

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of new standard offer contract for purchase of firm capacity and energy from renewable energy facilities or small qualifying facilities and approval of revised tariff schedule REF-1, by Gulf Power Company.

DOCKET NO. 130070-EQ
ORDER NO. PSC-13-0305-PAA-EQ
ISSUED: July 5, 2013

The following Commissioners participated in the disposition of this matter:

RONALD A. BRISÉ, Chairman
LISA POLAK EDGAR
ART GRAHAM
EDUARDO E. BALBIS
JULIE I. BROWN

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING
GULF POWER COMPANY'S
REVISED STANDARD OFFER CONTRACT

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission (Commission) that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

Case Background

Section 366.91(3), Florida Statutes (F.S.) requires that each investor-owned utility (IOU) continuously offer to purchase capacity and energy from renewable energy generators. Rules 25-17.200 through 25-17.310, Florida Administrative Code (F.A.C.) require each IOU to file with the Commission, by April 1 of each year, a standard offer contract based on the next avoidable generating unit or planned purchase. On April 1, 2013, Gulf Power Company (Gulf or Company) filed its petition for approval of a new standard offer contract for purchase of firm capacity and energy from renewable energy facilities or small qualifying facilities.

We have jurisdiction over this matter pursuant to Sections 366.04 through 366.06 and 366.91, F.S.

Decision

Rule 25-17.250, F.A.C., requires that Gulf, an IOU, continuously make available a standard offer contract for the purchase of firm capacity and energy from renewable generating facilities (RF) and small qualifying facilities (QF) with design capacities of 100 kilowatts (kW) or less. Pursuant to Rule 25-17.250(1), F.A.C., the standard offer contract must provide a term of at least ten years, and the payment terms must be based on the utility's next avoidable fossil-fueled generating unit identified in its most recent Ten-Year Site Plan or, if no avoided unit is identified, its next avoidable planned purchase.

Gulf's 2013 Ten-Year Site Plan does not include any avoidable fossil fueled generating units, nor are there any planned purchases to be avoided or deferred during the 2013-2022 planning period. As a result of this lack of any avoidable unit or purchase, Gulf could opt to offer only a standard contract for energy payments based on its as-available energy cost. However, in an effort to encourage renewable generation, Gulf has identified its next avoidable unit, which is a 803 megawatt (MW) natural gas-fired combined cycle (CC) unit with a projected in-service date of June 1, 2023.

Any RF/QF operator may elect to make no commitment as to the quantity or timing of its energy deliveries to Gulf, and have a committed capacity of zero (0) MW. In such a case, the energy is delivered on an as-available basis and is eligible for only the energy payment. Alternatively, an RF/QF operator may elect to commit to certain minimum performance requirements based on the avoided unit, such as being operational and delivering an agreed-upon amount of capacity by the in-service date, and thereby become eligible for capacity payments in addition to the payments for energy. The standard offer contract often serves as a starting point for a separately negotiated contract by providing payment information to RF/QF operators that wish to have contract terms which differ from those of the standard offer contract.

To promote RF/QF generation, we require IOUs to offer multiple options for capacity payments so that an RF/QF operator may select the payment stream that best suits its financial requirements, including the options to receive early or levelized payments. If an RF/QF operator elects to receive capacity payments under the normal or levelized contract options, it will receive as-available energy payments only until the in-service date of the avoided unit (June 1, 2023), and thereafter will begin receiving capacity payments in addition to the energy payments. If either the early or the early levelized option is selected, the operator will begin receiving capacity payments sooner than the in-service date of the avoided unit. However, payments made under either of the early payment options tend to be lower in the later years of the contract term because the net present value (NPV) of the total payments must remain equal for all contract options. In addition, any capacity payments made which are greater than those called for under the normal option require additional performance security from the RF/QF operator.

Table 1 below represents the estimated annual payments for each payment option available under the proposed standard offer contract to an operator with a 50 MW facility, an in-

service date of January 1, 2014, and operating at a capacity factor of 90 percent, which is the minimum capacity factor required to qualify for full capacity payments.

