Contract for the Purchase of Firm Capacity and Energy from a Renewable Energy Provider ("Renewable or Qualifying Facility Standard Offer Contract")~~ to which this Appendix is attached and incorporated into by reference, purchase firm capacity and energy offered by a ~~Renewable Provider~~ REP/QF as defined in the contract. PEF's obligation to contract to purchase firm capacity from such ~~Renewable Providers~~ REP/QF by means of this schedule and the ~~Renewable or Qualifying Facility Standard Offer Contract~~ will continue only as long as, and the extent that, the subscription limit is not exceeded and, in any event, no later than ~~April 1, 2006~~ the Expiration Date unless extended by the FPSC. ~~PEF's obligation to purchase firm capacity by means of this rate schedule and the Renewable or Qualifying Facility Standard Offer Contract from REPs locating north of the latitude of PEF's Central Florida Substation is conditioned upon PEF being able to acquire import capability to replace that amount of Florida-Southern Interface import capability lost as a result of the location of the Facility.~~

APPLICABLE

To REPs/QFs as defined in the ~~Renewable or Qualifying Facility Standard Offer Contract~~ producing capacity and energy for sale to PEF on a firm basis pursuant to the terms and conditions of this schedule and ~~PEF's Renewable or Qualifying Facility Standard Offer the Contract~~. "Firm Capacity and Energy" are described by FPSC Rule 25-17.0832, F.A.C., and are capacity and energy produced and sold by a REP/QF pursuant to the ~~Renewable or Qualifying Facility Standard Offer Contract~~ provisions addressing (among other things) quantity, time and reliability of delivery.

CHARACTER OF SERVICE

Purchases within the territory served by PEF shall be, at the option of PEF, single or three phase, 60-hertz alternating current at any available standard PEF voltage. Purchases from outside the
ISSUED BY: Lori J. Cross, Manager, Utility Regulatory Planning ~~Javier J. Portuondo, Manager, Regulatory Services—Florida~~
EFFECTIVE:



SECTION No. IX
~~ORIGINAL FIRST REVISED SHEET NO. 9.961~~
CANCELS ORIGINAL SHEET NO. 9.961

territory served by PEF shall be three phase, 60-hertz alternating current at the voltage level available at the interchange point between PEF and the entry delivering the Firm ~~Energy~~ and Capacity and Energy from the REP/QF.

LIMITATION

Purchases under this schedule are subject to FPSC Rules 25-17.080 through 25-17.091, F.A.C., and are limited to those Renewable Energy Providers REP/QFs which:

- A. Are defined in the ~~Renewable or Qualifying Facility Standard Offer Contract~~;
- B. Execute a ~~Renewable or Qualifying Facility Standard Offer Contract~~;
- C. Provide capacity which would not result in the ~~capacity subscription limit for PEF Subscription Limit~~ to be exceeded.

RATES FOR PURCHASES BY PEF

Firm Capacity and Energy are purchased at unit cost, in dollars per kilowatt per month and cents per kilowatt-hour, respectively, based on the value of deferring additional capacity required by PEF. For the purpose of this ~~Schedules~~schedule, an Avoided Unit has been designated by PEF. PEF's next Avoided Unit has been identified as ~~a 1279 MW repower in Section 4 of PEF's Bartow facility with an in-service date of June 1, 2009,~~the Contract. Schedule 1 to this Appendix describes the methodology used to calculate payment schedules, general terms, and conditions applicable to ~~PEF's Renewable or Qualifying Facility Standard Offer~~the Contract filed and approved pursuant to FPSC Rules 25-17.080 through 25-17.091, F.A.C.

