

090537-EQ

Exhibit B

REDACTED

COM _____
APA _____
ECR _____
GCL _____
RAD _____
SSC _____
ADM _____
OPC _____
CLK _____

DOCUMENT NUMBER - DATE

01365 MAR-19

FPSC - COMMISSION CLERK

- July 1, 2012 – Stipulated Commercial Operations Date.
- September 28, 2012 – Delay Damages begin if Commercial Operations have not been achieved.
- December 27, 2012 – PEF has the right to terminate the agreement if Commercial Operation has not been achieved.
- January 1, 2013 – first annual payment rate increase.
- June 30, 2032 – contract terminates.

Q4. The contract does not appear to contain any provisions for early payment. What conditions must exist between the parties in order for early payments to be made?

Answer: BG&E will be paid at PEF's As-Available rate for energy delivered before the Commercial Operations Date as stated in Section 3.3.5. Section 8.1 provides that BG&E will be paid at the negotiated rate beginning on the Commercial Operations Date.

Q5. Please explain how PEF will recover the interest payable to BG&E under Article 8.2.2 of the contract, if it becomes necessary to pay such interest?

Answer: PEF would recover any interest payable to BG&E under Article 8.2.2 through the Fuel Adjustment Clause and the Capacity Cost Recovery Clause, subject to PSC review.

Q6. Has BG&E obtained a fuel supply contract? If so, with whom? What are the terms and duration of the contract?

Answer: BG&E has entered into a number of Memorandums of Understanding ("MOUs") for fuel and continues to work on more. They are:

- MOU with [REDACTED] for approximately [REDACTED] tons per year of mixed materials of low economic value to consist of understory, mixed trees and small diameter pines as is standing on [REDACTED] at \$ [REDACTED] per green ton and for a period of [REDACTED] years with renewals.
- MOU with [REDACTED] to harvest, chip and deliver up to [REDACTED] tons per year of mixed materials of low economic value from the [REDACTED] purchase at a current cost of \$ [REDACTED] to \$ [REDACTED] per ton with delivery of 20 miles. Another MOU with [REDACTED] provides for up to an additional [REDACTED] tons per year of chipped tops, limbs, branches, land clearing and forest maintenance materials and delivered to the BG&E project site at \$ [REDACTED] to \$ [REDACTED] per ton. Both MOUs with [REDACTED] are for [REDACTED] years with renewals.

DOCUMENT NUMBER-DATE

01365 MAR-1² Page

FPSC-COMMISSION CLERK

- MOU with [REDACTED] to harvest, chip and deliver up to [REDACTED] tons per year of mixed materials of low economic value from the [REDACTED] purchase at a current cost of \$ [REDACTED] to \$ [REDACTED] per ton with delivery of [REDACTED] miles. Another MOU with [REDACTED] is for up to [REDACTED] tons per year of chipped tops, limbs and branches from area forest operations and delivered to the BG&E project site at \$ [REDACTED] per ton. Both MOUs with [REDACTED] are for [REDACTED] years with renewals.
- MOU with [REDACTED] to provide a supply of up to [REDACTED] tons per year of 3 inch diameter wood minus dirty chips (limbs, leaves, stumps, bark, etc) at a delivered cost not to exceed \$ [REDACTED] per ton and for a period of [REDACTED] years with renewals.
- MOU with [REDACTED] to provide a supply of up to [REDACTED] tons per year of 3 inch diameter wood minus dirty chips, land clearing and land maintenance materials at a delivered cost of \$ [REDACTED] per ton and for a period of [REDACTED] years with renewals.
- MOU with [REDACTED], for the delivery by year [REDACTED] of plant operations of up to [REDACTED] dry tons per year of chipped to 3 inch diameter wood minus agricultural biomass to be grown and harvested in the proximity of [REDACTED] and delivered to the BG&E project at a cost of \$ [REDACTED] per bone dry ton. This MOU will be for [REDACTED] years with a [REDACTED] year renewal.
- BG&E plans on executing a [REDACTED] year forest service agreement with the [REDACTED] [REDACTED] that have been determined to have such significant infestation of understory and invasive trees as to provide no value for timber or habitat and now cause significant concern as to fire and future forest management absent the removal of substantially all the foreign, pest and non-conforming growth material. Current estimates are that this supply will average between [REDACTED] and [REDACTED] tons per year and will be harvested, chipped and delivered by third party service providers in conjunction with additional forest service contracting to improve forest access and forest maintenance to provide for complete restoration of these areas of [REDACTED]. Under this agreement, BG&E will agree to pay \$ [REDACTED] per delivered green ton to take all the material to be removed.