Table 1-- Estimated Annual Payments to a 50 MW Renewable Facility (90% Capacity Factor)

Year	Energy Payment	Capacity Payment (by Type)			
		Normal	Levelized	Early	Early Levelized
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
2014	13,624	0	0	1998	2304
2015	15,677	0	0	2046	2322
2016	16,602	0	0	2100	2334
2017	18,074	0	0	2154	2352
2018	19,655	0	0	2208	2364
2019	21,113	0	0	2262	2382
2020	22,321	0	0	2322	2400
2021	22,915	0	0	2376	2418
2022	23,806	0	0	2436	2436
2023	19,887	5502	5940	2502	2448
2024	21,784	5610	5964	2562	2472
2025	23,025	5754	6012	2628	2490
2026	24,472	5898	6054	2694	2508
2027	25,879	6048	6102	2766	2526
2028	27,365	6198	6144	2832	2544
2029	28,796	6354	6192	2904	2568
2030	30,381	6516	6246	2976	2586
2031	31,918	6684	6294	3054	2610
2032	33,769	6852	6348	3132	2634
2033	34,500	7026	6402	3210	2658
Total	475,563	68,428	67,698	51,169	49,352
2013 NPV	241,481	26,867	26,867	26,867	26,867

Gulf's petition includes thirteen revised rate schedule sheets which, along with the existing unaltered sheets, constitute Gulf's revised renewable standard offer contract and related rate schedule REF-1. The revisions include updates for the avoided unit, dates, and payment information reflecting the current economic and financial assumptions for the avoided unit. All of the changes made to the revised rate schedule sheets, as well as the economic and financial assumptions used in the contract, are consistent with the updated unit. The type-and-strike format version of the revised standard offer contract and related rate schedule sheets are included as Attachment A to this Order.

Upon review, we find that the standard offer contract and related tariffs exceed the requirements of Rules 25-17.200 through 25-17.310, F.A.C. Gulf does not have any avoidable fossil fueled generating units or avoidable power purchases in the upcoming ten-year planning period. However, in an effort to encourage renewable generation, Gulf has identified its next avoidable unit, rather than offer only energy payments in its standard offer contract. The standard offer contract provides flexibility in the arrangements for payments so that a developer of renewable generation may select the payment stream best suited to its financial needs. Therefore, the revised standard offer contract and rate schedule REF-1 submitted by Gulf shall be approved as filed. Potential signatories should be aware that, if a timely protest is filed, Gulf's standard offer contract may subsequently be revised.

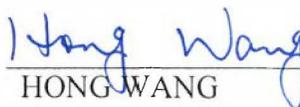
Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the revised standard offer contract and rate schedule REF-1, submitted by Gulf Power Company, is hereby approved as filed. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, F.A.C., is received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that, if no timely protest is filed and this Order becomes final, then this docket shall be closed upon the issuance of a Consummating Order.

By ORDER of the Florida Public Service Commission this 5th day of July, 2013.



HONGWANG
Chief Deputy Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
(850) 413-6770
www.floridapsc.com

Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing that is available under Section 120.57, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on July 26, 2013.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this/these docket(s) before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.



Section No. IX
~~Fourth~~^{Fifth} Revised Sheet No. 9.82
Canceling ~~Third~~ ^{Fourth} Revised Sheet No. 9.82



(Continued from Schedule REF-1, Sheet No. 9.81)

LIMITATIONS:

Purchases under this schedule are subject to the Company's "General Standards for Safety and Interconnection of Cogeneration and Small Power Production Facilities to the Electric Utility System" and to FPSC Rules 25-17.080 through 25-17.091, F.A.C., and are limited to those Facilities that:

- A. Beginning upon the date, as prescribed by the FPSC, that a Renewable Standard Offer is deemed available, execute the Company's Renewable Standard Offer Contract for the purchase of firm capacity and energy; and
- B. Commit to commence deliveries of firm capacity and energy no later than the date specified by the Facility's owner or representative, or the anticipated in-service date of the Company's generating facility or purchased power resource ("Avoided Unit or Resource") that is designated herein. Such deliveries will continue for a minimum of ten (10) years from the anticipated in-service date of the Company's Avoided Unit or Resource up to a maximum of the life of the Company's Avoided Unit or Resource.