A. Firm Capacity Rates

Four options, A through D, as set forth below, are available for payments of firm capacity that is produced by a REP/QF and delivered to PEF. Once selected, an option shall remain in effect for the term of the ~~Renewable or Qualifying Facility Standard Offer Contract with PEF~~. Exemplary payment schedules, shown below, contain the monthly rate per kilowatt of ~~Firm~~firm Capacity which the REP/QF has contractually committed to deliver to PEF and are based on a contract term which extends through ~~May 31, 2019~~the Termination Date in Section 4 of the Contract. Payment schedules for other contract terms will be made available to any REP/QF upon request and may be calculated based on the methodologies described in Schedule 1. The currently approved parameters used to calculate the following schedule of payments are found in Schedule 2 to this Appendix.

Option A - Fixed Value of Deferral Payments - Normal Capacity

Payment schedules under this option are based on the value of a year-by-year deferral of PEF's Avoided Unit with an in-service date ~~as of June 1, 2009~~the Avoided Unit In-Service Date in Section 4 of the Contract, calculated in accordance with FPSC Rule 25-17.0832, F.A.C., as described in Schedule 1. Once this option is selected, the current schedule of payments shall remain fixed and in effect throughout the term of the ~~Renewable or Qualifying Facility Standard Offer Contract~~. The payment schedule for this option follows the description of Option D.

Option B - Fixed Value of Deferral Payments - Early Capacity

Payment schedules under this option are based upon the early capital cost component of the value of a year-by-year deferral of ~~PEF's the~~ Avoided Unit. The term "early" with respect to Option B means that these payments can start as ~~early as four years~~ prior to the anticipated in-service date of ~~PEF's the~~ Avoided Unit; provided, however, that under no circumstances may payments begin before this REP/QF is delivering ~~firm capacity Firm Capacity and energy Energy~~ to PEF pursuant to the terms of the ~~Renewable or Qualifying Facility Standard Offer Contract~~. When this option is selected, the ~~capacity payments Capacity Payments~~ shall be made monthly commencing no earlier than the Capacity Delivery Date of the REP/QF and calculated as shown on Schedule 1. Capacity Payments under Option B do not result in a prepayment or create a future benefit.

The REP/QF shall select the month and year in which the deliveries of firm capacity and energy to PEF are to commence and ~~capacity payments Capacity Payments~~ are to start. PEF will provide the REP/QF with a schedule of capacity payment rates based on the month and year in which the deliveries of firm capacity and energy are to commence and the term of the ~~Renewable or Qualifying Facility Standard Offer Contract~~. The exemplary payment schedule following Option D is based on a contract term that begins on ~~January 1, 2007~~ the Exemplary Early Capacity Payment Date in Section 4 of the Contract.

Option C - Fixed Value of Deferral Payment - Levelized Capacity

Payment schedules under this option are based upon the levelized capital cost component of the value of a year-by-year deferral of ~~PEF's the~~ Avoided Unit. The capital portion of ~~capacity payments under Capacity Payments under~~ this option shall consist of equal monthly payments over the term of the ~~Renewable or Qualifying Facility Standard Offer Contract~~, calculated as shown on Schedule 1. The fixed operation and maintenance portion of ~~capacity payments Capacity Payments~~ shall be equal to the value of the year-by-year deferral of fixed operation and maintenance expense associated with ~~PEF's the~~ Avoided Unit. These calculations are shown in Schedule 1. The payment schedule for this option follows Option D. Capacity Payments under Option C do not result in a prepayment or create a future benefit.

Option D - Fixed Value of Deferral Payment - Early Levelized Capacity

Payment schedules under this option are based upon the early levelized capital cost component of the value of a year-by-year deferral of ~~PEF's the~~ Avoided Unit. The capital portion of ~~capacity payments Capacity Payments~~ under this option shall consist of equal monthly payments over the term of the ~~Renewable or Qualifying Facility Standard Offer Contract~~, calculated as shown on Schedule 1. The fixed operation and maintenance expense shall be calculated as shown in Schedule 1. At the option of the REP/QF, payments for early levelized capacity shall commence at any time after the specified early capacity date and before the anticipated in-service date of PEF's Avoided Unit, provided that the REP/QF is delivering firm capacity and energy to PEF pursuant to the terms of the ~~Renewable or Qualifying Facility Standard Offer Contract~~. The term "early"



with respect to Option D means that ~~capacity payments~~ Capacity Payments may begin earlier than the anticipated in-service date of PEF's avoided unit. Capacity ~~payments~~ Payments under Option D do not result in a prepayment or create a future benefit.

