

15513 v. 000001

CONTRACT FOR THE PURCHASE OF  
FIRM ENERGY AND CAPACITY

THIS AGREEMENT is made and entered into this 14<sup>th</sup> day of June, 1995 by and between N R G / Recovery Group, Inc., hereinafter referred to as "QF" and Florida Power Corporation, hereinafter referred to as the "Company", a private utility corporation organized under the laws of the State of Florida. The QF and the Company shall collectively be referred to herein as the "Parties."

WITNESSETH:

WHEREAS, QF desires to sell, and the Company desires to purchase, electricity to be generated by the QF consistent with Florida Public Service Commission (FPSC) Rules 25-17.80 through 25-17.39 of the Florida Administrative Code attached hereto as Appendix "A"; and,

WHEREAS, QF has signed or will sign an Interconnection Agreement with the utility in whose service territory the QF's generating facility is located.

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

1. Facility

QF contemplates installing and operating a 17,000 KVA Generator located at or near Leesburg. The generator is designed to produce a maximum of 14 megawatts (MW) of electric power at an 85% lagging power factor such equipment being hereinafter referred to as "Facility."

2. Term of the Agreement

This Agreement shall begin immediately upon its execution by the parties and shall end at 12:01 a.m., December 31, 2003.

Notwithstanding the foregoing if construction and commercial operation of the Facility are not accomplished by QF before October 1, 1997, this Agreement shall be void and rendered of no force and effect.

3. Sale of Electricity by QF

3.1 The Company agrees to purchase all of the electric power generated at the Facility and transmitted to the Company by QF. The purchase and sale of electricity pursuant to this Agreement shall be construed as a Net Billing Arrangement.

3.2 Metering will be provided at QF's expense to determine energy delivered to the Company.

LC1 12723

4. Payment for Electricity Produced by QF

4.1 Energy

The Company agrees to pay the QF monthly for energy produced by the Facility and actually delivered to the Company in accordance with the procedures contained in Rate Schedule COG-2 (attached hereto as Appendix "B") except as modified herein, and as may be amended from time to time except that, so long as the QF delivers energy at an 80% peak hours capacity factor as described in Paragraph 4.2.3, payments for the avoided fuel cost of energy shall not be less than shown in the "Schedule of Minimum Payments for Avoided Fuel Cost of Energy and Payments for Capacity" attached hereto as Appendix "C". If avoided fuel costs fall below the scheduled energy payments, the amount paid in excess of actual avoided fuel costs will be accumulated at a taxable interest rate of 10.06% per annum compounded annually and will be amortized by the amounts, if any, by which future avoided fuel costs exceed the minimum payments scheduled in Appendix "C". Avoided fuel costs after January 1, 1994 shall be the Company's average fuel cost of energy from the Company's coal-fired generating plants.

When avoided fuel costs of energy exceed the minimum energy payments scheduled in Appendix "C", and after the accumulated payments, with interest at 10.06% per annum applied to the balance at the end of the preceding year, made in excess of avoided fuel costs, if any, are amortized, the QF shall receive in excess of the minimum payment scheduled in Appendix "C", 70% of the amount by which the actual avoided fuel costs exceed the minimum payments scheduled in Appendix "C".

The QF also agrees that up to 50% of the annual net profits before taxes of the facility will be held in escrow to guarantee any payments for energy in excess of avoided costs. In the event of default, said guarantee to take precedence over all other obligations ~~except the lease payments on the facility.~~

Avoided variable operating and maintenance credits will be added to the avoided fuel cost of energy payments in accordance with the provisions for O & M credits of Rate Schedule COG-2.

4.2 Capacity

4.2.1 Anticipated Committed Capacity. QF expects to sell approximately 10.234 MW of capacity, beginning on or about Oct. 1, 1987

QF may finalize its Committed Capacity after initial Facility testing.

4.2.2 Actual Committed Capacity. The capacity committed by QF for the purposes of this Agreement is 10.234 MW. QF elects to receive, and the Company agrees to commence calculating, capacity payments in accordance with this Agreement starting with the first billing month following January 1, 1994.

4.2.3 Capacity Payments. QF chooses to receive capacity payments from the Company beginning January 1, 1994, in accordance with the schedule of minimum payments for "The Avoided Fuel Cost of Energy and Capacity" in Appendix "C" so long as the QF delivers energy at an 80% on-peak capacity factor. The average to date on-peak capacity factor will be calculated by the Company at the end of each billing month, beginning with October 1, 1987, and continuing until October 1, 1988, after which the Company will calculate the most recent twelve-month rolling average capacity factor for such month based on QF's Committed Capacity. If the capacity factor thus calculated is 80% or more during the peak hours scheduled in Appendix "D" "Schedule of On-Peak Hours", excluding prearranged and mutually-agreeable outages coordinated with the Company which do not exceed a total of two calendar months of each year, then the Company agrees to pay QF a capacity payment that is the product of QF's Committed Capacity and the applicable rate from Appendix "C".

The capacity payment for a given month will be added to the energy payment for such month and tendered by the Company to QF as a single payment, normally by the twentieth business day following the day the meter is read, except that capacity payments otherwise due the QF will be used to amortize any excess avoided fuel cost of energy payments accumulated in accordance with Paragraph 4.1, such amortization to occur at the end of each month.

#### 5. Electricity Production Schedule

During the term of this Agreement, QF agrees to:

- (a) Provide the Company prior to October 1 of each calendar year an estimate of the amount of electricity generated by the Facility and delivered to the Company for each month of the following calendar year, including the time, duration and magnitude of any planned outages or reductions in capacity;
- (b) Promptly update the yearly generation schedule and maintenance schedule as and when any changes may be determined necessary;
- (c) Coordinate its scheduled Facility outages with the Company; and
- (d) 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.
- (e) Adjust reactive power flow in the interconnection as may be reasonably required by the Company within the range of 85% leading to 85% lagging power factor.

6. Non-Performance Provisions

QF shall not receive a capacity credit or guaranteed minimum avoided fuel cost of energy payment during any month in which the twelve months rolling average of the QF's capacity factor during designated on-peak hours, as calculated in accordance with 4.2.3, does not equal or exceed 80%.

7. Default

7.1 Mandatory Default. The QF shall be in default under this Agreement if: (1) the QF voluntarily declares bankruptcy, or (2) the QF ceases all electric generation for 12 consecutive months.

7.2 Optional Default. The Company may declare the QF to be in default: (1) if after January 1, 1994, the QF fails to maintain a capacity factor required in Paragraph 4.2.3 on a twelve-month rolling average basis for 24 consecutive months, or (2) because of a QF's refusal or inability to deliver its Committed Capacity after January 1, 1994.

7.3 Default Remedy. Once this contract is declared to be in default, the Company's obligation to make capacity payments and purchase energy in accordance with the schedules contained in Appendix "C"; is suspended until the default is remedied. Upon written notice to the QF the then current value of the accumulated excess energy payments described in Paragraph 4.1 shall be paid to the Company unless the default is remedied within thirty days.

8. General Provisions

8.1 Permits. QF hereby agrees to seek to obtain any and all governmental permits, certifications, or other authority QF is required to obtain as a prerequisite to engaging in the activities provided for in this Agreement. The Company hereby agrees, at Q. F.'s expense, 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.

8.2 Indemnification. QF agrees to indemnify and save harmless the Company, its subsidiaries, and their respective employees, officers, and directors against any and all liability, loss, damage, costs or expense which the Company, its subsidiaries, and their respective employees, officers and directors may hereafter incur, suffer or be required to pay by reason of negligence on the part of QF in performing its obligations pursuant to this Agreement or QF's failure to abide by any provision of this Agreement. The Company agrees to indemnify and save harmless QF against any and all liability, loss,

damage, cost or expense which QF may hereafter incur, suffer, or be required to pay by reason of negligence on the part of the Company in performing its obligations pursuant to this Agreement or the Company's failure to abide by the provisions of this Agreement. QF agrees to include the Company as an additional insured in any liability insurance policy or policies QF obtains to protect QF's interests with respect to QF's indemnity and hold harmless assurances to the Company contained in this Section.

8.3 Exclusion of Incidental and Consequential Damages. Neither party will be liable to the other for incidental or consequential damages (including, but not limited to, the cost of replacement power) whether arising in contract, tort or otherwise.

8.4 Renegotiations Due to Regulatory Changes. Anything in this Agreement to the contrary notwithstanding, should the Company at any time during the term of this Agreement fail to obtain or be denied the FPSC's authorization, or the authorization of any other regulatory body which now has or in the future may have jurisdiction over The Company's rates and charges, to recover from its customers all of the payments required to be made to QF under the terms of this Agreement or any subsequent amendment to this Agreement, the Company will vigorously contest any regulatory or court action that would interfere with its intent to pay for energy and/or capacity in accordance with the terms of this Agreement. In the event that the Company is unable to thereby prevent denial of its authorization to fully recover payments for energy and/or capacity, the parties agree that, at the Company's option, they shall renegotiate this Agreement or any applicable amendment. The Company will, during such renegotiation, give all reasonable consideration to the QF's financial and operating requirements as well as its obligation to its customers and stockholders in restructuring this Contract. If the Company exercises such option to renegotiate, the Company shall not thereafter be required to make such payments to the extent the Company's authorization to recover them from its customers is not obtained or is denied. The Company's exercise of its option to renegotiate shall not relieve the QF of its obligation to repay the balance in the Capacity Account. It is the intent of the parties that the Company's payment obligations under this Agreement or any amendment hereto are conditioned upon the Company's being fully reimbursed for such payments through the Fuel and Purchased Power Cost Recovery Clause or other authorized rates or charges. Any amounts initially recovered by the Company from its ratepayers but for which recovery is subsequently disallowed by the FPSC and charged back to the Company may be set off or credited against subsequent payments made by the Company for purchases from the QF, or

alternatively, shall be repaid by the QF. This provision shall not operate to create any third party beneficiary rights in the QF nor any other party respecting the Company's rights or actions before any court or regulatory body.