Q7. Has BG&E obtained a contract for a transmission provider?

Answer: The point of transmission has been identified and it is on the Progress Energy transmission grid. Application for transmission services has been made to Progress Energy along with the required deposit. A Facilities Study Agreement is currently underway.

Q8. In the event PEF were to terminate the contract pursuant to Article 11.4, what would it do with the monetary damages if those damages were in fact received from BG&E?

Answer: PEF would credit the damages back through the Fuel Adjustment Clause and the Capacity Cost Recovery Clause.

Q9. On page 4 of the petition, PEF states that it used the 2009 Ten Year Site Plan fuel forecast to calculate the NPV for the amended contract. For the years 2019 through 2032, what forecasted fuel prices did PEF use to calculate the NPV? Please explain.

Answer: PEF used a fuel forecast provided by the PIRA Energy Group through 2028. The forecasted price for years 2029 through 2032 are escalated at a fixed rate as shown in Question #10 below.

Q10. Please provide a complete copy of the fuel price forecast used to calculate the NPV for the entire term of the amended contract.

Answer:

	Henry Hub Natural Gas	Physical Basis FT Z3	Natural Gas Base Forecast
2012			
2013			
2014			
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			

[Redacted]

Question 13 - Table 1

Table 1: Comparison of Payments to BG&E and 2014 CT Avoided Costs

	Capacity: 45MW			Capacity Factor: 91%			Discount Rate: 8.48%			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	# of Months	Energy	Contract Energy & Capacity Payments	Contract Energy & Capacity Payments	Contract Cumulative Payments	Avoided Energy & Capacity Payments	Avoided Energy & Capacity Payments	Avoided Cumulative Payments	(7) - (4) Difference	(8) - (5) Cumulative Difference
		MWh	\$/MWh	\$000	\$000	\$/MWh	\$000	\$000	\$000	\$000
Year										
2011	0	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2012	6	180,836				\$ 83.24	\$ 15,052	\$ 15,052		
2013	12	358,723				\$ 85.40	\$ 30,635	\$ 45,687		
2014	12	358,723				\$ 92.22	\$ 33,082	\$ 78,769		
2015	12	358,723				\$ 101.89	\$ 36,549	\$ 115,317		
2016	12	359,706				\$ 96.44	\$ 34,690	\$ 150,007		
2017	12	358,723				\$ 89.71	\$ 32,181	\$ 182,188		
2018	12	358,723				\$ 90.54	\$ 32,479	\$ 214,667		
2019	12	358,723				\$ 92.27	\$ 33,100	\$ 247,767		
2020	12	359,706				\$ 94.51	\$ 33,995	\$ 281,762		
2021	12	358,723				\$ 99.44	\$ 35,670	\$ 317,432		
2022	12	358,723				\$ 102.88	\$ 36,907	\$ 354,339		
2023	12	358,723				\$ 107.52	\$ 38,569	\$ 392,909		
2024	12	359,706				\$ 106.20	\$ 38,200	\$ 431,109		
2025	12	358,723				\$ 112.05	\$ 40,196	\$ 471,305		
2026	12	358,723				\$ 116.14	\$ 41,662	\$ 512,967		
2027	12	358,723				\$ 122.86	\$ 44,072	\$ 557,039		
2028	12	359,706				\$ 123.65	\$ 44,479	\$ 601,517		
2029	12	358,723				\$ 126.91	\$ 45,527	\$ 647,045		
2030	12	358,723				\$ 130.21	\$ 46,709	\$ 693,754		
2031	12	358,723				\$ 133.55	\$ 47,909	\$ 741,663		
2032	6	178,870				\$ 131.55	\$ 23,530	\$ 765,193		
	NPV 2010\$			\$ 231,583			\$ 278,637		\$ 47,054	

Note: due to all in rate pricing for this contract, the table has been modified to include Capacity in all the payment streams.