EXAMPLE MONTHLY CAPACITY PAYMENT IN \$/kW/MONTH
PEF'S June 1, 2009 Repowering of PEF's Bartow facility 2009 COMBINED CYCLE AVOIDED
UNIT (20 MW)

Renewable Or Qualifying Facility Standard Offer Contract Avoided Capacity Payments

(\$/kW/MONTH)

Contract Year	<u>Option A</u>	<u>Option B</u>	<u>Option C</u>	<u>Option D</u>
	Normal Capacity	Early Capacity	Levelized Capacity	Early Levelized Capacity
	Payment Starting 06/01/2009 on the Avoided Unit In- Service Date	Payment Starting 01/01/2007 on the Exemplary Capacity Payment Date	Payment Starting 06/01/2009 on the Avoided Unit In- Service Date	Payment Starting 01/01/2007 on the Exemplary Capacity Payment Date
2007	-	3.4401	-	3.8234
2008	-	3.5208	-	3.8335
2009	4.6302	3.6116	5.064.39	3.8336
2010	4.7512	3.7024	5.074.40	3.8436
2011	4.8722	3.7932	5.084.41	3.8537
2012	4.9933	3.8940	5.094.42	3.8638
2013	5.124.43	3.9949	5.104.43	3.8739
2014	5.244.54	4.093.57	5.114.44	3.8740
2015	5.374.66	4.193.66	5.134.45	3.8841
2016	5.514.77	4.293.75	5.144.46	3.8942
2017	5.654.89	4.403.85	5.154.48	3.9042
2018	5.7902	4.513.94	5.164.49	3.9143

B. Energy Rates

Payments Prior to June 1, 2009 the Avoided Unit In-Service Date

The energy rate, in cents per kilowatt-hour (¢/kWh), shall be based on PEF's actual hourly avoided energy costs which are calculated by PEF in accordance with FPSC Rule 25-17.0825, F.A.C.

The calculation of payments to the REP/QF shall be based on the sum over all hours of the billing period, of the product of each hour's avoided energy cost times the amount of energy (kWh) delivered to PEF from the Facility for that hour. All purchases shall be adjusted for losses from the point of metering to the point of interconnection.

Payments Starting on June 1, 2009 Avoided Unit In-Service Date

The calculation of payments to the REP/QF for energy delivered to PEF on and after June 1, 2009 the Avoided Unit In-Service Date shall be the sum, over all hours of the Monthly Billing Period, of the product of (a) each hour's Firm Energy Rate ($\text{\$/kWh}$); and (b) the amount of energy (kWh) delivered to PEF from the Facility during that hour.

The ~~firm energy rate~~ Firm Energy Rate shall be, on an hour-by-hour basis, PEF's Avoided Unit Energy Cost. For any other period during which energy is delivered by the REP/QF to PEF, the Firm Energy Rate in cents per kilowatt hour ($\text{\$/kWh}$) shall be the following on an hour-by-hour basis: the lesser of (a) the ~~as-available energy rate calculated by PEF in accordance with FPSC Rule 25-17.0825, F.A.C., and PEF's Rate Schedule COG-1, as they may each be amended from time to time~~ As-Available Energy Rate and (b) PEF's ~~the~~ Avoided Unit Energy Cost. PEF's ~~The~~ Avoided Unit Energy Cost, in cents per kilowatt - hour ($\text{\$/kWh}$) shall be defined as the product of (a) the ~~Avoided Unit Gas Cost~~ Avoided Unit Fuel Cost and (b) ~~an average annual heat rate of 7,236 BTU per kilowatt hour~~ the Avoided Unit Heat Rate; plus (c) ~~an additional 0.250¢ per kilowatt hour in mid 2009 dollars for variable operation and maintenance expenses which will be escalated based on CPI-U.~~ the Avoided Unit Variable O&M.

