



R. ALEXANDER GLENN
DEPUTY GENERAL COUNSEL
PROGRESS ENERGY SERVICE COMPANY, LLC

October 25, 2005

VIA HAND DELIVERY

Ms. Blanca S. Bayó, Director
Division of the 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; **Docket No. 050807-EQ**

Dear Ms. Bayó:

Enclosed for filing on behalf of Progress Energy Florida, Inc. ("PEF") are an original and seven (7) copies of PEF's revised Renewable Energy Tariff. Please replace this revised version with what was previously filed on October 14, 2005.

Please acknowledge your receipt of the above filing on the enclosed copy of this letter and return to the undersigned. Thank you for your assistance in this matter.

Respectfully yours,

/s/ R. Alexander Glenn

R. Alexander Glenn

*Original Tariffs forwarded
RAG/lms to ECR
Attachment*

DOCUMENT NUMBER-DATE

100 Central Avenue (33701) □ Post Office Box 14042 (33733) □ St. Petersburg, Florida
Phone: 727.820.5587 □ Fax: 727.820.5519 □ Email: alex.glenn@pgnmail.com

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CONTRACT FOR THE PURCHASE OF FIRM CAPACITY
AND ENERGY FROM A RENEWABLE ENERGY PRODUCER

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SECTION NO. IX
ORIGINAL SHEET NO. 9.911

CONTRACT FOR THE PURCHASE OF FIRM CAPACITY
AND ENERGY FROM A RENEWABLE ENERGY PRODUCER

between

and

PROGRESS ENERGY FLORIDA

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**CONTRACT FOR THE PURCHASE OF FIRM CAPACITY
AND ENERGY FROM A RENEWABLE ENERGY PRODUCER**

THIS 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 Date"), by and between _____ (hereinafter "the REP"), and Progress Energy Florida (hereinafter "PEF"), a private utility corporation organized and existing under the laws of the State of Florida. The REP 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; and Appendix D: Florida Public Service Commission ("FPSC") Rules 25-17.080 through 25-17.091, F.A.C.

WITNESSETH:

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

WHEREAS, the REP 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 assumes contractual responsibility to make any and all transmission-related arrangements (including ancillary services) between the REP 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; and

WHEREAS, the REP 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. Facility; Renewable 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 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 failure to complete the foregoing table in its entirety shall render this Contract null and void and of no further effect.

The Facility must 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. The REP shall use the same fuel or energy source 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 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 that PEF deems

necessary to verify the Facility's renewable status. On or before March 31 of each year during the term of this Contract, the REP shall provide to PEF a certificate signed by an officer of the REP certifying that the REP continuously produced energy from a source listed in this section during the prior calendar year.

2. 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. November 30, 2019, 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 before December 1, 2009 (or such later date as may be permitted by PEF pursuant to Section 5), PEF's obligations under this Contract shall be rendered of no force and effect.

3. Minimum Specifications

As required by FPSC Rule 25-17.0832(a), below are the minimum specifications pertaining to this Contract:

- a. The avoided unit ("Avoided Unit") on which this Contract is based is a 20 MW portion of a 528 MW combined cycle unit with an in-service date of December 1, 2009.
- b. The total Committed Capacity needed to fully subscribe the Avoided Unit is 20 MW (the "Subscription Limit").
- ~~b.c.~~ The date by which firm capacity and energy deliveries from the REP to PEF shall commence is December 1, 2009 unless the Facility chooses capacity payments under Options B, C, or D of Rate Schedule COG-2, pursuant to the terms of this Contract.
- ~~e.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.
- ~~d.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.

4. Sale of Electricity by the REP

- 4.1 Consistent with the terms hereof, the REP shall sell to PEF and PEF shall purchase from the REP 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 to sell more than the Facility's net output. The billing methodology may be changed at the option of the REP, subject to the provisions of PEF Rate Schedule COG-2.

4.2 Ownership and Offering For Sale Of Renewable Energy Attributes

- a. The REP shall retain any and all rights to own and to sell any and all 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 RECs; and (ii) the REP shall not sell RECs to any party at a price less than that charged by PEF.
- b. Notwithstanding the provisions of the foregoing Section 4.2 a), in the event that the REP wishes to sell RECs to another party at a price less than that already contracted for by PEF, the REP may proceed with such sale so long as (i) the price paid by PEF for any and all future purchases of RECs from the REP shall be adjusted to be equal to the lowest price at which the REP agrees to sell RECs to another party; and (ii) the REP shall refund to PEF the amount by which any past PEF purchases of RECs from the REP exceeds the lowest price that the REP agrees to charge another buyer.