DETERMINATION OF FACILITY'S COMMITTED CAPACITY VALUE

Prior to execution of a Renewable Standard Offer Contract, or negotiated contract, between the Company and a Facility, the Company will determine the Facility's capacity value in relation to the Company's Avoided Unit or Resource during the term of the contract as provided in FPSC Rules 25-17.240 (2), 25-17.250 (1), and 25-17.0832 (3) and (4) F.A.C. If it is determined by the Company that the Facility will provide capacity value, then this capacity amount will be designated as the "Committed Capacity" and will be used as the basis for capacity payments to be received by the Facility from the Company during the term of the Renewable Standard Offer Contract.

RATES FOR PURCHASES BY THE COMPANY

Firm capacity is purchased in accordance with the provisions of paragraph A below at a unit cost, in dollars per kilowatt per month, based on the value of the Avoided Unit or Resource that Gulf has designated below for purposes of the Renewable Standard Offer. The Avoided Unit is currently designated as ~~349~~ 803 MWs of ~~Combustion-Turbine-Combined Cycle~~ generation with a June 1, ~~2022~~ 2023 anticipated in-service date. Energy is purchased at a unit cost, in cents per kilowatt-hour, at the Company's energy rates in accordance with the provisions of paragraph B below.

ISSUED BY: Mark Crosswhite S. W. Connally, Jr.



Section No. IX
~~Fifth~~ Sixth Revised Sheet No. 9.85
 Canceling ~~Fourth~~ Fifth Revised Sheet No. 9.85



(Continued from Schedule REF-1, Sheet No. 9.84)

capacity payments made to the Facility over the term of the contract shall not exceed the cumulative present value of the capacity payments which would have been made to the Facility had such payments been made pursuant to Option 1.

All capacity payments made by the Company prior to the anticipated in-service date of the Company's Avoided Unit or Resource are considered "Early Payments". The owner, owner's representative, or operator of the Facility, as designated by the Company, shall secure its obligation to repay, with interest, the accumulated amount of Early Payments to the extent that the cumulative present value of the capacity payments made to the Facility over the term of the contract exceeds the cumulative present value of the capacity payments which would have been made to the Facility had such payments been made pursuant to Option 1, or to the extent that annual firm capacity payments made to the Facility in any year exceed that year's annual value of deferring the Company's Avoided Unit or Resource in the event the Facility defaults under the terms of its Renewable Standard Offer Contract with the Company. The Company will provide to the Facility monthly summaries of the total outstanding balance of such security obligations. A summary of the types of security instruments which are generally acceptable to the Company is set forth in Paragraph C of the SPECIAL PROVISIONS Section below.

**MONTHLY CAPACITY PAYMENT RATE (MCR)
 BASED ON GULF'S CURRENTLY SPECIFIED
 AVOIDED UNIT OR RESOURCE**

June - May Contract Period	Option 1 Normal \$/KW-MO	Option 2 Early \$/KW-MO	Option 3 Levelized \$/KW-MO	Option 4 Early Levelized \$/KW-MO
2018 to 2019	0.00	<u>3,634.90</u>	0.00	<u>4,095.46</u>
2019 to 2020	0.00	<u>3,745.02</u>	0.00	<u>4,045.49</u>
2020 to 2021	0.00	<u>3,785.15</u>	0.00	<u>4,025.53</u>
2021 to 2022	0.00	<u>3,865.28</u>	0.00	<u>4,035.57</u>
2022 to 2023	<u>6,160.00</u>	<u>3,935.41</u>	<u>6,600.00</u>	<u>4,035.61</u>
2023 to 2024	<u>6,289.21</u>	<u>4,045.55</u>	<u>6,619.90</u>	<u>4,045.66</u>
2024 to 2025	<u>6,409.45</u>	<u>4,095.69</u>	<u>6,639.97</u>	<u>4,065.70</u>
2025 to 2026	<u>6,639.69</u>	<u>4,175.83</u>	<u>6,6410.05</u>	<u>4,065.74</u>
2026 to 2027	<u>6,669.93</u>	<u>4,265.98</u>	<u>6,6610.12</u>	<u>4,075.79</u>
2027 to 2028	<u>6,7910.18</u>	<u>4,336.13</u>	<u>6,6710.20</u>	<u>4,085.83</u>
2028 to 2029	<u>6,9210.44</u>	<u>4,426.29</u>	<u>6,6910.28</u>	<u>4,095.89</u>
2029 to 2030	<u>7,0610.70</u>	<u>4,646.45</u>	<u>6,7010.36</u>	<u>4,195.93</u>
2030 to 2031	<u>7,2010.97</u>	<u>4,606.61</u>	<u>6,7210.44</u>	<u>4,145.98</u>
2031 to 2032	<u>7,2411.25</u>	<u>4,696.78</u>	<u>6,7410.53</u>	<u>4,129.03</u>
2032 to 2033	11.54	6.95	10.61	6.08