For the purposes of this agreement, the ~~Avoided Unit Gas Cost~~ Avoided Unit Fuel Cost shall be determined from gas prices published in Platts Inside FERC, Gas Market Report, first of the month posting for Florida Gas Transmission Zone 3, plus Gulfstream Natural Gas System's applicable Usage-2 rate (Reservation Charge of \$0.55), Usage-1 rate (Commodity Charge of \$0.02) and the applicable Gulfstream Natural Gas System's Use percentage (not to exceed 1.53%) in accordance with the terms and conditions of Gulfstream Natural Gas System's tariff, as all such charges, surcharges and percentages are in effect from time to time for service under Gulfstream Natural Gas System's Rate Schedule FTS.

ESTIMATED AS-AVAILABLE ENERGY COST

For informational purposes only, the estimated incremental avoided energy costs for the next four semi-annual periods are as follows. The following estimates include variable operation and maintenance expenses.

<u>Applicable Period</u>	<u>Average ¢/KWH</u>
October 1, 2006 - March 31, 2007	7.1
April 1, 2007 - September 30, 2007	9.6
October 1, 2007 - March 31, 2008	8.3
April 1, 2008 - September 30, 2008	9.2

ESTIMATED UNIT FUEL COST

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

\$/MMBTU

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
11.56	11.39	8.32	8.69	8.80	8.75	8.66	8.58	8.93

DELIVERY VOLTAGE ADJUSTMENT

~~Energy payments to the REPs within PEF's service territory shall be adjusted according to the delivery voltage by the following multipliers:~~

PEF's average system line losses are analyzed annually for the prior calendar year, and delivery efficiencies are developed for the transmission, distribution primary, and distribution secondary voltage levels. This analysis is provided in the PEF's semi-annual fuel cost recovery filing with the FPSC in Exhibit Schedule E1. An adjustment factor, calculated as the reciprocal of the appropriate delivery efficiency factor, is applicable to the above determined energy costs if the REP/QF is within PEF's service territory to reflect the delivery voltage level at which REP/QF energy is received by the PEF.

The current delivery voltage adjustment factors are:

<u>Delivery Voltage</u>	<u>Adjustment Factor</u>
Transmission Voltage Delivery	1.0202
Primary Voltage Delivery	1.0317
Secondary Voltage Delivery	1.0656

PERFORMANCE CRITERIA

Payments for ~~Firm~~firm Capacity are conditioned on the REP's/QF's ability to maintain the following performance criteria:

A. Capacity Delivery Date

The Capacity Delivery Date shall be no later than the ~~projected in-service date of PEF's~~ Avoided Unit (i.e., June 1, 2009.)In-Service Date.

B. Availability and Capacity Factor



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The Facility's availability and capacity factor are used in the determination of firm ~~capacity payments~~ Capacity Payments through a performance based calculation as detailed in Appendix A to ~~PEF's Renewable or Qualifying Facility Standard Offer~~ the Contract.

METERING REQUIREMENTS

The REPs/QFs within the territory served by PEF shall be required to purchase from PEF hourly recording meters to measure their energy deliveries to PEF. Energy purchases from the REPs/QFs outside the ~~Territory~~territory of PEF shall be measured as the quantities scheduled for interchange to PEF by the entity delivering Firm Capacity and Energy to PEF.

For the purpose of this ~~Schedule~~Contract, the on-peak hours shall be those hours occurring April 1 through October 31, from 11:00 a.m. to 10:00 p.m., and November 1 through March 31, from 6:00 a.m. to 12:00 noon and 5:00 p.m. to 10:00 p.m. prevailing Eastern time. PEF shall have the right to change such On-Peak Hours by providing the REP/QF a minimum of thirty calendar days' advance written notice.

