

GAINESVILLE REGIONAL UTILITIES
ENERGY SUPPLY DEVELOPMENT
REQUEST FOR
LETTERS OF INTEREST

PURPOSE AND SCOPE

The City of Gainesville, d/b/a Gainesville Regional Utilities (GRU) is seeking opportunities to either develop additional base load electric generation capacity at its Deerhaven Power Plant site or to participate in one or more base load power supply project(s) located elsewhere. Biomass-fueled or integrated gasification combined cycle (IGCC- also preferably able to use biomass) are the preferred options for any facility to be constructed at the Deerhaven plant site. Any possible off-site participation or proposal for distributed generation is not limited to any particular technologies. Accordingly, GRU is requesting that any entity interested in either developing or participating in these opportunities submit a Letter of Interest by **December 15, 2006, 2:00 PM EST.**

GRU anticipates a wide range of technologies and contractual structures to be represented in the Letters of Interest. The process GRU proposes to follow is designed to provide structure while allowing flexibility and creativity in selecting an option or set of options to pursue this element of GRU's Integrated Resource Plan. The process includes: a) soliciting Letters of Interest; b) a discovery phase with selected firms that submitted responses to this Request for Letters of Interest; c) a public discussion of alternatives with the Gainesville City Commission based on the results of these initial steps; and finally, d) the issuance of a Request for Proposal (RFP) based on a conceptual plan approved by the City Commission. The resulting proposal(s) will form the basis of negotiations to allow the development of optimal solutions in a mutually beneficial manner.

CAPACITY REQUIREMENTS

One of the purposes of this Request is to outline the factors of uncertainty confronting GRU in order to provide interested parties the opportunity to accommodate and address these variables in developing their expression of interest. All integrated resource plans have uncertainty related to load forecasts, fuel prices, unit retirements, costs, and regulatory policy and requirements. In addition to these factors, GRU has major uncertainties related to the ability to continue serving adjacent local communities' wholesale power requirements and the projected results of pursuing the maximum achievable cost-effective demand side management (DSM). GRU has recently adopted the Total Resource Cost

(TRC) test, which is a more aggressive DSM planning criterion than previously employed.

The factors contributing to continuation of wholesale loads depend in part upon the System's anticipated power production costs, and will largely be resolved by late 2007. Although the System has a preliminary third-party projection of the potentially achievable levels of cost-effective energy conservation, the data upon which it is based is undergoing a rigorous update which may require substantial time to complete, with additional time then required to measure and validate program results.

Based on these considerations, planning studies have been performed to bracket the range of GRU's economic base load capacity requirements to serve native loads, as shown in Table 1. The scenario under which the least amount of capacity is needed is the one in which the maximum DSM is achieved as projected and the wholesale contracts are allowed to retire. Note that additional capacity would benefit GRU's customers economically well before 2013, which is the first year in which additional capacity is needed to meet reserve margin requirements. Note also that Table 1 is based upon optimal conditions in which capacity is acquired in increments only as needed, and the results are very sensitive to costs, heat rates, and availability.

Table 1
Additional Base Capacity for Various Time Frames
Under Various Scenarios
(Cumulative Net Megawatts)

SCENARIO	2008	2013	2018	2022
Historical Trend	103	137	200	284
Historical Trend less Maximum DSM	96	110	147	188
Historical Trend less Maximum DSM and Wholesale Contracts Retired	63	70	92	136

Note: GRU's planning methodologies and 2006 Florida Public Service Commission's Ten Year Site Plan are described in documents obtainable at www.gru.com by clicking on "Future Power Needs" then "Index to Articles". The studies by Post and Cunilio, Black and Veatch, and ICF Consulting include estimates of biomass resource availability.

Based on these considerations, options to modify the firm capacity share of a unit through time, or other forms of contractual flexibility, are preferred.

THE DEERHAVEN SITE

The Deerhaven Plant Site is located north of the City of Gainesville and includes approximately 3,000 acres (some of which is wetlands) with existing infrastructure which includes rail access, coal handling facilities, and 138 kilovolt looped transmission interconnected to both Florida Progress Energy and Florida

Power and Light. The transmission system can accommodate additional generation capacity at Deerhaven, but some upgrades may be required depending on the amount of capacity proposed.