ISSUED BY: ~~Mark Crosswhite~~ S. W. Connally, Jr.



Section No. IX
~~First~~ ~~Second~~ Revised Sheet No. 9.88
Canceling Original ~~First~~ Revised Sheet No. 9.88



(Continued from Schedule REF-1, Sheet No. 9.87)

For the first performance period of the Renewable Standard Offer Contract, the repayment obligation shall be determined as below, except that the period for which the availability requirement applies and which is subject to repayment shall begin on the Avoided Unit or Resource's in-service date and end on the August 31 immediately following the Avoided Unit or Resource's in-service date.

In addition to the foregoing, when early capacity payments have been elected and received, the failure of the Facility to satisfy the availability requirement set forth below shall also result in an obligation for additional repayments by the Facility to the Company. The amount of such additional repayment shall be equal to the difference between: (1) what the Facility would have been paid during the previous twelve months ending August 31 had it elected the normal payment option; and (2) what it was paid pursuant to the payment option selected. Prior to the in-service date of the Avoided Unit or Resource, all performance requirements as listed in Paragraph B of the following Section will apply at the time initial capacity and energy deliveries from the Facility commence.

ANNUAL CAPACITY AVAILABILITY FACTOR DETERMINATION

In October following each performance period, the Company will calculate the availability of the Facility over the most recent twelve month performance period ending August 31. For purposes of this Schedule, the annual capacity availability is determined using the NERC Generation Availability Data System (GADS) formula for EAF that is shown below. The Facility will be entitled to retain capacity payments received during the annual period if an EAF of ~~95.90%~~ is maintained for each performance period. If the Facility fails to maintain this EAF, then the Facility will repay the Company a portion of the performance period capacity payments as calculated in accordance with the procedure in Paragraph A.

$$EAF = \{ [AH - (EUDH + EPDH + ESEDH)] / PH \} \times 100 (\%) \text{ where,}$$

AH = Available Hours
Sum of all SH, RSH, Pumping Hours, and Synchronous Condensing Hours.

EPDH = Equivalent Planned Derated Hours
Product of the Planned Derated Hours and the Size of Reduction, divided by the NMC.

ESEDH = Equivalent Seasonal Derated Hours
NMC less the NDC, times the Available Hours (AH), divided by the NMC.

EUDH = Equivalent Unplanned Derated Hours
Product of the Unplanned Derated Hours and the Size of Reduction, divided by the NMC.

ISSUED BY: ~~Susan Story~~ S. W. Connally, Jr.



Section No. IX
~~Second-Third~~ Revised Sheet No. 9.89
Canceling ~~First~~ ~~Second~~ Revised Sheet No. 9.89



(Continued from Schedule REF-1, Sheet No. 9.88)

- NDC = Net Dependable Capacity
NMC modified for ambient limitations.
- NMC = Capacity a unit can sustain over a specified period when not restricted by ambient conditions or equipment deratings, minus the losses associated with station service or auxiliary loads.
- PH = Period Hours
Number of hours a unit was in the active state. A unit generally enters the active state on its commercial date.
- RSH = Reserve Shutdown Hours
Total number of hours the unit was available for service but not electrically connected to the transmission system for economic reasons.
- SH = Service Hours
Total number of hours a unit was electrically connected to the transmission system.