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

4.4 The REP 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 shall enter into a transmission service agreement with the utility in whose service territory the Facility is to be located and the REP shall make any and all transmission-related arrangements (including ancillary services) between the REP 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 hereunder do not include transmission losses. The REP shall be responsible for transmission losses that occur prior to the point at which the REP's energy is delivered to PEF. The Parties recognize that the transmission provider may be PEF and that the transmission service will be provided under a separate agreement.

5. Committed Capacity/Capacity Delivery Date

5.1 In the event that the REP 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 5.2 shall be zero (0) MW. If the Committed Capacity is zero (0) MW, Sections 5.2 through Section 5.8 and all of Section 6 shall not apply.

- 5.2 The REP commits to sell capacity to PEF, the amount of which shall be determined in accordance with this Section 5 and PEF's approved Rate Schedule COG-2 (the "Committed Capacity"). Subject to Section 5.4, the Committed Capacity is set at _____ kW, with an expected Capacity Delivery Date of December 1, 2009.
- 5.3 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 6. The Demonstration Period for the first Committed Capacity Test shall commence no earlier than January 1, 2007 and testing must be completed by 11:59 p.m., November 30, 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 5.2. Subject to Section 6.1, the REP 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 In addition to the first Committed Capacity Test, PEF shall have the right to require the REP, 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 5.2.
- 5.5 Notwithstanding anything contrary to the terms hereof, the Committed Capacity may not exceed the amount set forth in Section 5.2 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.
- 5.7 In no event shall PEF make capacity payments to the REP prior to the Capacity Delivery Date
- 5.8 The REP shall be entitled to receive capacity payments beginning on the Capacity Delivery Date, provided the Capacity Delivery Date occurs on or after January 1, 2007 and on or before December 1, 2009 (or such later date permitted by PEF pursuant to the following sentence). If the Capacity Delivery Date does not occur on or before December 1, 2009, PEF shall immediately be entitled to draw down the Completion/Performance security in full.

6. Testing Procedures

- 6.1 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 REF 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.
- 6.2 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 pursuant to Section 6.1 or at such time requested by PEF pursuant to Section 5.4; 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.
- 6.3 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.
- 6.4 The Capacity of the Facility (the "Capacity") shall be the minimum average hourly net capacity (generator output minus auxiliary) measured over the Committed Capacity Test Period.
- 6.5 The Committed Capacity Test shall be performed according to standard industry testing procedures for the appropriate technology of the REP.
- 6.6 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 within seven (7) calendar days of the conclusion of the Committed Capacity Test. The REP shall certify that all such data is accurate and complete.

7. Payment for Electricity Produced by the Facility

7.1 Energy

PEF agrees to pay the REP 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 5.1 is set to zero. If the Committed Capacity is greater than zero MW, then PEF agrees to pay the REP 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-2, 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 COG-2 whichever applies as approved and on file with the FPSC.

PEF may, at its option, limit deliveries under this Renewable Standard Offer Contract to 110% of the Committed Capacity as set forth in Section 5. 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 COG-1 and shall not be included in the calculations in Appendix A hereto.

7.2 Capacity

PEF agrees to pay the REP for the Capacity described in Section 5 in accordance with the rates and procedures contained in Rate Schedule COG-2, 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. The REP understands and agrees that Capacity payments will only be made under Option B, Option C, or Option D of Rate Schedule COG-2 if the REP has achieved the Capacity Delivery Date and is delivering firm capacity and energy to PEF. Once so selected, this option cannot be changed for the term of this Contract.

7.3 Payments for Energy and Capacity

Payments due the REP 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 and the applicable avoided energy rate at which payments are being made shall accompany the payment to the REP.

8. Electricity Production and Plant Maintenance Schedule

- 8.1** 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 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.
- 8.2** By October 31 of each calendar year, PEF shall notify the REP 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 of the time period closest to the requested period(s) when the outage(s) can be scheduled. The REP 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 February 28 (or 29th as the case may be).

- 8.3 The REP 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.
- 8.4 The Parties recognize that the intent of the availability factor in Section 3 of this Contract is an allowance for scheduled outages, forced outages and forced reductions in the output of the Facility. Therefore, the REP 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 is required to provide the total electrical output to PEF except (i) during a period that was scheduled in Section 8.2, (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 8.5.5. In the event that the REP does not deliver its full electrical output to PEF during an hour not excluded in the previous sentence then the REP 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 requires it to cease operation or reduce its output, the charges in this Section 8.4 may be waived.

8.5 Dispatch and Control

- 8.5.1 Power supplied by the REP 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.
- 8.5.2 The REP 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 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 facilities shall meet IEEE and industry standards. The REP 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.