The site is not anticipated to be water limited and currently uses approximately half of its 6.5 million gallons per day groundwater allocation. Reclaimed water may be made available to the site in the future. The site is licensed as a zero discharge facility requiring on-site recycling and/or treatment of all process waters via a brine concentrator. This is a requirement any new capacity at the Deerhaven site will be expected to adhere to. The site also has two clay-lined landfills for the management of combustion ash and brine salts as well as several process water ponds. The status and descriptions of the coal, natural gas and/or oil fired units existing on the site, together with anticipated emission control upgrades, may be found in GRU's 2006 Ten Year Site Plan submission to the Florida Public Service Commission available at www.GRU.com as described in the note to Table 1. Potential respondents will be given the opportunity to view the site and ask questions.

The Gainesville City Commission recognizes the reliability and cost benefits of having generation located within its control area but wishes to place only the most environmentally sensitive generation capacity as possible on the site. On April 12, 2006 the City Commission took the following formal action which has resulted in this request of utility staff:

"Initiate a conceptual design and pricing to include but not limited to the following alternatives to compare to an all source solicitation requesting proposals to meet the balance of GRU's demand and energy needs:

- *A small (<100 MW) facility capable of 100% biomass on site locally;*
- *An IGCC unit on site locally (260MW or less) or off-site if bigger, preferably using biomass;*
- *Be open to partnerships either on-site or off-site.*
- *Carbon neutrality - reduce carbon intensity per capita"*

Staff is currently developing estimates for the biomass and IGCC self-build options. Biomass could include municipal or other waste stream if associated with rigorous emission controls. Biomass options with the ability to flexibility to use other solid fuels may be advantageous, and "off-site" options may include distributed generation within GRU's service territory.

FINANCIAL AND OPERATIONAL CONSIDERATIONS

GRU is a municipally owned and operated electric, water, wastewater, natural gas, and telecommunication utility located in north central Florida. GRU is financially strong, with "Aa" bond ratings from Moody's Investor Services and

"AA" bond ratings from Standard and Poor's. Although GRU has a long corporate history of owning and operating its own generation capacity, there are a number of factors that would lead GRU to considering other arrangements. For example, IGCC is a relatively new technology, and GRU recognizes the potential benefits of joint ownership with, and/or operation and maintenance by, an entity with a long term vested interest in that specific technology. GRU recognizes that recently enacted tax and production credits, IRS regulations, and emerging opportunities for supplemental grant funding could create value leading to something other than a conventionally owned and financed unit and is willing to consider innovative financial arrangements.

SUBMITTAL REQUIREMENTS

GRU does not expect firm pricing or other binding contractual commitments as a part of the Letter of Interest to be submitted pursuant to this request. However, the following information, clearly and succinctly written, would be very helpful in terms of an entity's letter of interest being favorably received.

1. The capacity and type of participation of interest, including the proposed contractual arrangements;
2. The proposed technology, including to the best extent possible, descriptions of fuel requirements, indicative heat rates, indicative environmental characteristics (i.e. emission types and rates, water consumption, etc.), capacity, and expected final production costs, relative to conventional technologies or commodity prices.
3. Contractual options with regard to changing shares of capacity through time, if any;
4. Description of by-products/wastes and their final disposition;
5. Strategies for managing environmental credits/allowances;
6. Site requirements;
7. Performance guarantees or risk mitigation;
8. Level of the proposed technology's commercial deployment;
9. The submitting firm's qualifications and experience; and
10. The timeframe in which power is needed or could be provided.

The options contained in the submittal will be reviewed with respect to potential cost, fuel diversity, environmental characteristics (e.g. emissions, water consumption, by-products/wastes), counterparty credit, reliability, capacity options, and carbon intensity, as compared to GRU's self build options and projected requirements. Expressions of interest in participating in a facility at the Deerhaven site are also welcome. GRU will set up meetings during the "Discovery Phase" with any or all of the firms whose submittal is of interest to GRU to explore the ideas being presented more fully and to explore options or variations which could improve the value of the proposed project to GRU, or better fit it into a portfolio of options through time. Firms are not required to participate in this discovery process in order to respond to the RFP.