A. Capacity Repayment Calculation

The following conditions will determine the amount of the Facility's Capacity Repayment obligation:

1. If EAF is greater than or equal to ~~95~~90%, then;
Capacity Repayment (CR) = 0
2. If EAF is less than ~~95~~90% but equal to or greater than 60%, then;
$$CR = [\text{Monthly Capacity Rate (MCR)} \times \text{Committed Capacity (CC)} \times \text{Months in Performance Period (MPP)} \times ((\del{95}\u{90} - \text{EAF})/\del{95}\u{90})]$$
3. If EAF is less than 60%, then;
$$CR = \text{MCR} \times \text{CC} \times \text{MPP}$$

B. Additional Performance Criteria

1. The Facility shall provide monthly generation estimates by October 1 for the next calendar year; and
2. The Facility shall promptly update its yearly generation schedule when any changes are determined necessary; and

ISSUED BY: ~~Susan Story~~ S. W. Connally, Jr.



Section No. IX
~~Third-Fourth~~ Revised Sheet No. 9.99
Canceling ~~Second-Third~~ Revised Sheet No. 9.99



(Continued from Standard Offer Contract, Sheet No. 9.98)

The entire Facility, whether comprised in whole or in part of the generator units set forth above, is designed to produce a maximum of _____ kilowatts (KW) of electric power at an 85% power factor. Hereinafter, the designated generator units listed above and related equipment will be collectively referred to as "Facility."

2. Term of the Agreement

This Agreement shall begin immediately upon its execution and the contemporaneous payment by the Facility to the Company of a completion security deposit in the amount of \$20.00 times each KW of nameplate capacity of the Facility's generator unit(s). This Agreement shall end at 12:01 A.M., _____, 20____ (date specified shall be no earlier than May 31, 2032~~3~~).

Notwithstanding the foregoing, if construction and commercial operation of the Facility are not accomplished before June 1, 2022~~3~~, the Company's obligations to the Facility under this Agreement shall be considered to be of no force and effect. The Company shall be entitled to retain and use the funds required by the Company as a completion security deposit under this section of the Agreement.

At the election of the Facility, the completion security deposit may be phased in such that one half of the total deposit due is paid upon contract execution and the remainder is to be paid within 12 months after contract execution. If the Facility elects to phase in payment of the completion security deposit due under this paragraph, the effective date of the contract shall be the date of execution provided, however, that the Company shall have no further obligation to the Facility if either installment of the completion security deposit is not timely received by the Company.

ISSUED BY: ~~Mark Crosswhite~~ S. W. Connally, Jr.



Section No. IX
~~Second~~ Third Revised Sheet No. 9.100
Canceling ~~First~~ Second Revised Sheet No. 9.100



(Continued from Standard Offer Contract, Sheet No. 9.99)

Depending on the nature of the Facility's operation, financial health and solvency, and its ability to meet the terms and conditions of this Agreement, one of the following, at the Company's discretion in accordance with the provisions of Schedule REF-1, may be used as an alternative to a cash deposit as a means of securing the completion of the Facility's project in accord with this Agreement:

- (a) an unconditional, irrevocable direct pay letter; or
- (b) surety bond; or
- (c) other means acceptable to the Company.

In the case of a governmental solid waste facility, pursuant to FPSC Rule 25-17.091, F.A.C., the following will be acceptable to the Company: the unsecured promise of a municipal, county, or state government to pay the actual damages incurred by the Company because the governmental facility fails to come on line prior to June 1, 2022~~3~~.

The specific completion security vehicle agreed upon by the parties is: _____

(IN ORDER FOR THIS FORM OF CONTRACT TO BE USED TO TENDER ACCEPTANCE OF THE COMPANY'S STANDARD OFFER BY A FACILITY OTHER THAN A GOVERNMENTAL SOLID WASTE FACILITY, THE ABOVE LINE MUST SPECIFY CASH DEPOSIT IN THE APPROPRIATE AMOUNT UNLESS THE FACILITY HAS SECURED THE PRIOR WRITTEN CONSENT FROM THE COMPANY TO AN ALTERNATIVE COMPLETION SECURITY VEHICLE.)

3. Sale of Electricity by the Facility

The Company agrees to purchase electric power generated at the Facility and transmitted to the Company by the Facility. The purchase and sale of electricity pursuant to this Agreement shall be in accordance with the following billing methodology (choose one):

- () Net Billing Arrangement; or
- () Simultaneous Purchase and Sales Arrangement.