8.5 Force Majeure. If either party shall be unable, by reason of force majeure, to carry out its obligations under this Agreement, either wholly or in part, the party so failing shall give written notice and full particulars of such cause or causes to the other party as soon as possible after the occurrence of any such cause; and such obligations shall be suspended during the continuance of such hindrance, which, however, shall be remedied with all possible dispatch; and the obligations, terms and conditions of this Agreement shall be extended for such period as may be necessary for the purpose of making good any suspension so caused. The term "force majeure" shall include, but not be limited to, acts of God, strikes, lockouts or other industrial disturbances, wars, blockades, insurrections, riots, arrests and restraints of rules and people, environmental constraints lawfully imposed by federal, state or local government bodies, explosions, fires, floods, lightning, wind, perils of the sea, accidents to equipment or machinery or similar occurrences; provided, however, that no occurrences may be claimed to be a force majeure occurrence if it is caused by the negligence or lack of due diligence on the part of the party attempting to make such claim. QF agrees to pay the costs necessary to reactivate the Facility and/or the interconnection with the Company's system if the same are rendered inoperable due to actions of QF, its agents, or force majeure events affecting the Facility or the interconnection with the Company. The Company agrees to reactivate at its own cost the interconnection with the Facility in circumstances where any interruptions to such interconnections are caused by the Company or its agents.

8.6 Assignment. The QF shall have the right to assign its benefits under this Agreement, but the QF shall not have the right to assign its obligations and duties without the Company's prior written approval. Said approval shall not be unreasonably withheld by the Company.

8.7 Disclaimer. In executing this Agreement, the Company does not, nor should it be construed, to extend its credit or financial support for the benefit of any third parties lending money to or having other transactions with QF or any assignee of this Agreement.

8.8 Notification. For purposes of making any and all nonemergency oral and written notices, payments or the like required under the provisions of this Agreement, the

parties designate the following 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 QF:

Walt Walters

1616 Athens St.

Lakeland, FL 33803 Phone: 813/646-5970

For the Company:

JAMES G. KEEPER

FLORIDA POWER CORPORATION

LOADMANAGEMENT & COGENERATION DEPT. (CZC)

P.O. Box 14042

St. Petersburg, FL 33733 Phone: 813-566-4218

8.9 Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Florida.

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

8.11 Complete Agreement and Amendments. All previous communications or agreements between the parties, whether verbal or written, with reference to the subject matter of this Agreement are hereby abrogated. No amendment or modification to this Agreement shall be binding unless it shall be set forth in writing and duly executed by both parties to this Agreement.

8.12 Survival of Agreement. This Agreement as may be amended from time to time, shall be binding and inure to the benefit of the Parties' respective successors-in-interest and legal representatives.

IT WITNESS WHEREOF, QF and the Company have executed this Agreement the day and year first above written.

WITNESSES:

[Signature]

WITNESSES:

[Signature]

Qualifying Facility

[Signature]  
Company

[Signature]  
Vice President

FLORIDA POWER CORPORATION  
LEGAL DEPT.  
APPROVED  
Date: 6-3-85  
By: [Signature]

APPENDIX "C"

Schedule of Minimum Payments  
For Avoided Fuel Cost of Energy and  
Monthly Payments for Capacity

| <u>YEAR</u> | <u>ENERGY</u><br><u>\$/MWH</u> | <u>CAPACITY</u><br><u>\$/kW</u> |
|-------------|--------------------------------|---------------------------------|
| 1987        | 47.98                          |                                 |
| 1988        | 48.14                          |                                 |
| 1989        | 48.28                          |                                 |
| 1990        | 48.82                          |                                 |
| 1991        | 50.00                          |                                 |
| 1992        | 52.50                          |                                 |
| 1993        | 55.00                          |                                 |
| 1994        | 43.04                          | 15.34                           |
| 1995        | 45.62                          | 16.17                           |
| 1996        | 48.36                          | 17.04                           |
| 1997        | 51.26                          | 17.96                           |
| 1998        | 54.33                          | 18.94                           |
| 1999        | 57.59                          | 19.95                           |
| 2000        | 61.05                          | 21.03                           |
| 2001        | 64.71                          | 22.17                           |
| 2002        | 68.59                          | 23.37                           |
| 2003        | 72.71                          | 24.62                           |

TIW 05/21/85



Maurice H. Phillips  
Senior Vice President  
Operations

October 12, 1988

Mr. F. Browne Gregg  
P.O. Box 300  
1616 So. 14th St.  
Leesburg, FL 32749-0300

Re: NRG/Recovery Group, Inc.

Dear Mr. Gregg:

Florida Power Corporation recognizes that in 1988 the State of Florida enacted comprehensive solid waste recycling legislation effective October 1, 1988, but that the Florida Public Service Commission (FPSC) has not finally adopted regulations covering the capacity rates for resource recovery facilities. Neither the execution prior to the effective date of such legislation or regulations nor the terms of your Standard Offer Contract for the Purchase of Firm Energy and Capacity from a Qualifying Facility with Florida Power Corporation, dated October 12, 1988, (the "Agreement"), shall impair any rights of the QF to receive any payments for capacity or energy to which it is entitled under that Florida recycling legislation. If the QF becomes entitled to different energy or capacity payments under that legislation and any regulations promulgated thereunder, the QF may elect to have such payments prospectively substituted for the energy payments or capacity payments, or both, in the Agreement by giving notice to the Company and taking such other action as may be required by the legislation and the regulations thereunder to entitle it to such payments. We agree to negotiate in good faith to modify any terms of the Agreement necessary to accommodate such substitution. Any such modification shall be subject to FPSC approval of full cost recovery to Florida Power Corporation prior to becoming effective.

Cordially,

A handwritten signature in cursive script, appearing to read "M. H. Phillips", written over a horizontal line.

Post Office Box 14042 • St. Petersburg, FL 33733 • Telephone (813) 866-5250  
A Florida Progress Company

LC1 17057

STANDARD OFFER CONTRACT FOR THE PURCHASE OF  
FIRM ENERGY AND CAPACITY FROM A QUALIFYING FACILITY

EXHIBIT F  
TO RESOLUTION  
1988-119

THIS AGREEMENT is made and entered into this 12 day of Oct, 1988 by and between NRG/Recovery Group, Inc., hereinafter referred to as "QF" and Florida Power Corporation, hereinafter referred to as "The Company", a private utility corporation organized under the laws of the State of Florida. The QF and Florida Power Corporation shall collectively be referred to herein as the "Parties."

WITNESSETH:

WHEREAS, QF desires to sell, and The Company desires to purchase, electricity to be generated by the QF consistent with Florida Public Service Commission (FPSC) Rules 25-17.080 through 25-17.091, Florida Administrative Code; and

WHEREAS, QF has signed an Interconnection Agreement with the utility in whose service territory the QF's generating facility is located, attached hereto as Appendix A; and

WHEREAS, the FPSC has approved the following standard contract for the purchase of Firm Energy and Capacity from QF's;

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

1. Facility

QF contemplates installing and operating a 18,500 KVA synchronous Generator located at Jim Rogers Industrial Park in Lake County, Florida. The generator is designed to produce a maximum of 15.7 megawatts (MW), or 15,700 Kilowatts (KW) of electric power at an 0.85 or lower lagging power factor (0.85 or greater leading power factor for induction generators), such equipment being hereinafter referred to as "Facility."

2. Term of the Agreement

This agreement shall begin immediately upon its execution by the parties and shall end at 12:01 a.m., July 1, 2014.

Notwithstanding the foregoing if construction and commercial operations of the Facility are not accomplished by QF before January 1, 1995, The Company shall be relieved of its obligation to make capacity payments to the QF.

ISSUED BY: T. W. Raines, Jr., Director, Rate Department  
EFFECTIVE: January 26, 1988

LC1 15990

3. Sale of Electricity by QF

3.1 Purchase Options

The Company agrees to purchase all of the electric power generated at the Facility and transmitted to The Company by QF. The purchase and sale of electricity pursuant to this Agreement shall be construed as a (x) Net Billing Arrangement or ( ) Simultaneous Purchase and Sale Arrangement. The billing methodology may be changed at the option of the QF, subject to the following provisions:

- (a) not more frequently than once every twelve months;
- (b) to coincide with the next Fuel and Purchased Power Cost Recovery Factor billing period;
- (c) upon at least thirty days advance written notice to The Company;
- (d) upon the installation of any additional metering equipment reasonably required to effect the change in billing and upon payment by the QF for such metering equipment and its installation;
- (e) upon completion and approval of any alterations to the interconnection reasonably required to effect the change in billing and upon payment by the QF for such alterations; and
- (f) where the election to change billing methods will not contravene the provisions of the tariff under which the Facility receives electrical service, or any previously agreed upon contractual provision between the QF and the Company.

3.2 Regulatory Changes

The option to change the billing methodology set forth in 3.1 shall automatically be removed from this contract and any heretofore executed upon the appropriate modification of Rule 25-17.082(3) F.A.C. by the Florida Public Service Commission.

4. Payment for Electricity Produced by QF

4.1 Energy

The Company agrees to pay the QF for energy produced by the Facility and delivered to The Company in accordance with the rates and procedures contained in Rate Schedule COG-2 attached hereto as Appendix B, and as may be amended from time to time. Prior to January 1, 1995 QF will receive energy payments based on The Company's actual avoided energy costs. After December 31, 1994 QF's energy payments will be based on the lesser of The Company's actual avoided energy costs or the fuel cost of the Statewide Avoided Unit as defined in COG-2, such comparison to be made hourly.

ISSUED BY: T. W. Raines, Jr., Director, Rate Department  
EFFECTIVE: January 26, 1988

LC1 15991

#### 4.2 Capacity

4.2.1 Anticipated Committed Capacity. QF expects to sell approximately 10.25 MW or 10,250 kW of capacity, beginning on or about January 1, 1993, under option A of Rate Schedule COG-2.

4.2.2 Actual Committed Capacity. QF shall have the one-time option of amending Paragraph 4.2.1 above after initial facility testing to specify changes in committed capacity and/or date for commencement of capacity payments by providing notice to The Company of such changes in accordance with Paragraph 9.8. In the event that The Company does not receive notice of such changes before the commercial in-service date of the Facility, or January 1, 1993, whichever occurs first, the committed capacity and beginning date in 4.2.1 shall apply.

4.2.3 Capacity Payments. At the end of each billing month, beginning with the billing month specified in Paragraph 4.2.2, The Company will calculate the most recent twelve month rolling average capacity factor for such month based on QF's Committed Capacity. If the capacity factor thus calculated is 70% or more, then The Company agrees to pay QF a capacity payment that is the product of QF's Committed Capacity and the applicable rate from QF's chosen capacity payment Option.

The capacity payment for a given month will be added to the energy payment for such month and tendered by The Company to QF as a single payment as promptly as possible, normally by the twentieth business day following the day the meter is read.