BILLING OPTIONS

A REP/QF, upon entering into a ~~Renewable or Qualifying Facility Standard Offer~~this Contract for the sale of firm capacity and energy or prior to delivery of as-available energy, may elect to make either simultaneous purchases from and sales to PEF, or net sales to PEF; provided, however, that no such arrangement shall cause the REP/QF to sell more than the Facility's net output. A decision on billing methods may only be changed: 1) when a REP/QF selling as-available energy enters into a ~~Renewable or Qualifying Facility Standard Offer~~this Contract for the sale of firm capacity and energy; 2) when a ~~Renewable Standard Offer~~Contract expires or is lawfully terminated by either the REP/QF or PEF; 3) when the REP/QF is selling as-available energy and has not changed billing methods within the last twelve months; 4) when the election to change billing methods will not contravene the provisions of ~~rule~~FPSC Rule 25-17.0832 or a contract between the REP/QF and PEF.

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

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

CHARGES TO RENEWABLE ENERGY PROVIDER

The REP/QF shall be responsible for all applicable charges as currently approved or as they may be approved by the Florida Public Service Commission, including, but not limited to:

A. Retail Service Charges

The REP/QF shall be responsible for all FPSC approved charges for any retail service that may be provided by PEF. The REP/QF shall be billed \$74.42 monthly for the costs of meter reading, billing, and other administrative costs.

B. Interconnection Charge for Non-Variable Utility Expenses

The REP/QF shall bear the cost required for interconnection, including the metering. The REP/QF shall have the option of (i) payment in full for the interconnection costs including the time value of money during the construction of the interconnection facilities and providing a surety bond, ~~letter~~ Letter of credit ~~Credit~~ or comparable assurance of payment acceptable to PEF adequate to cover the interconnection cost estimates, (ii) payment of monthly invoices from PEF for actual costs progressively incurred by PEF in installing the interconnection facilities, or (iii) upon a showing of credit worthiness, making equal monthly installment payments over a period no longer than thirty six (36) months toward the full cost of interconnection. In the latter case, PEF shall assess 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.

C. Interconnection Charge for Variable Utility Expenses

The REP/QF shall be billed monthly for the variable utility expenses associated with the operation, maintenance and repair of the interconnection facilities. These include (a) PEF's inspections of the interconnection facilities and (b) maintenance of any equipment beyond that which would be required to provide normal electric service to the REP/QF if no sales to PEF were involved.

The REP/QF may pay a monthly charge equal to a percentage of the installed cost of the interconnection facilities. This monthly rate is stated in the Agreement for the Purchase of As-Available Energy and/or Parallel Operation With a Qualifying Facility as filed with the Florida Public Service Commission and may be amended periodically. The current rate is 0.5% per month of the installed cost of the interconnection facilities.

D. ~~Interconnection Charge for REP Locating North of Central Florida Substation~~

~~For a REP with a Facility located north of the latitude of PEF's Central Florida Substation, PEF shall perform a study, at REP's expense, to determine the extent to which the amount of power PEF can import over the Florida Southern Interface is diminished by the location of the Facility north of the Central Florida Substation. REP shall reimburse PEF for the costs of acquiring import capability to replace that amount of capability lost as a result of the location of the Facility.~~



Progress Energy

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ORIGINAL SHEET NO. 9.968

| ISSUED BY: Lori J. Cross, Manager, Utility Regulatory Planning Javier J. Portuondo, Manager, Regulatory Services—Florida
EFFECTIVE:

TERMS OF SERVICE

- A. It shall be the REP's/QF's responsibility to inform PEF of any change in its electric generation capability.
- B. Any electric service delivered by PEF to a REP/QF located in PEF's service area shall be subject to the following terms and conditions:
- (1) A REP/QF shall be metered separately and billed under the applicable retail rate schedule(s), whose terms and conditions shall pertain.
 - (2) A security deposit will be required in accordance with FPSC Rules 25-17.082(5) and 25-6.097, F.A.C., and the following:
 - (i) In the first year of operation, the security deposit should be based upon the singular month in which the REP's/QF's projected purchases from PEF exceed, by the greatest amount, PEF's estimated purchases from the REP-/QF. The security deposit should be equal to twice the amount of the difference estimated for that month. The deposit is required upon interconnection.
 - (ii) For each year thereafter, a review of the actual sales and purchases between the REP/QF and PEF will be conducted to determine the actual month of maximum difference. The security deposit should be adjusted to equal twice the greatest amount by which the actual monthly purchases by the REP/QF exceed the actual sales in PEF in that month.
 - (3) PEF shall specify the point of interconnection and voltage level.
 - (4) The REP/QF must enter into an interconnection to PEF's system. Specific features of the REP/QF and its interconnection to PEF's facilities will be considered by PEF in preparing the interconnection agreement.
- C. Service under this rate schedule is subject to the rules and regulations of the FPSC.

**SCHEDULE 1
TO RATE SCHEDULE REN-CC****CALCULATION OF VALUE OF DEFERRAL PAYMENTS****APPLICABILITY**

This Schedule 1 provides a detailed description of the methodology used by PEF to calculate the monthly values of deferring or avoiding ~~PEF's the~~ Avoided Unit identified in ~~Schedule REN-the~~ Contract. When used in conjunction with the current FPSC-approved cost parameters associated with ~~PEF's the~~ Avoided Unit contained in Schedule 2, a REP/QF may determine the applicable value of deferral capacity payment rate associated with the timing and operation of its particular facility should the REP/QF enter into a ~~Renewable or Qualifying Facility Standard Offer~~ Contract with PEF.

Also contained in this Schedule 1 is the discussion of the types and forms of surety bond requirements or equivalent assurance for payment of the Termination Fee acceptable to PEF in the event of contractual default by a REP/QF.

CALCULATION OF VALUE OF DEFERRAL OPTION A

FPSC Rule 25-17.0832(5) specifies that avoided capacity costs, in dollars per kilowatt per month, associated with capacity sold to a utility by a REP/QF pursuant to ~~PEF's Renewable or Qualifying Facility Standard Offer~~ Contract shall be defined as the year-by-year value of deferral of ~~PEF's the~~ Avoided Unit. The year-by-year value of deferral shall be the difference in revenue requirements associated with deferring ~~PEF's the~~ Avoided Unit one year, and shall be calculated as follows:

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

Where, for a one year deferral:

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

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

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

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

to the construction for PEF's the Avoided Unit which 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 PEF's the Avoided Unit;
- i_p = annual escalation rate associated with the plant cost of PEF's the Avoided Unit(s);
- i_o = annual escalation rate associated with the operation and maintenance expense of PEF's the Avoided Unit(s);
- r = annual discount rate, defined as the utility's incremental after-tax cost of capital;
- L = expected life of PEF's the Avoided Unit(s); and
- n = year for which ~~PEF's the Avoided Unit(s) (are) is~~ deferred starting with ~~its (their) original anticipated in-service date(s)~~ the Avoided Unit In-Service Date and ending with the ~~termination of PEF's Renewable or Qualifying Facility Standard Offer Contract~~ Termination Date.

CALCULATION OF FIXED VALUE OF DEFERRAL PAYMENTS - EARLY CAPACITY-OPTION B

Under the fixed value of deferral Option A, payments for firm capacity shall not commence until the in-service date of PEF's the Avoided unit(s). At the option of the REP/QF, however, PEF may begin making payments for capacity consisting of the capital cost component of the value of a year-by-year deferral of PEF's the Avoided Unit ~~starting as early as three years prior to the anticipated in-service date of PEF's the Avoided Unit.~~ When such payments for capacity are elected, the avoided capital cost component of ~~capacity payments~~ Capacity Payments shall be paid monthly commencing no earlier than the Capacity Delivery Date of the REP/QF, and shall be calculated as follows:

$$A_M = [A_c (1 + i_p)^{(m-1)} + A_o (1 + i_o)^{(m-1)}] / 12 \quad \text{for } m = 1 \text{ to } t$$