Question 13 - Table 2

Table 2: Comparison of Original Contract and Amended Contract

	Original Capacity: 75MW		Amended Capacity : 45MW			Discount Rate: 8.48%				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Original Contract Energy	Original Contract Energy & Capacity Payments	Original Contract Energy & Capacity Payments	Original Contract Cumulative Payments	Amended Contract Energy	Amended Contract Energy & Capacity Payments	Amended Contract Energy & Capacity Payments	Amended Contract Cumulative Payments	(3) - (7) Difference Monthly	(4) - (8) Cumulative Difference
	MWh	\$/MWh	\$000	\$000	MWh	\$/MWh	\$000	\$000	\$000	\$000
Year										
2011	584,730				-					
2012	586,332				180,836					
2013	584,730				358,723					
2014	584,730				358,723					
2015	584,730				358,723					
2016	586,332				359,706					
2017	584,730				358,723					
2018	584,730				358,723					
2019	584,730				358,723					
2020	586,332				359,706					
2021	584,730				358,723					
2022	584,730				358,723					
2023	584,730				358,723					
2024	586,332				359,706					
2025	584,730				358,723					
2026	584,730				358,723					
2027	584,730				358,723					
2028	586,332				359,706					
2029	584,730				358,723					
2030	584,730				358,723					
2031				\$ 838,891	358,723					
2032				\$ 838,891	178,870					
	NPV 2010\$		\$ 305,504				\$ 231,583		\$ 73,921	

Note: due to all in rate pricing for this contract, the table has been modified to include Capacity in all the payment streams.

Question 13 - Table 3

Table 3: Comparison of Payments to BG&E and 2014 CT Avoided Costs

	Capacity: 45MW			Avoided Unit Capacity Factor: 7.6%				Discount Rate: 8.48%					
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
	# of Months	Contract Energy @ 91% CF MWh	Contract Energy & Capacity Payments \$/MWh	Contract Energy & Capacity Payments \$000	Contract Cumulative Payments \$000	45 MW of Avoided Unit @ CT CF of 7.6% MWh	Avoided Unit Energy Cost @ 7.6% CF \$000	(2) - (6) As Available Energy MWh	As Available Energy Cost \$000	Avoided Capacity Cost \$000	(7)+(9)+(10) Avoided Costs \$000	(11) - (4) Difference from Contract \$000	Cumulative Difference from Contract \$000
Year													
2012	6							180,836	\$ 15,052	\$ -	\$ 15,052		
2013	12							358,723	\$ 30,635	\$ -	\$ 30,635		
2014	12					17,476	\$ 2,262	341,247	\$ 28,613	\$ 3,003	\$ 33,878		
2015	12					29,959	\$ 4,208	328,764	\$ 28,568	\$ 5,352	\$ 38,128		
2016	12					29,959	\$ 4,314	329,747	\$ 26,697	\$ 5,556	\$ 36,568		
2017	12					29,959	\$ 4,422	328,764	\$ 24,191	\$ 5,772	\$ 34,385		
2018	12					29,959	\$ 4,539	328,764	\$ 24,270	\$ 5,988	\$ 34,797		
2019	12					29,959	\$ 4,580	328,764	\$ 24,625	\$ 6,216	\$ 35,421		
2020	12					29,959	\$ 4,652	329,747	\$ 25,236	\$ 6,456	\$ 36,344		
2021	12					29,959	\$ 4,710	328,764	\$ 26,521	\$ 6,708	\$ 37,939		
2022	12					29,959	\$ 4,799	328,764	\$ 27,430	\$ 6,960	\$ 39,189		
2023	12					29,959	\$ 4,912	328,764	\$ 28,701	\$ 7,236	\$ 40,850		
2024	12					29,959	\$ 5,026	329,747	\$ 28,123	\$ 7,512	\$ 40,660		
2025	12					29,959	\$ 5,151	328,764	\$ 29,673	\$ 7,800	\$ 42,624		
2026	12					29,959	\$ 5,272	328,764	\$ 30,736	\$ 8,100	\$ 44,108		
2027	12					29,959	\$ 5,372	328,764	\$ 32,658	\$ 8,412	\$ 46,442		
2028	12					29,959	\$ 5,497	329,747	\$ 32,748	\$ 8,736	\$ 46,981		
2029	12					29,959	\$ 5,609	328,764	\$ 33,385	\$ 9,072	\$ 48,065		
2030	12					29,959	\$ 5,723	328,764	\$ 34,136	\$ 9,432	\$ 49,290		
2031	12					29,959	\$ 5,839	328,764	\$ 34,904	\$ 9,792	\$ 50,535		
2032	6					14,980	\$ 2,979	163,890	\$ 17,791	\$ 5,088	\$ 25,859		
	NPV 2010\$			\$ 231,583			\$ 30,122		\$ 219,529	\$ 43,007	\$ 292,658	\$ 61,075	

Note: due to all in rate pricing for this contract, the table has been modified to include Capacity in all the payment streams.