#### 5. Electricity Production Schedule

During the term of this Agreement, QF agrees to:

- (a) Provide The Company prior to October 1 of each calendar year an estimate of the amount of electricity generated by the Facility and delivered to The Company for each month of the following calendar year, including the time, duration and magnitude of any planned outages or reductions in capacity;
- (b) Promptly update the yearly generation schedule and maintenance schedule as and when any changes may be determined necessary;
- (c) Coordinate its scheduled facility outages with The Company; and
- (d) 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.
- (e) Adjust reactive power flow in the interconnection so as to remain within the range of 85% leading to 85% lagging power factor.

ISSUED BY: T. W. Raines, Jr., Director, Rate Department  
EFFECTIVE: January 26, 1988

LC1 15992

6. QF's Obligation if QF Receives Early Capacity Payments

The QF's payment option choice pursuant to paragraph 4.2.3 may result in payment by The Company for capacity delivered prior to January 1, 1995. The parties recognize that capacity payments paid through December 31, 1994, 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 QF will repay the amount of early payments received to the extent the capacity benefit has not been conferred, the following provisions will apply:

(a) The Company shall establish a Capacity Account. Amounts shall be credited to the Capacity Account each month through December 31, 1994, in the amount of The Company's capacity payments made to the QF pursuant to QF's chosen payment option from Rate Schedule COG-2. The monthly balance in the Capacity Account shall accrue interest at an annual rate of 10.72%. Commencing on January 1, 1995, there shall be debited 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 capacity in that month if capacity payment had been calculated pursuant to Option A in Rate Schedule COG-2 and the QF had elected to begin receiving payment on January 1, 1995 minus the monthly capacity payment The Company makes to QF pursuant to the capacity payment option chosen by QF in paragraph 4.2.1.

(b) The QF shall owe The Company and be liable for the credit balance in the Capacity Account. The Company agrees to notify QF monthly as to the current Capacity Account balance. Prior to receipt of advance capacity payments the QF shall execute a promise to repay any credit balance in the Capacity Account in the event the QF defaults pursuant to this Agreement. Such promise shall be secured by means mutually acceptable to the Parties and in accordance with the provisions of Rate Schedule COG-2. The specific repayment assurance selected for purposes of this Agreement is: not applicable due to QF's option pursuant to 4.2.3 which results in normal capacity payments. The total Capacity Account shall immediately become due and payable in the event of default by the QF. The QF's obligation to pay the credit balance in the Capacity Account shall survive termination of this Agreement.

7. Non-Performance Provisions

QF shall not receive a capacity payment during any month in which the twelve months rolling average of the QF's capacity factor does not equal or exceed 70% as defined in Rate

ISSUED BY: T. W. Raines, Jr., Director, Rate Department  
EFFECTIVE: January 26, 1988

LC1 15993

schedule COG-2. In addition, if for any month after December 31, 1994, the QF fails to achieve a 70% capacity factor on a 12 month rolling average basis and the QF has received capacity payments prior to January 1, 1995, the QF shall be liable for and shall pay The Company an amount equal to the Early Payment Offset Amount for the month; provided, however, that such calculation shall assume that the QF achieved a 70% capacity factor. Any payments thus required of QF shall be separately invoiced by The Company to QF after each month for which such repayment is due and shall be paid by QF within 20 days after receipt of such invoice by QF. Such repayment shall be debited from the Capacity Amount as an Early Payment Offset Amount.

In no event shall the QF repay to The Company for non-performance such amounts which exceed the current credit balance in the Capacity Account.

8. Default

8.1 Mandatory Default. The QF shall be in default under this Agreement if: (1) the QF voluntarily declares bankruptcy, or (2) the QF ceases all electric generation for 12 consecutive months.

8.2 Optional Default. The Company may declare the QF to be in default: (1) if after January 1, 1995, the QF fails to maintain a capacity factor required in Paragraph 4.2.3 on a twelve-month rolling average basis for 24 consecutive months, or (2) because of a QF's refusal or inability to deliver its Committed Capacity after January 1, 1995.

8.3 Default Remedy. Once this contract is declared to be in default, The Company's obligation to make capacity payments in accordance with Paragraph 4.2 is suspended until the default is remedied. Upon written notice to the QF the then current value of the credit balance of the capacity account described in Paragraph 6 (b) shall be paid to The Company unless the default is remedied within thirty days.

8.4 Contract Survival After Default. Default by the QF shall not relieve the QF of its obligations to sell the Company all capacity and energy generated by the QF, its heirs, successors, or assigns should energy production resume in the future. Prices paid by The Company for such future generation after default shall not be greater than required under the terms of this contract.

9. General Provisions

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

ISSUED BY: T. W. Raines, Jr., Director, Rate Department  
EFFECTIVE: January 26, 1988

LC1 15994

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.

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

9.3 Exclusion of Incidental and Consequential Damages. Neither party shall be liable to the other for incidental, consequential, or indirect damages including, but not limited to, the cost of replacement power, whether arising in contract, tort, or otherwise.

9.4 Renegotiations Due to Regulatory Changes. Anything in this Agreement to the contrary notwithstanding, should The Company at any time during the term of this Agreement fail to obtain or be denied the FPSC's authorization, or the authorization of any other regulatory body which now has or in the future may have jurisdiction over The Company's rates and charges, to recover from its customers all of the payments required to be made to QF under the terms of this Agreement or any subsequent amendment to this Agreement, the parties agree that, at The Company's option, they shall renegotiate this Agreement or any applicable amendment. If The Company exercises such option to renegotiate, The Company shall not thereafter be required to make such payments to the extent The Company's authorization to recover them from its customers is not obtained or is denied. The Company's exercise of its option to renegotiate shall not relieve the QF of its obligation to repay the balance in the Capacity Account. It is the intent of the parties that the Company's payment obligations under this Agreement or any amendment hereto are conditioned upon the Company's being fully reimbursed for such payments through the Fuel and Purchased Power Cost Recovery Clause or

ISSUED BY: T. W. Raines, Jr., Director, Rate Department  
EFFECTIVE: January 26, 1988

LC1 15995

other authorized rates or charges. Any amounts initially recovered by The Company from its ratepayers but for which recovery is subsequently disallowed by the FPSC and charged back to The Company may be off-set or credited against subsequent payments made by The Company for purchases from the QF, or alternatively, shall be repaid by the QF.

**9.5 Force Majeure.** If either party shall be unable, by reason of force majeure, to carry out its obligations under this Agreement, either wholly or in part, the party so failing shall give written notice and full particulars of such cause or causes to the other party as soon as possible after the occurrence of any such cause; and such obligations shall be suspended during the continuance of such hindrance, which, however, shall be remedied with all possible dispatch; and the obligations, terms and conditions of this Agreement shall be extended for such period as may be necessary for the purpose of making good any suspension so caused. The term "force majeure" shall be taken to mean acts of God, strikes, lockouts or other industrial disturbances, wars, blockades, insurrections, riots, arrests and restraints of rules and people, environmental constraints lawfully imposed by federal, state or local government bodies, explosions, fires, floods, lightning, wind, perils of the sea, accidents to equipment or machinery or similar occurrences; provided, however, that no occurrences may be claimed to be a force majeure occurrence if it is caused by the negligence or lack of due diligence on the part of the party attempting to make such claim. QF agrees to pay the costs necessary to reactivate the Facility and/or the interconnection with The Company's system if the same are rendered inoperable due to actions of QF, its agents, or force majeure events affecting the Facility or the interconnection with The Company. The Company agrees to reactivate at its own cost the interconnection with the Facility in circumstances where any interruptions to such interconnections are caused by The Company or its agents.

**9.6 Assignment.** The QF shall not have the right to assign its obligations, benefits, and duties without The Company's prior written approval.

**9.7 Disclaimer.** In executing this Agreement, The Company does not, nor should it be construed, to extend its credit or financial support for the benefit of any third parties lending money to or having other transactions with QF or any assignee of this Agreement, nor does it create any third party beneficiary rights.

**9.8 Notification.** For purposes of making any and all non-emergency oral and written notices, payments or the like required under the provisions of this Agreement, the parties designate the following to be notified or to whom payment shall be sent until such

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time as either party furnishes the other party written instructions to contact another individual.

For OF: F. Browns Gress  
HRG/Recovery Group, Inc.  
1616 S. 14th St.  
Leesburg, FL 32745-0300

Phone (904)787-0608

For The Company: James G. Keppeler  
Florida Power Corporation  
Energy Management Resources  
P. O. Box 14042  
St. Petersburg, FL 33733

Phone: (813)866-4218

9.9 Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Florida.

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

9.11 Complete Agreement and Amendments. All previous communications or agreements between the parties, whether verbal or written, with reference to the subject matter of this Agreement are hereby abrogated. No amendment or modification to this Agreement shall be binding unless it shall be set forth in writing and duly executed by both parties to this Agreement.

9.12 Incorporation of Rate Schedule. The parties agree that this Agreement shall be subject to all of the provisions contained in The Company's published Rate Schedule COG-2 as approved and on file with the FPSC. The Rate Schedule is incorporated herein by reference.

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9.13 Survival of Agreement. This Agreement as may be amended from time to time, shall be binding and inure to the benefit of the Parties' respective successors-in-interest and legal representatives.

IN WITNESS WHEREOF, GF and The Company have executed this Agreement the day and year first above written.

WITNESSES:

Erin Pauling  
Thomas E. Stanoff

Qualifying Facility

J. Brown Gugg

WITNESSES:

William L. Bacon  
Robert D. Dale

The Company

[Signature]

ISSUED BY: T. W. Raines, Jr., Director, Rate Department  
EFFECTIVE: January 26, 1988

INTERCONNECTION AGREEMENT

Florida Power Corporation, hereinafter referred to as "The Company" agrees to interconnect with NRG/Recovery Group, Inc., hereinafter referred to as "QF", subject to the following provisions:

1. Facility.

The QF's generating facility, hereinafter referred to as "Facility", is located at Jim Rogers Industrial Park, Lake County, Florida, within The Company's service territory. QF intends to have its Facility installed and operational on or about September, 1990. QF shall provide The Company reasonable prior notice of the Facility's initial operation, and it shall cooperate with The Company to arrange initial deliveries of power to The Company's system.

The Facility has been or will be certified as a Qualifying Facility pursuant to the rules and regulations of the Florida Public Service Commission (FPSC) or the Federal Energy Regulatory Commission (FERC). The QF shall maintain the qualifying status of the Facility throughout the term of the interconnection.