- 8.5.3** If the Facility is separated from the PEF system for any reason, under no circumstances shall the REP reconnect the Facility to PEF's system without first obtaining PEF'S specific approval.
- 8.5.4** During the term of this Contract, the REP shall employ qualified personnel for managing, operating and maintaining the Facility and for coordinating such with PEF. The REP 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 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.
- 8.5.5** 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.
- 8.5.6** During the term of this Contract, the REP 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 shall demonstrate this capability to PEF's reasonable satisfaction. During the term of this Contract, the REP'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 output is affected by a Force Majeure event.

9. Completion/Performance Security

- 9.1** As security for the achievement of the Capacity Delivery Date and satisfactory performance of its obligations hereunder, the REP 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 REP shall be required to monitor the financial condition of the issuer(s) in the event any letter of credit is provided by the REP. In the event the senior debt rating of any issuer(s) has deteriorated to a level below investment grade, PEF may require the REP 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 REP of the requirement to replace. Failure by the REP to comply with the requirements of this Section 9.2 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.
- 9.3** 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.
- 9.4** If an Event of Default has not occurred and the REP fails to achieve the Capacity Delivery Date on or before December 1, 2009, 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 December 1, 2009, then the REP 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 5.2).
- 9.6** In the event that PEF requires the REP to perform one or more Committed Capacity Test(s) at any time pursuant to Section 5.4 and, in connection with any such Committed Capacity Test(s), the REP fails to demonstrate a Capacity of at least one-hundred percent (100%) of the Committed Capacity set forth in Section 5.2, 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.

10. Termination Fee

10.1 In the event that the REP receives capacity payments pursuant to Option B, Option C, or Option D of Rate Schedule COG-2, then upon the termination of this Contract, the REP 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 obligation to pay the Termination Fee shall survive the termination of this Contract. PEF shall provide the REP, on a monthly basis, a calculation of the Termination Fee.

10.1.1 The Termination Fee shall be secured by the REP 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 for purposes of this Contract is:

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

10.1.2 PEF shall have the right and the REP 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 to replace the letter(s) of credit or the bond, as applicable. In the event that PEF notifies the REP 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 10.1.1 within thirty (30) calendar days following such notification. Failure by the REP to comply with the requirements of this Section 10.1.2 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.

10.1.3 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 10.1, the REP 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 shall be obligated to deliver within five (5) calendar days of such request, such Security Documentation. Failure by the REP to comply with the requirements of this Section 10.1.3 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.

10.1.4 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.

11. Performance Factor

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

12. Default

Notwithstanding the occurrence of any Force Majeure as described in Section 16, each of the following shall constitute an Event of Default:

- (a) The REP changes or modifies the Facility from that provided in Section 1 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 percent (70%);
- (c) The REP 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 8.5.6 hereof;
- (d) The REP fails to provide the Completion and Performance Security and the Termination Fee and to comply with any of the provisions of Sections 9 and 10 hereof;
- (e) The REP, or the entity which owns or controls the REP, 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 or the entity which owns or controls the REP; or if a receiver shall be appointed for the REP or any of its assets or properties, or for the entity which owns or controls the REP; or if any part of the REP'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 shall make an assignment for the benefit of creditors, or admit in writing its inability to pay its debts as they become due;

- (g) The REP 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;
- (h) The REP 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 December 1, 2008;
- (i) The REP fails to comply with the provisions of Section 18.3 hereof;
- (j) Any of the representations or warranties made by the REP in this Contract is false or misleading in any material respect as of the time made;
- (k) If, at any time after the Capacity Delivery Date, the REP 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 5.2 (as such level may be reduced by Section 5.4) within twelve (12) months following the occurrence of such event of Force Majeure;
- (l) The REP breaches any material provision of this Contract not specifically mentioned in this Section 12.

13. PEF's Rights in the Event of Default

- 13.1 Upon the occurrence of any of the Events of Default in Section 12, PEF may, at its option:
 - 13.1.1 Terminate this Contract, without penalty or further obligation, except as set forth in Section 13.2, by written notice to the REP, and offset against any payment(s) due from PEF to the REP, any monies otherwise due from the REP to PEF;
 - 13.1.2 Enforce the provisions of the Termination Security requirement pursuant to Section 10 hereof;
 - 13.1.3 Exercise any other remedy(ies) which may be available to PEF at law or in equity.
- 13.2 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.

14. Indemnification

14.1 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.

14.2 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. No Indemnified Party under Section 14 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 14 in the event of a breach of the foregoing sentence by the Indemnified Party. Section 14 shall survive termination of this Agreement.

15 Insurance

15.1 The REP 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 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 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 equipment or by the REP's failure to maintain the Facility or the REP'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 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 Insurance must be reasonably acceptable to PEF. Any premium assessment or deductible shall be for the account of the REP and not PEF.