ISSUED BY: ~~Mark Crosswhite~~ S. W. Connally, Jr.



Section No. IX
~~Second-Third Revised Sheet No. 9.102~~
Canceling ~~First-Second Revised Sheet No. 9.102~~



(Continued from Standard Offer Contract, Sheet No. 9.101)

For all energy delivered by the Facility to the Company, the Facility elects to be paid pursuant to the method described in:

- Paragraph B (1), or
- Paragraph B (3)(b),
and (if applicable);
- Paragraph B (2), or
- Paragraph B (3)(a)

of the **RATES FOR PURCHASES BY THE COMPANY** section of Schedule REF-1. If the Facility elects any payment method under Paragraph B (3), the details underlying the derivation of the associated energy payments will be described in an exhibit to this Standard Offer Contract. The Company will provide the Facility an energy payment schedule for the elected payment method within thirty (30) days after receipt of a Facility's request for such information.

4.2 Capacity

4.2.1 Anticipated Committed Capacity. As discussed in Schedule REF-1, if the Company determines that the Facility's generator unit(s) provides capacity value to the Company, the Facility is expected to sell approximately _____ kilowatts of capacity, beginning on or about _____, 20____. (Date specified may not be later than June 1, 20223.)

The Facility may finalize its Committed Capacity (CC) after initial facility testing, and specify when capacity payments are to begin, by completing Paragraph 4.2.2 at a date subsequent to the execution of this Agreement by the parties. However, the Facility must complete Paragraph 4.2.2 before June 1, 20223 in order to be entitled to any capacity payments pursuant to this Agreement. The final Committed Capacity set forth in Paragraph 4.2.2 shall not exceed plus or minus ten percent of the above estimate. The date specified in Paragraph 4.2.2 as the date on which capacity payments shall begin shall be no earlier than the date specified above, nor any later than June 1, 20223.

ISSUED BY: ~~Mark Crosswhite~~ S. W. Connally, Jr.



Section No. IX
~~Fifth-Sixth~~ Revised Sheet No. 9.103
Canceling ~~Fourth-Fifth~~ Revised Sheet No. 9.103



(Continued from Standard Offer Contract, Sheet No. 9.102)

4.2.2 Actual Committed Capacity. The capacity committed by the Facility (Committed Capacity or CC) for the purposes of this Agreement is _____ kilowatts beginning _____, _____. The Facility is committing this amount of capacity based on its agreement and commitment that this capacity will maintain an Equivalent Availability Factor (EAF) of ~~95~~96%. The EAF will be based on the economic operation of a combustion turbine generating facility (Avoided Unit) that Gulf has designated as the Avoided Unit for purposes of the Standard Offer. The Facility elects to receive, and the Company agrees to commence calculating, capacity payments in accordance with this Agreement starting with the first billing month following the date specified in this paragraph as the date on which capacity sales under this Agreement will begin.

4.2.3 Capacity Payments. The Facility chooses to receive capacity payments from the Company under Option _____ or _____ a customized payment stream as described in the Company's Schedule REF-1 of the Company Tariff for Retail Electric Service as it exists at the time this Agreement is properly submitted by the Facility to the Company as tendered acceptance of the Company Standard Offer. If the customized payment option is chosen by the Facility as the preferred capacity payment option, the details underlying the derivation of such payment stream will be described in an exhibit to this Standard Offer Contract.

The Capacity Payments to be made by the Company to the Facility are based upon the Avoided Unit that the Company has designated for purposes of the Standard Offer. The Capacity Payments to the Facility are based on a ~~two-unit Combustion-Turbine-gas-fired~~ Combined Cycle generating facility with the following economic assumptions:

Size: 349-803 MW total	Installed Costs (20223): \$874 <u>\$874</u> 1146/kw
Discount Rate: 7.076 <u>7.076</u> 46%	AFUDC Rate: 8.387 <u>8.387</u> 44%
Annual Inflation: 1.962 <u>1.962</u> 50%	K-factor: 1.3355 <u>1.3355</u> 1.3881
Annual Capacity Factor: 4970 <u>4970</u> %	Fixed O & M: \$8.6233 <u>\$8.6233</u> 53/kw-yr
Equivalent Availability: 950 <u>950</u> %	Unit Life: 40 years

ISSUED BY: ~~Mark Crosswhite~~ S. W. Connally, Jr.