2. Interconnection Facilities.

Interconnection facilities on The Company's side of the ownership line with QF shall be owned, operated, maintained, and repaired by The Company at QF expense. QF shall be responsible for the cost of designing, installing, operating, and maintaining the interconnection facilities on QF's side of the ownership line. The QF shall be responsible for establishing and maintaining controlled access by third parties to the interconnection facilities.

3. Cost Estimates.

If requested by the QF, The Company will prepare a "QF Interconnection Cost Estimate" at QF expense. The parties agree that this is an estimate of costs to be incurred and that actual costs will be used to compute the interconnection costs to be billed in Section 5. Advance payment may be required for these cost estimates unless the QF has satisfied the security bond requirements of Section 4 of this Agreement.

4. Construction Activities.

QF shall provide The Company with written instructions to proceed with design and construction of the interconnection facilities at least 24 months prior to the date on which the facilities shall be completed. The Company agrees to complete the interconnection facilities within 24 months of receipt of written instructions to proceed.

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Upon the parties agreement as to location of ownership line and the appropriate interconnection design requirements and receipt of written instructions to proceed delivered by QF, The Company shall design and perform or cause to be performed all of the work on The Company's side of the ownership line, necessary to interconnect the Facility with The Company's system.

5. Payment For Interconnection Costs.

QF agrees to pay The Company all expenses incurred by The Company to design, construct, operate, maintain and repair The Company's interconnection facilities necessary for integration of the Facility into The Company's electrical system. Such interconnection costs shall not include any costs which The Company would otherwise incur if it were not engaged in interconnected operations with QF but instead simply provided the electric power requirements of the Facility with electricity either generated by The Company or purchased from another source.

QF agrees to pay the costs for portions of interconnection work where costs have been incurred (X) within 30 days after The Company notifies QF that such interconnection costs have been incurred or ( ) payable in (up to 36) \_\_\_\_\_ monthly installments, plus interest on the outstanding balance calculated at the 30-day highest grade commercial paper rate in effect 30 days prior to the date each payment is due, with the first installment payment being due 30 days after The Company notifies QF that such interconnection costs have been incurred.

In the event QF notifies The Company in writing to cease interconnection work before its completion, QF shall be obligated to reimburse The Company for the interconnection costs incurred up to the date such notification is received.

6. Technical Requirements and Operations.

The parties agree that QF's interconnection with, and delivery of electricity into, The Company's system must be accomplished in accordance with the provisions of Appendix A entitled "Interconnection and Standards" contained in Rule 25-17.087, Florida Administrative Code, attached to and made a part of this Agreement.

The QF agrees to adjust reactive power flow in the interconnection so as to remain within the range of 85% leading to 85% lagging power factor.

QF agrees to require that the Facility operator immediately notify The Company's System Dispatcher by telephone in the event hazardous or unsafe conditions associated with the parties' parallel operations are discovered. If such conditions are detected by The Company, then The Company will likewise immediately contact the operator of the Facility by

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telephone. Each party agrees to immediately take whatever appropriate corrective action is necessary to correct the hazardous or unsafe conditions.

To the extent The Company reasonably determines the same to be necessary to ensure the safe operation of the Facility or to protect the integrity of The Company's system, QF agrees to reduce power generation or take other appropriate actions.

A separate operating agreement will be required to specify operating procedures necessary to coordinate the operations of the QF with those of The Company. However, such an agreement shall not operate as a condition precedent to acceptance of the standard offer contract by the utility or acceptance by the QF.

7. Maintenance and Repair Payments.

The Company will separately invoice QF monthly for COG-1 or COG-2 customer charges and for all costs associated with the operation, maintenance and repair of the interconnection facilities on a percentage basis, as set forth in Rate Schedule COG-1 or COG-2. QF agrees to pay The Company within 20 days of receipt of each such invoice.

8. Site Access.

In order to help ensure the continuous, safe, reliable and compatible operation of the Facility with The Company's system, QF hereby grants to The Company for the period of interconnection the reasonable right of ingress and egress, consistent with the safe operation of the Facility, over property owned or controlled by QF to the extent The Company deems such ingress and egress necessary in order to examine, test, calibrate, coordinate, operate, maintain or repair any interconnection equipment involved in the parallel operation of the Facility and The Company's system, including The Company's metering equipment.

9. Facility Responsibility.

In no event shall any Company statement, representation, or lack thereof, either express or implied, relieve the QF of its exclusive responsibility for the Facility. Specifically, any Company inspection of the Facility shall not be construed as confirming or endorsing the Facility's design or its operating or maintenance procedures nor as a warranty or guarantee as to the safety, reliability, or durability of the Facility's equipment. The Company's inspection, acceptance, or its failure to inspect shall not be deemed an endorsement of any Facility equipment or procedure.

10. General Provisions.

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

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

10.3 Exclusion of Incidental and Consequential Damages. Neither party shall be liable to the other for incidental, consequential, or indirect damages including, but not limited to, the cost of replacement power, whether arising in contract, tort, or otherwise.

10.4 Force Majeure. If either party be unable, by reason of force majeure, to carry out its obligations under this Agreement, either wholly or in part, the party so failing shall give written notice and full particulars of such cause or causes to the other party as soon as possible after the occurrence of any such cause; and such obligations shall be suspended during the continuance of such hindrance which, however, shall be remedied with all possible dispatch; and the obligations, terms and conditions of this Agreement shall be extended for such period as may be necessary for the purpose of making good any suspension so caused. The term "force majeure" shall be taken to mean acts of God, strikes, lockouts, or other industrial disturbances, wars, blockades, insurrections, riots, arrests, and restraints of rules and people, environmental constraints lawfully imposed by federal, state, or local government bodies, explosions, fires, floods, lightning, wind, perils of the sea, accidents to equipment, or machinery or similar occurrences; provided, however, that no occurrences may be claimed to be a force majeure occurrence if it is caused by the negligence or lack of due diligence on the part of the party attempting to make such claim. QF agrees to pay the costs

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necessary to reactivate the Facility and/or the interconnection with The Company's system if the same are rendered inoperable due to actions of QF, its agents, or force majeure events affecting the Facility or the interconnection with The Company. The Company agrees to reactivate at its own cost the interconnection with the Facility in circumstances where any interruptions to such interconnections are caused by The Company or its agents.

10.5 Insurance.

QF shall deliver to The Company at least fifteen days prior to the start of any interconnection work, a certified copy or duplicate original of a liability insurance policy issued by a reputable insurance company authorized to do business in the State of Florida, jointly protecting and indemnifying the QF and The Company, their officers, employees, and representatives, against all liability and expense on account of claims and suits for injuries or damages to persons or property arising out of the interconnection to the QF or caused by operation of any of the QF's equipment or by the QF's failure to maintain the Facility's equipment in satisfactory and safe operating conditions, or otherwise arising out of the performance by the QF or The Company of the terms and conditions of this Agreement.

The policy providing such coverage shall provide comprehensive general liability insurance, including property damage, with limits in an amount to be determined on a case-by-case basis, but in no event less than \$300,000 for each occurrence. In addition, the above required policy shall be endorsed with a provision whereby the insurance company will notify The Company thirty days prior to the effective date of cancellation or material change in policy. The QF shall pay all premiums and other charges due on said policy in force during the entire period of interconnection with The Company.

11. Electric Service to QF.

The Company will provide the class or classes of electric service requested by QF to the extent that they are consistent with applicable tariffs, provided, however, that interruptible service will not be available under circumstances where interruptions would impair QF's ability to generate and deliver firm energy and capacity to The Company.

12. Notification.

For purpose of making emergency or any communications relating to the operation of the the Facility, under the provisions of this Agreement, the parties designate the following

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people for notification:

For QF: F. Browne Gregg  
MRG/Recovery Group, Inc.  
1616 S. 14th St.  
Leesburg, FL 32749-0300

Phone: (904)787-0608

For The Company: James G. Keppeler  
Florida Power Corporation  
Energy Management Resources  
P. O. Box 14042  
St. Petersburg, FL 33733

Phone: (813)866-4218

IN WITNESS WHEREOF, QF and The Company, executed this Agreement this 12 day of Oct, 1988.

WITNESS:

[Signature]

Qualifying Facility:

[Signature]

Date: October 11, 1988

WITNESS:

[Signature]

The Company:

[Signature]

Date: October 12, 1988

ISSUED BY: T. W. Raines, Jr., Director, Rate Department  
EFFECTIVE: JANUARY 26, 1988

**APPENDIX B**

LC1 16005

**RATE SCHEDULE COG-2  
STANDARD OFFER CONTRACT RATE FOR PURCHASE OF FIRM CAPACITY AND ENERGY  
FROM QUALIFYING COGENERATION AND SMALL POWER PRODUCTION FACILITIES  
(QUALIFYING FACILITIES)****Availability:**

Florida Power Corporation will purchase Firm Capacity and Energy offered by any qualifying Facility, irrespective of its location, which is either directly or indirectly interconnected with the Company under the provisions of this schedule. Florida Power Corporation will negotiate and may contract with any Qualifying Facility, irrespective of its location, which is either directly or indirectly interconnected with the Company for the purchase of Firm Capacity and Energy pursuant to terms and conditions which deviate from this schedule where such negotiated contracts are in the best interest of the Company's ratepayers.

**Applicable:**

To any cogeneration or small power production Qualifying Facility, irrespective of its location, producing capacity and energy for sale to the Company on a firm basis pursuant to the terms and conditions of this schedule and the Company's "Standard Offer Contract" or a separately negotiated contract. Firm Capacity and Energy are described by the Florida Public Service Commission (FPSC) Rules 25-17.083, F.A.C., and are capacity and energy produced and sold by a Qualifying Facility pursuant to a negotiated or standard Company contract offer and subject to certain contractual provisions as to quantity, time, and reliability of delivery. Criteria for achieving qualifying Facility status shall be those set out in FPSC Rule 25.17.080, F.A.C.

**Character of Service:**

Purchases within the territory served by the Company shall be, at the option of the Company, single or three phase, 60 hertz, alternating current at any available standard Company voltage. Purchases from outside the territory served by the Company shall be three phase, 60 hertz, alternating current at the voltage level available at the interchange point between the Company and the entity delivering Firm Capacity and Energy from the Qualifying Facility.