Where:

- A_M = monthly payments to be made to the REP/QF for each month of the contract year n , in dollars per kilowatt per month in which REP/QF delivers capacity pursuant to the early capacity option;

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

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

m = year for which the fixed value of deferral payments under the early capacity option are made to a REP/QF, starting in year one and ending in the year t;

t = the ~~term~~Term, in years, of the ~~Renewable or Qualifying Facility Standard Offer Contract~~:

$$A_c = F [(1 - R) / (1 - R^t)]$$

Where:

F = the cumulative present value, in the year that the contractual payments will begin, of the avoided capital cost component of ~~capacity payments~~Capacity Payments which would have been made had ~~capacity payments~~Capacity Payments commenced with the ~~anticipated in-service date of PEF's Avoided Unit(s) In-Service Date~~;

$$R = (1 + i_p) / (1 + r)$$

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

$$A_0 = G [(1 - R) / (1 - R^t)]$$

Where:

G = The cumulative present value, in the year that the contractual payments will begin, of the avoided fixed operation and maintenance expense component of ~~capacity payments~~Capacity Payments which would have been made had ~~capacity payments~~Capacity Payments commenced with the ~~anticipated in-service date of PEF's Avoided Unit(a) In-Service Date~~.

$$R = (1 + i_0) / (1 + r)$$

The currently approved parameters applicable to the formulas above are found in Schedule 2.

**CALCULATION OF FIXED VALUE OF DEFERRAL PAYMENTS -
LEVELIZED AND EARLY LEVELIZED CAPACITY - OPTION C & OPTION D,
RESPECTIVELY**



Monthly fixed value of deferral payments for levelized and early levelized capacity shall be calculated as follows:

$$P_L = (F / 12) \cdot [r / 1 - (1 + r)^{-t}] + O$$

Where:

- P_L = the monthly levelized capacity payment, starting on or prior to the in-service date of PEF's Avoided Unit(s);
- F = the cumulative present value, in the year that the contractual payments will begin, of the avoided capital cost component of the ~~capacity payments~~ Capacity Payments which would have been made had the ~~capacity payments~~ Capacity Payments not been levelized;
- r = the annual discount rate, defined as PEF's incremental after-tax cost of capital;
- t = the ~~term~~ Term, in years of the ~~Renewable or Qualifying Facility Standard Offer Contract~~
- O = the monthly fixed operation and maintenance component of the ~~capacity payments~~ Capacity Payments, calculated in accordance with calculation of the fixed value of deferral payments for the levelized capacity or the early levelized capacity options.

RISK-RELATED GUARANTEES

With the exception of governmental solid waste facilities covered by FPSC Rule 25-17.091, FPSC Rule 25-17.0832 paragraph (4)(e)10 requires that, when fixed value or deferral payments - early capacity, levelized capacity, or early levelized capacity are elected, the REP/QF must provide a surety bond or equivalent assurance of securing the payment of a Termination Fee in the event the REP/QF is unable to meet the terms and conditions of its ~~Renewable or Qualifying Facility Standard Offer Contract~~. Depending on the nature of the REP's/QF's operation, financial health and solvency, and its ability to meet the terms and conditions of PEF's ~~Renewable or Qualifying Facility Standard Offer~~ the Contract, one of the following may constitute an equivalent assurance of payment:

- (1) Bond;
- (2) Cash deposit(s) with PEF;
- (3) Unconditional, irrevocable, direct pay ~~letter~~ Letter of credit Credit;
- (4) Unsecured promise by a municipal, county or state government to repay payment for early or levelized capacity in the event of default, in conjunction with a legally binding commitment from such government allowing the utility to levy a surcharge on either the electric bills of the government's electricity consuming facilities or the constituent electric customers of such government to assure that payments for early or levelized capacity are repaid;
- (5) Unsecured promise by a privately-owned REP/QF to repay payments for early or levelized capacity in the event of default, in conjunction with a legally binding commitment from the owner(s) of the REP/QF, parent

- company, and/or subsidiary companies located in Florida to assure that payments for early, levelized or early levelized capacity are repaid; or
- (6) Other guarantees acceptable to PEF.