Section No. IX
~~Second Third Revised~~ Sheet No. 9.104
Canceling ~~First Second Revised~~ Sheet No. 9.104



(Continued from Standard Offer Contract, Sheet No. 9.103)

The Company agrees it will pay the Facility a capacity payment. This capacity payment will be the product of the Facility's Committed Capacity and the applicable rate from the Facility's chosen capacity payment option in accordance with the Company's Schedule REF-1, as it exists at the time this Agreement is properly submitted by the Facility to the Company as tendered acceptance of the Company's Standard Offer. In the event either: (1) the date specified in Section 2 of this Agreement is later than June 1, 2032; or (2) the date specified in Paragraph 4.2.2 as the date capacity payments are to begin is one other than the dates shown in Schedule REF-1, a payment schedule will be calculated by the Company and attached to this agreement as Exhibit D. Under those circumstances, the payment schedule set forth in Exhibit D will be used in the calculation of capacity payments pursuant to this paragraph. The Company will provide the Facility a capacity payment schedule for the chosen payment method within thirty (30) days after receipt of a Facility's request for such information. The capacity payment for a given month will be added to the energy payment for such month and tendered by the Company to the Facility as a single payment as promptly as possible, normally by the twentieth business day following the day the meter is read.

In October following each performance period, the Company will calculate the availability of the Facility over the most recent twelve month period ending August 31. For purposes of this Agreement, availability means Equivalent Availability Factor (EAF) as defined by the North American Electric Reliability Council Generating Availability Data System (NERC GADS) or its successor's indice. If the availability (EAF) of the Facility is not equal to or greater than 0.950 (950%), then the Facility will repay the Company a portion of the performance period capacity payments as calculated in accordance with the procedure detailed in the **ANNUAL CAPACITY AVAILABILITY FACTOR DETERMINATION** section of Rate Schedule REF-1.

ISSUED BY: ~~Mark Crosswhite~~ S. W. Connally, Jr.



Section No. IX
~~Second-Third~~ Revised Sheet No. 9.106
Canceling ~~First~~ ~~Second~~ Revised Sheet No. 9.106



(Continued from Standard Offer Contract, Sheet No. 9.105)

- (e) Comply with reasonable requirements of the Company regarding day-to-day or hour-by-hour communications between the parties relative to the performance of this Agreement; and
- (f) Promptly notify the Company of the Facility's inability to supply any portion of its Committed Capacity from the facility. (Failure of the Facility to notify the Company of a known derating or inability to supply its full Committed Capacity from the facility may, at the sole discretion of the Company, result in a determination of non-performance.)

7. The Facility's Obligation if the Facility Receives Early Capacity Payments

The Facility's payment option choice pursuant to paragraph 4.2.3 may result in payment by the Company for capacity delivered prior to June 1, 2022~~3~~. The parties recognize that capacity payments received for any period through May 31, 2022~~3~~, are in the nature of "early payment" for a future capacity benefit to the Company. To ensure that the Company will receive a capacity benefit for which early capacity payments have been made, or alternatively, that the Facility will repay the amount of early payments received to the extent the capacity benefit has not been conferred, the following provisions will apply:

The Company shall establish a Capacity Account. Amounts shall be added to the Capacity Account for each month through May 2022~~3~~, in the amount of the Company's capacity payments made to the Facility pursuant to the Facility's chosen payment option from Schedule REF-1 or Exhibit D if applicable. The monthly balance in the Capacity Account shall accrue interest at the rate then prevailing for thirty (30) days highest grade commercial paper; such rate is to be determined by the Company thirty days prior to the date of each payment or posting of interest to the account. Commencing on June 1, 2022~~3~~, there shall be deducted from the Capacity Account an Early Payment Offset Amount to reduce the balance in the Capacity Account. Such Early Payment Offset Amount shall be equal to that amount which the Company would have paid for

ISSUED BY: ~~Mark Crosswhite~~ S. W. Connally, Jr.