**Limitation of Service:**

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 Qualifying Facilities which:

- A. Execute a Company "Standard Offer Contract" prior to January 1, 1993 for the Company's purchase of Firm Capacity and Energy; and
- B. Commit to commence deliveries of Firm Capacity and Energy no later than January 1, 1995, and to continue such deliveries through at least December 31, 2004.
- C. Provide capacity which would not result in the subscription limit on capacity deficit (500 MW) as identified in the FPSC Order No. 17480 to be exceeded.

**Rates for Purchases by the Company:**

Firm Capacity and Energy are purchased at a unit cost, in dollars per kilowatt per month and cents per kilowatt hour, respectively, based on the value of deferring additional generating capacity in Florida. For the purpose of this schedule, a Statewide Avoided Unit has been designated by the FPSC and is considered to be a jointly owned, peninsular Florida base load generating plant consisting of one (1) 500 MW coal fired generating unit with an in-service date of April 1, 1992. Appendix A of this schedule describes the methodology used to calculate payment schedules, general terms, and conditions applicable to the Company's "Standard Offer Contract" pursuant to FPSC Rules 25-17.080 through 25-17.091, F.A.C.

**A. Firm Capacity Rates**

Three options, A through C, as set forth below, are available for payment for Firm Capacity which is produced by the Qualifying Facility and delivered to the Company. Once selected, an option shall remain in effect for

(Continued on Page No. 2)

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STANDARD OFFER CONTRACT RATE FOR PURCHASE OF FIRM CAPACITY AND ENERGY  
 FROM QUALIFYING COGENERATION AND SMALL POWER PRODUCTION FACILITIES  
 (QUALIFYING FACILITIES)  
 (Continued from Page No. 1)

Firm Capacity Rates: (Continued)

the term of the contract with the Company. Exemplary payment schedules, shown below, contain the monthly rate per kilowatt of Firm Capacity the Qualifying Facility has contractually committed to deliver to the Company and are based on a contract term which extends a minimum of ten (10) years beyond the anticipated in-service date of the Statewide Avoided Unit (i.e., through December 31, 2004). Payment schedules for longer contract terms will be made available to a Qualifying Facility upon request and may be calculated based on the methodologies described in Appendix A.

Option A - Fixed Value of Deferral

Payment schedules under this option are based on the value of a year-by-year deferral of the Statewide Avoided Unit with an in-service date of January 1, 1995; calculated in accordance with FPSC Rule 25-17.083, P.A.C., as described in Appendix A. Once this option is selected, the current schedule of payments shall remain fixed and in effect throughout the term of the "Standard Offer Contract."

The Qualifying Facility shall select the month and year in which the delivery of Firm Capacity and Energy to the Company is to commence and capacity payments are to start. The Company will provide the Qualifying Facility with a schedule of capacity payment rates based on the month and year in which the delivery of Firm Capacity and Energy are to commence and the term of the contract. The following exemplary payment schedule is based on the minimum required contract term which must extend at least ten (10) years beyond the anticipated in-service date of the Statewide Avoided Unit. The currently approved parameters used to calculate the following schedule of payments are found in Appendix B of this schedule.

MONTHLY CAPACITY PAYMENT RATE \$/KW/MONTH

| Contract Year |       | Normal<br>Payment<br>Option<br>Starting<br>1/1/95 | Early Payment Option Starting |        |        |        |        |        |        |
|---------------|-------|---|-------------------------------|--------|--------|--------|--------|--------|--------|
| From          | To    |   | 1/1/94                        | 1/1/93 | 1/1/92 | 1/1/91 | 1/1/90 | 1/1/89 | 1/1/88 |
| 01/87         | 12/87 | .   | .                             | .      | .      | .      | .      | .      | .      |
| 01/88         | 12/88 | .   | .                             | .      | .      | .      | .      | .      | .      |
| 01/89         | 12/89 | .   | .                             | .      | .      | .      | .      | .      | .      |
| 01/90         | 12/90 | .   | .                             | .      | .      | .      | .      | .      | 3.78   |
| 01/91         | 12/91 | .   | .                             | .      | .      | .      | .      | 4.37   | 4.03   |
| 01/92         | 12/92 | .   | .                             | .      | 5.92   | 5.08   | 4.66   | 4.30   | 4.30   |
| 01/93         | 12/93 | .   | .                             | 6.94   | 6.31   | 5.41   | 4.97   | 4.58   | 4.58   |
| 01/94         | 12/94 | .   | 8.18                          | 7.40   | 6.73   | 5.77   | 5.30   | 4.88   | 4.88   |
| 01/95         | 12/95 | 16.04   | 9.71                          | 8.72   | 7.88   | 7.17   | 6.15   | 5.65   | 5.21   |
| 01/96         | 12/96 | 17.06   | 14.78                         | 13.72  | 12.84  | 12.08  | 11.42  | 10.85  | 10.35  |
| 01/97         | 12/97 | 18.14   | 15.71                         | 14.59  | 13.64  | 12.83  | 12.13  | 11.52  | 10.98  |
| 01/98         | 12/98 | 19.29   | 16.70                         | 15.50  | 14.49  | 13.63  | 12.88  | 12.23  | 11.66  |
| 01/99         | 12/99 | 20.51   | 17.75                         | 16.48  | 15.40  | 14.48  | 13.68  | 12.99  | 12.38  |
| 01/00         | 12/00 | 21.81   | 18.87                         | 17.51  | 16.36  | 15.38  | 14.54  | 13.80  | 13.15  |
| 01/01         | 12/01 | 23.19   | 20.06                         | 18.61  | 17.39  | 16.34  | 15.44  | 14.65  | 13.96  |
| 01/02         | 12/02 | 24.65   | 21.33                         | 19.78  | 18.48  | 17.36  | 16.40  | 15.56  | 14.82  |
| 01/03         | 12/03 | 26.22   | 22.67                         | 21.03  | 19.64  | 18.45  | 17.42  | 16.53  | 15.74  |
| 01/04         | 12/04 | 27.88   | 24.10                         | 22.35  | 20.87  | 19.60  | 18.51  | 17.55  | 16.71  |
|               |       |   | 25.63                         | 23.75  | 22.18  | 20.83  | 19.66  | 18.64  | 17.75  |

(Continued on Page No. 3)

ISSUED BY: T. V. Raines, Jr., Director, Rate Department

EFFECTIVE: JANUARY 26, 1988

**RATE SCHEDULE COG-2**  
**STANDARD OFFER CONTRACT RATE FOR PURCHASE OF FIRM CAPACITY AND ENERGY**  
**FROM QUALIFYING COGENERATION AND SMALL POWER PRODUCTION FACILITIES**  
**(QUALIFYING FACILITIES)**  
 (Continued from Page No. 2)

Option B - Variable Value of Deferral

Payment schedules under this option are based on the value of a year-by-year deferral of the Statewide Avoided Unit with an in-service date of January 1, 1995. Once this option is selected, the Statewide Avoided Unit designation and its in-service date shall remain fixed for the term of the "Standard Offer Contract." The value of deferral, however, shall be recalculated annually and the payment schedule shall be adjusted, upon approval by the FPSC, to reflect the most recent factors affecting the cost of constructing the Statewide Avoided Unit. The Qualifying Facility shall select the month and year in which the delivery of Firm Capacity and Energy to the Company is to commence and capacity payments are to start pursuant to this option.

The methodology used to determine the level of payment each year is the same as that used in Option A of this schedule and is described in Appendix A. For informational purposes only, the current projection of payments are those contained in Option A on the previous page.

Option C - Average Embedded Book Cost of Fossil Steam Production Plant

Monthly capacity payments made under this option shall be based on the Company's current average embedded book cost of fossil steam production plant approved by the FPSC and in effect in the year in which payment is made.

The following monthly payment schedule is provided for informational purposes only. It reflects the Company's current projection of payments.

Projected Monthly Capacity Payment Rate - \$/KW/Month

| 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| 3.91 | 3.86 | 3.82 | 3.75 | 3.65 | 3.40 | 3.22 | 3.76 | 3.61 | 4.13 | 3.95 | 4.44 | 4.39 | 4.94 | 4.76 | 5.41 | 5.28 |

**B. Energy Rates**

1. Payments Prior to January 1, 1995

The energy rate in cents per kilowatt-hour (¢/KWH) shall be based on the Company's actual hourly avoided energy costs which are calculated by the Company in accordance with FPSC Rule 25-17.0825, F.A.C. Avoided energy costs include incremental fuel, identifiable operating and maintenance expenses, and an adjustment for line losses reflecting delivery voltage. When economy transactions take place, the incremental costs are calculated after purchase or before the sale of the economy energy.

The calculation of payments to the Qualifying Facility shall be based on the sum, over a hours of the billing period of the product of each hour's avoided energy cost times the purchases by the Company for that hour. All purchases shall be adjusted for losses from the point of metering to the point of interconnection.

2. Payments Starting on January 1, 1995

The energy rate in cents per kilowatt-hour (¢/KWH), shall be the lesser of an hour-by-hour comparison of: (1) the fuel component of the Company's avoided energy costs calculated in accordance with Rule 25-17.0825, F.A.C.; and (b) the Statewide Avoided Fuel Cost. The Statewide Avoided Unit Fuel Cost, in cents per kilowatt-hour (¢/KWH) shall be defined as the product of: (a) the average monthly inventory charge out price of coal burned at Tampa Electric Company's Big Unit No. 4, in cents per million BTU; and (b) an average annual heat rate of 9.79 million BTU per megawatt hours.

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ISSUED BY: T. W. Raines, Jr., Director, Rate Department

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**RATE SCHEDULE COE-2**  
**STANDARD OFFER CONTRACT RATE FOR PURCHASE OF FIRM CAPACITY AND ENERGY**  
**FROM QUALIFYING COGENERATION AND SMALL POWER PRODUCTION FACILITIES**  
**(QUALIFYING FACILITIES)**  
 (Continued from Page No. 3)

**Energy Rates: (Continued)**

Calculation of payments to the Qualifying Facility shall be based on the sum, over all hours of the billing period, of the product of each hour's avoided energy cost times the purchases by the Company for that hour. All purchases shall be adjusted for Losses from the point of metering to the point of interconnection.