The meetings during the "Discovery Phase" will be held individually between the firm and GRU staff. The questions and answers will not be documented. It is the sole responsibility of the firm's staff to ascertain and interpret information gained from their session for use in developing their proposal in response to the RFP. Documented information contained in the RFP and addenda will take precedence if any conflict arises between the RFP and addenda and information the firm's representatives glean from the discovery meeting.

The firm's staff may meet with GRU staff in person or via phone conference. There will be a specific timeframe during which these meetings will be offered based on three hour time slots per meeting. On-site meetings will be held at the GRU Administration Building located at 301 S.E. 4th Avenue, Gainesville, Florida. For a phone conference, GRU will provide a phone number to the business contact person prior to the Discovery Session meeting date. Participants in the discovery phase are solely responsible for any and all costs associated with their participation

SUBMITTALS AND SCHEDULE

All questions, inquiries, and submittals related to this request should be directed to:

Gainesville Regional Utilities
Power Supply RFI
c/o GRU Purchasing Department
Attn: Ralph Wisco, Senior Buyer
Mr. Wisco can be reached at (352) 393-1251 or wiscoro@gru.com.

Mailing address:
P.O. Box 147117, Station A-130
Gainesville, FL 32614-7117

Physical address (hand delivery by firm or express courier):

301 S.E. 4th Avenue
Gainesville, FL 32601

If this Request is obtained other than through direct communication with the GRU Purchasing Department, interested parties must notify Mr. Wisco in order to receive any addenda to the Request for Information issued. Following is the anticipated schedule:

September 1, 2006	Issue request for Letters of Interest
To Be Announced	Pre-submittal meeting and site review
December 15	Submittals due by 2:00 PM, EST
January-March 15, 2007	Discovery period
April 2007	Report to the City Commission
May 2007	Issue Request for Proposals

CITY OF GAINESVILLE/GAINESVILLE REGIONAL UTILITIES

ADDENDUM NO. 1

**ENERGY SUPPLY DEVELOPMENT
REQUEST FOR LETTERS OF INTEREST**

RFI NO. 2006-169

DATE: October 6, 2006

NOTE: This addendum has been issued only to planholders of record for the bid. The original specifications remain in full force and effect except as revised by the following changes which shall take precedence over anything to the contrary.

The pre-submittal meeting and site review has been scheduled for Tuesday, October 24, 2006 at 1:30 PM at the Deerhaven Generating Station 10001 NW 13th Street, Gainesville, Florida 32653. We will start in the second floor conference room and answer questions before touring the site. It is anticipated that it will take about two hours. This is a non-mandatory meeting.

ACKNOWLEDGEMENT:

Each Bidder shall acknowledge receipt of his Addendum No. 1 by his signature below, and shall attach a copy of this Addendum to its proposal.

CERTIFICATION BY BIDDER

The undersigned acknowledges receipt of this Addendum No. 1 and the proposal submitted is in accordance with the information, instructions and stipulations set forth herein.

Bidder: _____

By: _____

CITY OF GAINESVILLE/GAINESVILLE REGIONAL UTILITIES

ADDENDUM NO. 2

ENERGY SUPPLY DEVELOPMENT REQUEST FOR LETTERS OF INTEREST

RFI NO. 2006-169

DATE: October 13, 2006

NOTE: This addendum has been issued only to planholders of record for the solicitation. The original specifications remain in full force and effect except as revised by the following changes which shall take precedence over anything to the contrary.

If your firm plans to attend the pre-submittal meeting and site review scheduled for Tuesday, October 24, 2006 at 1:30 PM at the Deerhaven Generating Station 10001 NW 13th Street, Gainesville, Florida 32653, please contact Ralph Wisco before October 20 to advise the number attending so we can plan to accommodate the number of attendees. He can be reached at 352-393-1251 or e-mail: wiscoro@gru.com

Below are several questions received to date and the answers.

Q.1. In Table 1, an incremental five year time frame is used. May we get the figures by year for 2008 to 2022?

A.1. These figures are estimates. We would suggest using a linear extrapolation between points if additional data points are desired.

Q.2. Can we receive the following?

1. Coal analysis (proximate and ultimate with ash characteristics) of the coal that is used at the plant.
2. Turbine heat balance diagrams for the steam units at Deerhaven.
3. Boiler details and overall arrangement drawings for the steam units.
4. Type and data sheets for the gas turbine units.