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capacity in that month if the capacity payment had been calculated pursuant to Option 1 in Schedule REF-1 and the Facility had elected to begin receiving payment on June 1, 2022~~3~~ minus the monthly capacity payment the Company makes to the Facility pursuant to the capacity payment option chosen by the Facility in paragraph 4.2.3.

The Facility shall owe the Company and be liable for the outstanding balance in the Capacity Account. The Company agrees to notify the Facility monthly as to the current Capacity Account balance. Prior to receipt of early capacity payments, the Facility shall execute a promise to repay any outstanding balance in the Capacity Account in the event the Facility defaults pursuant to this Agreement. Such promise shall be secured by means mutually acceptable to the Parties and in accordance with the provisions of Schedule REF-1.

The specific repayment assurance selected for purposes of this Agreement is:

Any outstanding balance in the Capacity Account shall immediately become due and payable, in full, in the event of default by the Facility or at the conclusion of the term of this Agreement. The Facility's obligation to pay the balance in the Capacity Account shall survive termination of this Agreement.

8. Non-Performance Provisions

The Facility shall be entitled to receive a complete refund of the security deposit described in Section 2 of this contract (or in the event an alternative completion security vehicle is in effect, release of that completion security) upon achieving commercial in-service status (which, for purposes of this Agreement, shall include the demonstration of capability to perform by actual delivery of electricity to the Company) provided that this occurs prior to June 1, 2022~~3~~ and that said

ISSUED BY: Mark Crosswhite G. W. Connolly, Jr.



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commercial in-service status is maintained from the date of initial demonstration to, through and including June 1, 2022~~3~~. The Facility shall not be entitled to any of its security deposit if it fails to achieve commercial in-service status prior to June 1, 2022~~3~~ and maintain that status to, through and including said date. Additionally, once construction of the facility or any additions necessary for the Facility to have the capability to deliver the anticipated committed capacity and energy to the Company from the facility has commenced, the Facility will allow Company representatives to review quarterly the construction progress to provide the Company with a level of assurance that the Facility will be capable of delivering the anticipated committed capacity from the facility on or before June 1, 2022~~3~~.

Additionally, failure of the Facility to notify the Company of a known derating or inability to supply its full Committed Capacity from the facility may, at the sole discretion of the Company, result in a determination of non-performance. Upon such determination by the Company, capacity payments to the Facility shall be suspended for a period of time equal to the time of the known derating or inability to supply the full Committed Capacity from the facility or six months, whichever shall be longer.

9. Default

9.1 Mandatory Default. The Facility shall be in default under this Agreement if: (1) Facility either voluntarily declares bankruptcy or becomes subject to involuntary bankruptcy proceedings; or (2) Facility ceases all electric generation for either of the Company's peak generation planning periods (summer or winter) occurring in a consecutive 12 month period. For purposes of this Agreement, the Company's summer peak generation planning period shall be May through September and the Company's winter peak generation planning period shall be December through February. The months included in the Company's peak generation planning periods may be changed, at the sole discretion of the Company, upon 12 months prior notice to the Facility.

ISSUED BY: ~~Mark Crosswhite~~ S. W. Connally, Jr.



Section No. IX
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Canceling ~~First-Second~~ Revised Sheet No. 9.109



(Continued from Standard Offer Contract, Sheet No. 9.108)

9.2 Optional Default. The Company may declare the Facility to be in default if: (1) at any time prior to June 1, 2022~~3~~ and after capacity payments have begun, the Company has sufficient reason to believe that the Facility is unable to deliver its Committed Capacity from the facility; (2) because of a Facility's refusal, inability or anticipatory breach of obligation to deliver its Committed Capacity after June 1, 2022~~3~~; or (3) the Company has made three or more determinations of non-performance due to the failure of the Facility to notify the Company of a known derating or inability to supply Committed Capacity during any eighteen month period.

10. General Provisions

10.1 Permits. The Facility hereby agrees to seek to obtain any and all governmental permits, certifications, or other authority the Facility is required to obtain as a prerequisite to engaging in the activities provided for in this Agreement. The Company hereby agrees to seek to obtain any and all governmental permits certifications or other authority the Company is required to obtain as a prerequisite to engaging in the activities provided for in this Agreement.

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

ISSUED BY: ~~Mark Crosswhite~~ S. W. Connally, Jr.