**Estimated Firm Energy Cost:**

For informational purposes only, the estimated incremental avoided energy costs for the next four semi-annual periods are as follows. These estimates include a credit for estimated variable operating and maintenance expense of 0.056¢/KWH. The variable O & M credit will be recomputed monthly in accordance with the Company's methodology.

| <u>Applicable Period</u>      | <u>On-Peak<br/>¢/KWH</u> | <u>Off-Peak<br/>¢/KWH</u> | <u>Average<br/>¢/KWH</u> |
|-------------------------------|--------------------------|---------------------------|--------------------------|
| April, 1988 - September, 1988 | 3.487                    | 2.410                     | 2.911                    |
| October, 1988 - March, 1989   | 3.092                    | 2.548                     | 2.787                    |
| April, 1989 - September, 1989 | 4.318                    | 2.701                     | 3.453                    |
| October, 1989 - March, 1990   | 4.347                    | 3.029                     | 3.608                    |

A 100 MW block has been used to calculate the estimated avoided energy cost.

**Performance Criteria:**

Payments for firm capacity are conditioned on the Qualifying Facility's ability to maintain the following performance criteria.

**A. Commercial In-Service Date**

Capacity payments shall not commence until the Qualifying Facility has attained and demonstrated, commercial in-service status. The commercial in-service date of a Qualifying Facility shall be defined as the first day of the month following the successful completion of the Qualifying Facility maintaining an hourly kilowatt (KW) output, as metered at the point of interconnection with the Company, equal to or greater than the Qualifying Facility's "Standard Offer Contract" committed capacity for a 24 hour period. A Qualifying Facility shall coordinate the selection of and operation of its facility during this test period with the Company to insure that the performance of its facility during this 24 hour period is reflective of the anticipated day to day operation of the Qualifying Facility.

**B. Capacity Factor**

Upon achieving commercial in-service status, payments for Firm Capacity shall be made monthly in accordance with the capacity payment rate option selected by the Qualifying Facility and subject to the provision that the Qualifying Facility maintains a 70% capacity factor on a 12 month rolling average basis as defined in Appendix A. Failure to achieve this capacity factor shall result in the Qualifying Facility's forfeiture of payments for Firm Capacity during the month in which such failure occurs. Where early capacity payments have been elected and starting with the month of January, 1995, failure of a Qualifying Facility to maintain a 70% capacity factor on a 12 month rolling average basis shall also result in payments by the Qualifying Facility to the Company. The amount of such payments shall be equal to the difference between: (1) what the Qualifying Facility would have been paid had it elected the normal payment option starting January 1, 1995; and (2) what it would have been paid pursuant to the early payment option had it maintained the capacity factor performance criteria.

(Continued on Page No. 5)

ISSUED BY: T. W. Raines, Jr., Director, Rate Department

EFFECTIVE: APRIL 1, 1988

**RATE SCHEDULE COG-2**  
**STANDARD OFFER CONTRACT RATE FOR PURCHASE OF FIRM CAPACITY AND ENERGY**  
**FROM QUALIFYING COGENERATION AND SMALL POWER PRODUCTION FACILITIES**  
**(QUALIFYING FACILITIES)**  
(Continued from Page No. 4)

**Performance Criteria (Continued)**

All capacity payments made by the Company prior to January 1, 1995 are considered "early payments." The owner or operator of the Qualifying Facility, as designated by the Company, shall secure its obligation to repay, with interest, the cumulative amount of early capacity payments in the event the Qualifying Facility defaults under the terms of its "Standard Offer Contract" with the Company. The Company will provide 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 discussed in Appendix A.

**C. Additional Criteria**

1. The Qualifying Facility shall provide monthly generation estimates by October 1 for the next calendar year; and
2. The Qualifying Facility shall promptly update its yearly generation schedule when any changes are determined necessary; and
3. The Qualifying Facility shall agree to reduce generation or take other appropriate action as requested by the Company for safety reasons or to preserve system integrity; and
4. The Qualifying Facility shall coordinate scheduled outages with the Company; and
5. The Qualifying Facility shall comply with the reasonable requests of the Company regarding daily or hourly communications.

**Delivery Voltage Adjustment:**

Energy payments to Qualifying Facilities within the Company's service territory shall be adjusted according to the delivery voltage by the following multipliers:

| <u>Qualifying Facility Delivery Voltage</u> | <u>Adjustment Factor</u> |
|---|--------------------------|
| 69 KV or Greater                            | 1.042 ✓                  |
| 4 KV, 12 KV, 25 KV                          | 1.058                    |
| 600 Volts or Lower                          | 1.085                    |

**Metering Requirements:**

Qualifying Facilities within the territory served by the Company shall be required to purchase from the Company hourly recording meters to measure their energy production. Energy purchases from Qualifying Facilities outside the territory served by the Company shall be measured as the quantities scheduled for interchange to the Company by the entity delivering firm capacity and energy to the Company.

For the purpose of this schedule, the on-peak hours occur Monday through Friday except holidays, April 1 - October 31 from 12 noon to 9:00 p.m., and November 1 - March 31 from 6:00 a.m. to 10:00 a.m. and 6:00 p.m. to 10:00 p.m. All hours not mentioned above and all hours of the holidays of New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day are off-peak hours.

**Billing Options:**

The Qualifying Facility may elect to make either simultaneous purchases and sales or net sales. The decision to change billing methods can be made once every twelve (12) months coinciding with the next Fuel and Purchased Power Cost Recovery Factor billing period provided the Company is given at least thirty (30) days written notice before the change is to take place. In addition, allowance must be made for the installation or alteration of needed metering or interconnection equipment for which the qualifying facility must pay; and such purchases and/or sales must not abrogate any provisions of the tariff or contract with the Company.

(Continued on Page No. 6)

ISSUED BY: T. W. Raines, Jr., Director, Rate Department  
EFFECTIVE: JANUARY 26, 1988

**RATE SCHEDULE COG-2**  
**STANDARD OFFER CONTRACT RATE FOR PURCHASE OF FIRM CAPACITY AND ENERGY**  
**FROM QUALIFYING COGENERATION AND SMALL POWER PRODUCTION FACILITIES**  
**(QUALIFYING FACILITIES)**  
 (Continued from Page No. 5)

**Billing Options: (Continued)**

A statement covering the charges and payments due the Qualifying Facility is rendered monthly, and payment normally is made by the twentieth business day following the end of the billing period.

**Charges to Qualifying Facility:**

- A. Customer Charges  
 Monthly customer charges for meter reading, -billing and other applicable administrative costs by Rate Schedule are:

|         |         |
|---------|---------|
| RS-1    |         |
| RST-1   | \$ 5.25 |
| GS-1    | 9.71    |
| GST-1   | 5.25    |
| GSD-1   | 9.71    |
| GSOT-1  | 15.27   |
| GSLD-1  | 19.73   |
| GSLDT-1 | 78.31   |
| GSLDT-2 | 82.76   |
| GSLD-2  | 228.03  |
| CS-1    | 228.03  |
| CST-1   | 150.59  |
| IS-1    | 150.59  |
| IST-1   | 408.74  |
| MS-1    | 408.74  |
|         | 5.25    |

- B. Interconnection Charge for Non-Variable Utility Expenses  
 The Qualifying Facility shall bear the cost required for interconnection including the metering. The Qualifying Facility shall have the option of payment in full for interconnection or making equal monthly installment payments over a thirty-six (36) month period together with interest at the rate then prevailing for thirty (30) days prior to the date of each payment.

When equal monthly payments are elected, the Qualifying Facility shall provide a surety bond or equivalent assurance of repayment of interconnection costs in the event the Qualifying Facility is unable to meet the terms and conditions of its contract. Depending on the nature of the Qualifying Facility's operation, financial health and solvency, one of the following may constitute an equivalent assurance of repayment:

- (1) Surety bond;
- (2) Escrow;
- (3) Irrevocable letter of credit;
- (4) Unsecured promise by a municipal, county, or state government to repay early capacity payments in the event of default in conjunction with a legally binding commitment from such government allowing the utility to levy a surcharge on either the electric bills of the government's electric consuming facilities or the constituent electric customers of such government to assure that early capacity payments are repaid;
- (5) Unsecured promise by a privately owned Qualifying Facility to repay early capacity payments in the event of default in connection with a legally binding commitment from the owner(s) of the Qualifying Facility, parent company, and/or subsidiary companies allowing the utility to levy a surcharge on the electric bills of the owner(s), parent company, and/or subsidiary companies located in Florida to assure that early capacity payments are repaid; or
- (6) Other guarantee acceptable to the Company.

(Continued on Page No. 7)

ISSUED BY: T. W. Raines, Jr., Director, Rate Department

EFFECTIVE: JANUARY 26, 1988

11/87

LC1 16011

STANDARD OFFER CONTRACT RATE FOR PURCHASE OF FIRM CAPACITY AND ENERGY  
FROM QUALIFYING COGENERATION AND SMALL POWER PRODUCTION FACILITIES  
(QUALIFYING FACILITIES)  
(Continued from Page No. 6)

The Company will cooperate with each Qualifying Facility applying for monthly payments to determine the exact form of an "equivalent assurance of repayment" to be required based on the particular aspects of the Qualifying Facility. The Company will endeavor to accommodate an equivalent assurance which is in the best interests of both the Qualifying Facility and the Company's ratepayers.

C. Interconnection Charge for Variable Utility Expenses

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

In lieu of payments for actual charges, the Qualifying Facility may pay a monthly charge equal to 0.49% of the installed cost of the interconnection facilities.

D. Taxes and Assessments

The Qualifying Facility shall be billed monthly an amount equal to the taxes, assessments, or other impositions, if any, for which the Company is liable as a result of its purchases of Firm Capacity and Energy produced by the Qualifying Facility.

Terms of Service:

1. It shall be the Qualifying Facility's responsibility to inform the Company of any change in its electric generating capability.
2. Any electric service delivered by the Company to the Qualifying Facility shall be metered separately and billed under the applicable retail rate schedule and the terms and conditions of the applicable rate schedule shall pertain.
3. A security deposit will be required in accordance with FPSC Rules 25-17.082(5) and 25-6.097, F.A.C. and the following:
  - a. In the first year of operation, the security deposit should be based upon the singular month in which the QF's projected purchases from the utility exceed, by the greatest amount, the utility's estimated purchases from the QF. The security deposit should be equal to twice the amount of the difference estimated for that month. The deposit should be required upon interconnection.
  - b. For each year thereafter, a review of the actual sales and purchases between the QF and the utility should be conducted to determine the actual month of maximum difference. The security deposit should be adjusted to equal twice the greatest amount by which the actual monthly purchases by the QF exceed the actual sales to the utility in that month.
4. The Company shall specify the point of interconnection and voltage level.
5. The Company will, under the provisions of this Schedule, require an agreement with the Qualifying Facility upon the Company's filed Standard Offer Contract and Standard Agreement for Parallel Operation between the Qualifying Facility and the Company. The Qualifying Facility shall recognize that its generation facility may exhibit unique interconnection requirements which will be separately evaluated, modifying the Company's General Standard for Safety and Interconnection where applicable.
6. Service under this rate schedule is subject to the rules and regulations of the Company and the Florida Public Service Commission.