PEF will cooperate with each REP/QF applying for fixed value of deferral payments under the early, levelized or early levelized capacity options to determine the exact form of an "equivalent assurance" for payment of the Termination Fee to be required based on the particular aspects of the REP-/QF. PEF will endeavor to accommodate an equivalent assurance of repayment which is in the best interests of both the REP/QF and PEF's ratepayers.

**SCHEDULE 2
TO RATE SCHEDULE REN-CC
CAPACITY OPTION PARAMETERS**

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

Where, for one year deferral:

		<u>Value</u>
VAC_m	= PEF's value of avoided capacity and O&M, in dollars per kilowatt per month, during month m;	\$4.0263
K	= present value of carrying charges for one dollar of investment over L years with carrying charges computed using average annual rate base and assumed to be paid at the middle of each year and present valued to the middle of the first year;	1.414539
I_n	= total direct and indirect cost, in mid-year dollars per kilowatt including AFUDC but excluding CWIP, of PEF's <u>the</u> Avoided Unit with an in-service date of year n;	\$435.084 0.48
O_n	= total fixed operation and maintenance expense, for the year n, in mid-year dollars per kilowatt per year, of PEF's <u>the</u> Avoided Unit;	\$4.8859
i_p	= annual escalation rate associated with the plant cost of PEF's <u>the</u> Avoided Unit;	2.5%
i_o	= annual escalation rate associated with the operation and maintenance expense of PEF's <u>the</u> Avoided Unit;	2.5%
r	= annual discount rate, defined as PEF's incremental after-tax cost of capital;	8.1089%
L	= expected life of PEF's <u>the</u> Avoided Unit;	25
n	= year for which PEF's <u>the</u> Avoided Unit is deferred starting with its original anticipated in-service date <u>the</u> Avoided Unit In-Service Date and ending with the termination of the Renewable or Qualifying Facility Standard Offer Contract <u>Termination Date</u> .	2009

FIXED VALUE OF DEFERRAL PAYMENTS - EARLY CAPACITY OPTION PARAMETERS

A_m	=	monthly avoided capital cost component of capacity payments <u>Capacity Payments</u> to be made to the REP/QF starting as early as <u>one</u> two years prior to the anticipated in-service date of PEF's <u>Avoided Unit In-Service Date</u> , in dollars per kilowatt per month;	\$2.703 .4 4
i_p	=	annual escalation rate associated with the plant cost of PEF's the <u>Avoided Unit</u> ;	2.5%
n	=	year for which early capacity payments <u>Capacity Payments</u> to a REP/QF are to begin;	2007
F	=	the cumulative present value of the avoided capital cost component of capacity payments <u>Capacity Payments</u> which would have been made had capacity payments <u>Capacity Payments</u> commenced with the anticipated in-service date of PEF's the <u>Avoided Unit</u> and continued for a period of 10 years;	\$273.153 05.58
r	=	annual discount rate, defined as PEF's incremental after-tax cost of capital;	8.1089%
t	=	the term <u>Term</u> , in years, of the Renewable or Qualifying Facility Standard Offer Contract for the purchase of firm capacity commencing prior to the in-service date of PEF's the <u>Avoided Unit</u> ;	12
G	=	the cumulative present value of the avoided fixed operation and maintenance expense component of capacity payments <u>Capacity Payments</u> which would have been made had capacity payments <u>Capacity Payments</u> commenced with the anticipated in-service date of PEF's the <u>Avoided Unit</u> and continued for a period of 5 years until the Termination Date.	\$30.762 7 .47

APPENDIX E
FPSC RULES 25-17.080 THROUGH 25-17.091
ARE PROVIDED IN SECTION VIII
ON THIS TARIFF BOOK