- 15.2** The REP 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.
- 15.3** To the extent that the REP 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 Entities. Furthermore, to the extent the REP Insurance is on a "claims made" basis, the REP'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 Insurance is on an "occurrence" basis, such insurance shall be maintained in effect at all times by the REP during the term of this Contract.
- 15.4** The REP 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 shall provide PEF with a copy of any material communication or notice related to the REP Insurance within ten (10) business days of the REP's receipt or issuance thereof.
- 15.5** The REP shall be designated as the named insured and PEF shall be designated as an additional named insured under the REP Insurance. The REP Insurance shall be endorsed to be primary to any coverage maintained by PEF.

16. Force Majeure

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 or its contractors or suppliers. 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 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 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 can conclusively demonstrate, to the reasonable satisfaction of PEF, that the event was not reasonably foreseeable, was beyond the REP's reasonable control and was not caused by the negligence or lack of due diligence of the REP or its agents, contractors or suppliers.

- 16.1** 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** 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 therefor 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.
- 16.3** 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** If the REP suffers an occurrence of an event of Force Majeure that reduces the generating capability of the Facility below the Committed Capacity, the REP may, upon notice to PEF temporarily adjust the Committed Capacity as provided in Sections 16.5 and 16.6. 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. Furthermore, such adjustment shall be the minimum amount necessitated by the event of Force Majeure.
- 16.5** If the Facility is rendered completely inoperative as a result of Force Majeure, the REP 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.
- 16.6** 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 shall temporarily set

the Committed Capacity at the maximum capability that the Facility can reasonably be expected to operate.

- 16.7 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 16.7. Any Committed Capacity Test required by PEF under this Section shall be additional to any Committed Capacity Test under Section 5.4.
- 16.8 During the occurrence of an event of Force Majeure and a reduction in Committed Capacity under Section 16.4 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.
- 16.9 The REP 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, its agents, or Force Majeure events affecting the REP, 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.

17. Representations, Warranties, and Covenants of REP

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

17.1 Organization, Standing and Qualification

The REP 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 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.

17.2 Due Authorization, No Approvals, No Defaults

Each of the execution, delivery and performance by the REP of this Contract has been duly authorized by all necessary action on the part of the REP, does not

require any approval, except as has been heretofore obtained, of the _____ (shareholders, partners, or others, as applicable) of the REP or any consent of or approval from any trustee, lessor or holder of any indebtedness or other obligation of the REP, 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, or any agreement, judgment, injunction, order, decree or other instrument binding upon the REP, or subject the Facility or any component part thereof to any lien other than as contemplated or permitted by this Contract.

17.3 Compliance with Laws

The REP has knowledge of all laws and business practices that must be followed in performing its obligations under this Contract. The REP 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 or PEF.

17.4 Governmental Approvals

Except as expressly contemplated herein, neither the execution and delivery by the REP of this Contract, nor the consummation by the REP 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 has no reason to believe that the same will not be readily obtainable in the ordinary course of business upon due application therefore).

17.5 No Suits, Proceedings

There are no actions, suits, proceedings or investigations pending or, to the knowledge of the REP, 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 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 has no knowledge of a violation or default with respect to any law which could result in any such materially adverse effect or impairment.

17.6 Environmental Matters

To the best of its knowledge after diligent inquiry, the REP 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.

18. General Provisions

18.1 Project Viability

To assist PEF in assessing the REP's financial and technical viability, the REP 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.

18.2 Permits

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

18.3 Project Management

If requested by PEF, the REP 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 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 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.

18.4 Assignment

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

18.5 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 or any assigns of this Contract.

18.6 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:

For PEF:

Florida Power Corporation
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 of the Renewable 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' 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

18.7 Applicable Law

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

18.8 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 for Capacity under Options B, C, or D of the Rate Schedule COG-2 are not fully deductible when paid (additional tax liability), PEF may bill the REP 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 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.

18.10 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.

18.11 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 Survival of Contract

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 Record Retention

The REP agrees to 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 Entities to retain for the same period all such records.

18.14 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 waiver 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 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 against sums due to the REP hereunder without undergoing any legal process.



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

REP

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 following:

- A. In the event that the Annual Capacity Billing Factor ("ACBF"), as defined below, is less than 50%, 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 50% but less than 89%, then the Monthly Capacity Payment shall be calculated by using the following formula:

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

- 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:

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

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 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 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 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.

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.

**APPENDIX B
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:

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

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)
- r = PEF's incremental after-tax avoided cost of capital (defined as r in COG-2).
- MCP_i = Monthly Capacity Payment paid to REP 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 COG-2.

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 A is less than 50%, 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 50% 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 (ACBF), 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 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

Each eligible Contract received by PEF will be evaluated to determine if the underlying REP project is financially and technically viable. The REP 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.

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