(Continued on Page No. 8)

ISSUED BY: T. V. Raines, Jr., Director, Rate Department  
EFFECTIVE: JANUARY 26, 1988

**RATE SCHEDULE COG-2**  
**--STANDARD OFFER CONTRACT RATE FOR PURCHASE OF FIRM CAPACITY AND ENERGY**  
**FROM QUALIFYING COGENERATION AND SMALL POWER PRODUCTION FACILITIES**  
**(QUALIFYING FACILITIES)**  
 (Continued from Page No. 7)

**Special Provisions:**

1. Special contracts deviating from the above standard rate schedule are allowable provided they are agreed to by the Company and approved by the Florida Public Service Commission.
2. A Qualifying Facility located within the Company's service territory may sell Firm Capacity and Energy to a utility other than the Company. Where such agreements exist and existing transmission capacity is available, the Company will provide transmission wheeling service to deliver the Qualifying Facility's power to the purchasing utility or to an intermediate utility.

When a Qualifying Facility located within the Company's service territory exercises its option to sell As-Available Energy to a utility other than the Company prior to the in-service date (April 1, 1992) of the Statewide Avoided Unit and existing transmission capacity is available, the Company will also provide transmission wheeling service to deliver the Qualifying Facility's power to the purchasing utility or to an intermediate utility. In addition, the Company will provide transmission wheeling service through its territory of a Qualifying Facility located outside the Company's service territory, for delivery of the Qualifying Facility's power to the purchasing utility or to an intermediate utility. Transmission service that is determined to be an intrastate transaction will be provided, subject to availability, under the rates, terms and conditions set forth in Rate Schedule COG-3 or, as provided for therein, under a separate, compensatory contract. Transmission service that is determined to be an interstate transaction will be provided, subject to availability, under rates, terms and conditions filed with, and accepted for filing by, the Federal Energy Regulatory Commission (a copy of the Company's currently effective wholesale tariff rate schedule applicable to transmission service is on file with the Florida Public Service Commission and is available from the Company upon request).

Interstate transactions are defined as those determined to be jurisdictional by the Federal Energy Regulatory Commission. Intrastate transactions are defined as all other transactions.

The Qualifying Facility shall be responsible for all costs associated with such wheeling including:

- A. Wheeling charges
- B. Line losses incurred by the Company
- C. Inadvertent energy flows resulting from such wheeling

Energy delivered to the Company shall be adjusted before delivery to another utility as follows:

| <u>Qualifying Facility Delivery Voltage</u> | <u>Adjustment Factor</u> |
|---|--------------------------|
| 69 KV or Greater                            | 0.960                    |
| 4 KV, 12KV, 25 KV                           | 0.945*                   |
| 600 Volts or Lower                          | 0.922*                   |

\* The 69 KV or greater adjustment factor shall apply if the following conditions are met for Qualifying Facility power and energy input to the Company's distribution facilities:

- (1) The input power and energy fully displace power and energy that the Company would otherwise be required to supply to other customers on the same distribution facility, and
- (2) The delivery voltage to the receiving utility system is 69 KV or greater.

(Continued on Page 9)

ISSUED BY: T. W. Raines, Jr., Director, Rate Department  
 EFFECTIVE: JANUARY 26, 1988

RATE SCHEDULE COG-2  
STANDARD OFFER CONTRACT RATE FOR PURCHASE OF FIRM CAPACITY AND ENERGY  
FROM QUALIFYING COGENERATION AND SMALL POWER PRODUCTION FACILITIES  
(QUALIFYING FACILITIES)  
(Continued from Page No. 8)

The Company may deny, curtail or discontinue providing transmission service under this special provision if the provision of such service would adversely affect the adequacy, reliability or cost of providing electric service to its general body of retail and wholesale customers.

For a more complete description of the rates, terms and conditions under which intrastate transmission service may be offered, refer to Rate Schedule COG-3 commencing on sheet 9.700 of this tariff section. For similar information related to interstate transmission service, refer to the Company's currently effective wholesale tariff rate schedule applicable to transmission service, a copy of which is on file with the Florida Public Service Commission and available from the Company upon request.

ISSUED BY: T. W. Raines, Jr., Director, Rate Department

EFFECTIVE: JANUARY 26, 1988

1147

LCI 16014

912

**RATE SCHEDULE COG-2**  
**APPENDIX A**  
**STANDARD OFFER CONTRACT RATE FOR PURCHASE OF FIRM CAPACITY AND ENERGY**  
**FROM QUALIFYING COGENERATION AND SMALL POWER PRODUCTION FACILITIES**  
**(QUALIFYING FACILITIES)**

**Applicability:**

Appendix A provides a detailed description of the methodology used by the Company to calculate the monthly values of deferring the Statewide Avoided Unit referred to in Schedule COG-2. When used in conjunction with the current FPSC approved cost parameters associated with the Statewide Avoided Unit contained in Appendix B, a Qualifying Facility may determine the applicable value of deferral capacity payment rate associated with the timing and operation of its particular facility should the Qualifying Facility enter into a "Standard Offer Contract" with the utility.

Also contained in Appendix A is the methodology used by the Company to calculate the 12 month rolling average capacity factor of a Qualifying Facility and a discussion of the types and forms of surety bond requirements or equivalent assurance of repayment of early capacity payments acceptable to the Company in the event of contractual default by a Qualifying Facility.

**Calculation of Value of Deferral:**

FPSC Rules 25-17.023(7) specifies that avoided capacity costs, in dollars per kilowatt per month, associated with firm capacity sold to a utility by a Qualifying Facility pursuant to the utility's standard offer shall be defined as the value of a year-by-year deferral of the Statewide Avoided Unit and shall be calculated as follows:

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

*6656271675*

Where, for a one year deferral:

- $VAC_m$  = utility's value of avoided capacity, in dollars per kilowatt per month, during month  $m$ ;
- $C$  = a constant risk multiplier equal to 0.8 for the purpose of the utility's standard offer agreement;
- $K$  = present value of carrying charge for one dollar of investment over  $L$  years with carrying charges assumed to be paid at the end of each year;
- $I_n$  = total direct and indirect cost, in dollars per kilowatt including AFUDC but excluding CMIP, of the statewide avoided unit with an in-service date of year  $n$ ;
- $O_n$  = total first year's fixed and variable operating and maintenance expense, less fuel and in dollars per kilowatt per year, of the statewide avoided unit deflated to the beginning of year  $n$  by  $1_r$ ;

(Continued on Page No. 2)

ISSUED BY: T. W. Raines, Jr., Director, Rate Department

EFFECTIVE: JANUARY 26, 1968

LCI 16015

RATE SCHEDULE CGS-2  
 APPENDIX A  
 STANDARD OFFER CONTRACT RATE FOR PURCHASE OF FIRM CAPACITY AND ENERGY  
 FROM QUALIFYING COGENERATION AND SMALL POWER PRODUCTION FACILITIES  
 (QUALIFYING FACILITIES)  
 (Continued from Page No. 1)

Calculation of Value of Deferral: (Continued)

- $i_p$  = annual escalation rate associated with the plant cost of the statewide avoided unit;
- $i_o$  = annual escalation rate associated with the plant O & M cost of the statewide avoided unit;
- $r$  = annual discount rate, defined as the utility's incremental after tax cost of capital;
- $L$  = expected life of the statewide avoided unit; and
- $n$  = year for which the statewide avoided unit is deferred starting with its original anticipated in-service date and ending with the termination of the contract for the purchase of firm energy and capacity.

Normally, payment for firm capacity shall not commence until the in-service date of the statewide avoided unit. At the option of the Qualifying Facility, however, the utility may begin making early capacity payments consisting of the capital cost component of the value of a year-by-year deferral of the statewide avoided unit starting as early as seven years prior to the anticipated in-service date of the statewide avoided unit. When such early capacity payments are elected, the avoided capital cost component of capacity payments shall be paid monthly commencing no earlier than the Commercial In-Service date of the Qualifying Facility, and shall be calculated as follows:

$$A_n = \frac{A(1+i_p)^n}{12} ; \text{ for } n = 0, n$$

Where:

- $A_n$  = monthly avoided capital cost component of capacity payments to be made to the Qualifying Facility starting as early as seven years prior to the anticipated in-service date of the statewide avoided unit, in dollars per kilowatt per month;
- $i_p$  = annual escalation rate associated with the plant cost of the statewide avoided unit;
- $n$  = year for which early capacity payments to a Qualifying Facility are made;

Where:

$$A = F \left[ \frac{1 - \left[ \frac{(1+i_p)}{(1+r)} \right]^L}{1 - \left[ \frac{(1+i_p)}{(1+r)} \right]^n} \right]$$

(Continued on Page No. 3)

ISSUED BY: T. W. Raines, Jr., Director, Rate Department  
 EFFECTIVE: JANUARY 26, 1983

**RATE SCHEDULE C06-2**  
**APPENDIX A**  
**STANDARD OFFER CONTRACT RATE FOR PURCHASE OF FIRM CAPACITY AND ENERGY**  
**FROM QUALIFYING COGENERATION AND SMALL POWER PRODUCTION FACILITIES**  
**(QUALIFYING FACILITIES)**  
 (Continued from Page No. 2)

- $F$  = the cumulative present value of the avoided capital cost component of capacity payments which would have been made had capacity payments commenced with the anticipated in-service date of the statewide avoided unit;
- $r$  = annual discount rate, defined as the utility's incremental after tax cost of capital; and

(Continued on Page No. 3)

Calculation of Value of Deferral: (Continued)

- $t$  = the term, in years, of the contract for the purchase of firm capacity commencing prior to the in-service date of the statewide avoided unit, and commencing with the year in which the qualifying facility elects to receive early capacity payments.

Currently approved parameters applicable to the formulas above are found in Appendix B.

Calculation of 12 Month Rolling Average Capacity Factor:

Pursuant to FPSC Rule 25-17.083(3)(a)(ii), F.A.C., and Order 13247, Docket No. 830377-EU, a Qualifying Facility must maintain a 70% capacity factor in order to receive capacity payments. For the purpose of this schedule, the capacity factor of the Qualifying Facility shall be defined as: the total kilowatt-hours of energy delivered to the utility during the preceding 12 months, divided by the product of: (1) the maximum kilowatt capacity contractually committed for delivery to the Company by the Qualifying Facility during the preceding 12 months; and (2) the sum of the total hours during the preceding 12 months less those hours during which the Company was unable to accept energy and capacity deliveries from the Qualifying Facility. The Company shall be relieved of its obligation under FPSC Rule 25-17.082 F.A.C. to purchase electricity from a Qualifying Facility when purchases result in higher costs to the Company than without such purchases, and where service to the Company's other customers may be impaired by such purchases. The Company shall notify the Qualifying Facility(ies) as soon as possible or practical, and the FPSC of the problems leading to the need for such relief.

During the first 12 months in which the 70% capacity factor performance criteria is imposed, the Qualifying Facility's capacity factor shall be calculated by dividing the sum of the kilowatt hours delivered to the Company by the Qualifying Facility for the number of months since the performance criteria became applicable by the product of: (1) the number of hours in the months which have transpired and in which deliveries were accepted by the Company; and (2) the maximum kilowatt capacity contractually committed by the Qualifying Facility. This calculation shall be performed each month until enough months have transpired to calculate a true 12 month rolling average capacity factor.

Surety Bond Requirements:

FPSC Rule 25-17.083(3)(c), F.A.C., requires that when early capacity payments are elected, the Qualifying Facility must provide a surety bond or equivalent assurance of repayment of early capacity payments in the event the Qualifying Facility is unable to meet the terms and conditions of its contract. Depending on the nature of the Qualifying Facility's operation, financial health and solvency, and its ability to meet the terms and conditions of the Company's "Standard Offer Contract" one of the following may constitute an equivalent assurance of repayment:

- (1) Surety bond;
- (2) Escrow;

(Continued on Page No. 4)

ISSUED BY: T. W. Raines, Jr., Director, Rate Department

EFFECTIVE: JANUARY 26, 1968

1147

LC1 16017

RATE SCHEDULE CGS-2  
APPENDIX A  
STANDARD OFFER CONTRACT RATE FOR PURCHASE OF FIRM CAPACITY AND ENERGY  
FROM QUALIFYING COGENERATION AND SMALL POWER PRODUCTION FACILITIES  
(QUALIFYING FACILITIES)  
(Continued from Page No. 3)

Surety Bond Requirements: (Continued)

- (3) Irrevocable letter of credit;
- (4) Unsecured promise by municipal, county, or state government to repay early capacity payments in the event of default in conjunction with a legally binding commitment from such government allowing the utility to levy a surcharge on either the electric bills of the government's electricity consuming facilities or the constituent electric customers of such government to assure that early capacity payments are repaid;
- (5) Unsecured promise by a privately owned Qualifying Facility to repay early capacity payments in the event of default in conjunction with a legally binding commitment from the owner(s) of the Qualifying Facility, parent company, and/or subsidiary companies allowing the utility to levy a surcharge on the electric bills of the owner(s), parent company, and/or subsidiary companies located in Florida to assure that early capacity payments are repaid; or
- (6) Other guarantee acceptable to the Company.

The Company will cooperate with each Qualifying Facility applying for early capacity payments to determine the exact form of an "equivalent assurance of repayment" to be required based on the particular aspects of the Qualifying Facility. The Company will endeavor to accommodate an equivalent assurance of repayment which is in the best interests of both the Qualifying Facility and the Company's ratepayers.

ISSUED BY: T. W. Raines, Jr., Director, Rate Department

EFFECTIVE: JANUARY 26, 1968

11/67

LC1 16018

RATE SCHEDULE COG-2  
 APPENDIX B  
 STANDARD OFFER CONTRACT RATE FOR PURCHASE OF FIRM CAPACITY AND ENERGY  
 FROM QUALIFYING COGENERATION AND SMALL POWER PRODUCTION FACILITIES  
 (QUALIFYING FACILITIES)

Where, for a one year deferral:

NORMAL PAYMENT OPTION PARAMETERS

|                  |  | <u>Value</u> |
|------------------|--|--------------|
| VAC <sub>m</sub> | = utility's value of avoided capacity, in dollars per kilowatt per month, during month m;  | 16.04        |
| C                | = a constant risk multiplier for the purpose of the utility's standard contract offer;   | 0.8          |
| K                | = present value of carrying charge for one dollar of investment over L years with carrying charges assumed to be paid at the end of each year;   | 1.4885       |
| I <sub>n</sub>   | = total direct and indirect cost, in dollars per kilowatt including AFUDC but excluding CWIP, of the statewide avoided unit with an in-service date of year n;   | 2137         |
| O <sub>n</sub>   | = total first year's fixed and variable operating and maintenance expense, less fuel and in dollars per kilowatt per year, of the statewide avoided unit deflated to the beginning of the year n by i <sub>o</sub> ; | 69.79        |
| i <sub>p</sub>   | = annual escalation rate associated with the plant cost of the statewide avoided unit;   | 6.6%         |
| i <sub>o</sub>   | = annual escalation rate associated with the operation and maintenance expense of the statewide avoided unit;  | 5.6%         |
| r                | = annual discount rate, defined as the utility's incremental after tax cost capital;   | 10.72%       |
| L                | = expected life of the statewide avoided unit;   | 30           |
| n                | = year for which the statewide avoided unit is deferred starting with its original anticipated in-service date and ending with the termination of the contract for the purchase of firm energy and capacity;         | 1995         |

EARLY PAYMENT OPTION PARAMETERS

|                |   |        |
|----------------|---|--------|
| A <sub>m</sub> | = monthly avoided capital cost component of capacity payments to be made to the Qualifying Facility starting as early as seven years prior to the anticipated in-service date of the statewide avoided unit, in dollars per kilowatt per month;                                 | 3.78   |
| i <sub>p</sub> | = annual escalation rate associated with the plant cost of the statewide avoided unit;  | 6.6%   |
| n              | = year for which early capacity payments to a Qualifying Facility are made;   | 1988   |
| P              | = the cumulative present value (January, 1988) of the avoided capital cost component of capacity payments which would have been made had capacity payments commenced with the anticipated in-service date of the statewide avoided unit and continued for a period of 10 years; | 523.39 |
| r              | = annual discount rate, defined as the utility's incremental after tax cost capital;  | 10.72% |
| t              | = the minimum term, in years, of the contract for the purchase of firm capacity commencing prior to the in-service date of the statewide avoided unit.  | 17     |

ISSUED BY: T. W. Raines, Jr., Director, Rate Department

EFFECTIVE: JANUARY 26, 1988

APPENDIX B  
SCHEDULE OF MONTHLY  
CAPACITY PAYMENTS

| YEAR  | CAPACITY    |
|-------|-------------|
| ===== | \$/KW/MONTH |
|       | =====       |
| 1995  | \$16.04     |
| 1996  | \$17.06     |
| 1997  | \$18.14     |
| 1998  | \$19.29     |
| 1999  | \$20.51     |
| 2000  | \$21.81     |
| 2001  | \$23.19     |
| 2002  | \$24.65     |
| 2003  | \$26.22     |
| 2004  | \$27.88     |
| 2005  | \$29.65     |
| 2006  | \$31.53     |
| 2007  | \$33.53     |
| 2008  | \$35.65     |
| 2009  | \$37.92     |
| 2010  | \$40.33     |
| 2011  | \$42.89     |
| 2012  | \$45.61     |
| 2013  | \$48.51     |
| 2014  | \$51.59     |

NRG/RECOVERY GROUP, INC.  
40 Lane Road  
Fairfield, New Jersey 07007-2615

October \_\_\_\_\_, 1989

Board of County Commissioners  
Lake County, Florida  
315 W. Main Street  
Tavares, Florida 32778

RE: Amendment of Power Sales Agreement

Gentlemen:

The Florida Public Service Commission has issued regulations concerning increased capacity payments available to "solid waste facilities" that are "owned or operated by or on behalf of" a county. These regulations will increase the revenues paid to the Company under the Power Sales Agreement with Florida Power Corporation, and therefore reduce the County's tipping fee at the resource recovery facility. The Company, in cooperation with the County, has negotiated an amendment to the Power Sales Agreement (attached hereto as Exhibit A) that will permit compliance with the "owned or operated by or on behalf of" requirement of the new regulations. The Service Agreement dated as of November 8, 1988 between the County and the Company requires that all amendments to the Power Sales Agreement be approved by the County, and accordingly, we seek your approval to so amend the Power Sales Agreement.

113632

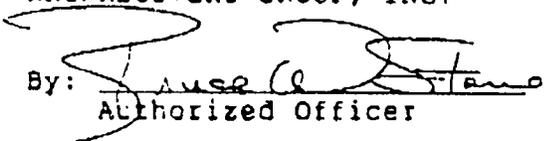
- 2 -

The Company acknowledges and agrees to the terms of the aforesaid amendment of the Power Sales Agreement and further agrees that in the event the Company is in default under Section 8 of the Power Sales Agreement and the Company receives a proper written notification from Florida Power Corporation declaring the Company to be in default thereunder, such default shall be deemed a breach of the Service Agreement (but not an Event of Default thereunder) that shall entitle the County to seek legal action, including without limitation specific performance, to cause the Company to comply with the terms of the Power Sales Agreement, provided, however, such actions by the County shall be undertaken pursuant to and in accordance with the Service Agreement and applicable law.

Capitalized terms in this letter have the meaning specified in the Service Agreement. If you are in agreement with the foregoing, please sign a copy of this letter and return it to us.

Very truly yours,

NRG/RECOVERY GROUP, INC.

By:   
Authorized Officer

110000

The County consents and agrees to the attached amendment to the Power Sales Agreement and agrees to the matters set forth in the second paragraph of this letter.

BOARD OF COUNTY COMMISSIONERS  
LAKE COUNTY, FLORIDA

By: Charles W. Gregg  
Charles W. Gregg, Chairman

This 2 day of Nov.,  
1989.

APPROVED AS TO FORM  
AND CORRECTNESS:

Christine Star Lusk  
County Attorney

ATTEST:

James C. Watkins

James C. Watkins, Clerk  
of the Board of County  
Commissioners of Lake  
County, Florida

Attachment