A.2. This information is attached electronically as a PDF file to the e-mail used to distribute this addendum. In the case of coal analysis, two sheets from Sargent & Lundy are also included for the performance and design coal which will be used after the construction of an SCR, dry FGD and a FF.

ACKNOWLEDGEMENT:

Each Bidder shall acknowledge receipt of his Addendum No. 2 by his signature below, and shall attach a copy of this Addendum to its proposal.

CERTIFICATION BY BIDDER

The undersigned acknowledges receipt of this Addendum No. 2 and the proposal submitted is in accordance with the information, instructions and stipulations set forth herein.

Bidder: _____

By: _____

CITY OF GAINESVILLE/GAINESVILLE REGIONAL UTILITIES

ADDENDUM NO. 3

**ENERGY SUPPLY DEVELOPMENT
REQUEST FOR LETTERS OF INTEREST**

RFI NO. 2006-169

DATE: November 13, 2006

NOTE: This addendum has been issued only to planholders of record for the solicitation. The original specifications remain in full force and effect except as revised by the following changes which shall take precedence over anything to the contrary.

Information presented at the pre-submittal meeting held Tuesday, October 24, 2006 at the Deerhaven Generating Station is outlined below for your information and possible use.

Q.1. Can you explain the apparent disparity between 100MW of biomass but 260 MW if IGCC for the self build options the proposals will be compared against?

A.1. The 260 MW for IGCC recognizes the economical size of existing units. If that option were to be pursued, the sale of power or another project participant would have to be explored.

Q.2. What is the ceiling price GRU is willing to pay per ton of wood?

A.2. The main factor is the cost per mmBTU (which is a function of moisture and composition). This would be compared to our other fuel costs. The City Commission's intent with biomass is to have something that is sustainable; we do not want to deforest north central Florida.

Q.3. If a company does not submit a letter of interest, will they be allowed to submit a proposal in response to the subsequent Request for Proposals once the City Commission has made a decision on future direction?

A.3. Yes.

Q.4. Carbon intensity seems to be a significant factor for your City Commission. What is your baseline for carbon intensity?

A.4. 1999, during which our generation was about 70% coal fired, 3% nuclear, and the rest mostly natural gas.

Q.5. What is your additional transmission capacity without upgrades?

A.5. This is potentially affected by the Taylor plant. At 140 MW we are probably okay. At 260 MW, reconductoring of the eastern portion of our transmission loop will be required at a cost of 5 to 10 million dollars. At 500 MW, an additional 230 kV line from Deerhaven to Bradford (interconnecting with FPL) will also be required, at a cost of 30 to 40 million dollars.

Q.6. Is GRU opposed to a number of off-site small bio-mass units to provide the necessary power?

A.6. No, if transmission can be arranged.

Q.7. If a plant came with 10,000 acres in Ecuador as a carbon offset would that be considered?

A.7. It would depend on the certifications that came with it

Q.8 What is the length of GRU's coal transportation and coal contracts?

A.8. Our contract with CSX for transportation is through 2019. Our coal supply contracts currently have about two years left to run. We also buy coal on the spot market.

Q.9. What is the average annual capacity/availability for the generating units at Deerhaven?

A.9. Capacity may be found in the Ten Year Site Plan on GRU.COM.

FY06 Capacity factors range as follows:

	Ave.	low	high
Unit 2	72%	60%	80%
Unit 1	28%	12%	54%
CT1	2%	0.1%	7%
CT2	1%	0.1%	3%
CT3	7%	0%	16%

FY04-FY06 average Availability Factors are as follows:

Unit 2	78%
Unit 1	87%
CT1	96%
CT2	90%
CT3	93%

Q.10. May we have a copy of the sign-in sheet?

A.10. Yes, it is attached.

ACKNOWLEDGEMENT:

Each Bidder shall acknowledge receipt of his Addendum No. 3 by his signature below, and shall attach a copy of this Addendum to its proposal.

CERTIFICATION BY BIDDER

The undersigned acknowledges receipt of this Addendum No. 3 and the proposal submitted is in accordance with the information, instructions and stipulations set forth herein.

Bidder: _____

By: _____

SIGN-IN SHEET

RFI NO.: 2006-169 Request for Letters of Interest for Energy Supply Development

(Please Print Legibly)

COMPANY NAME	REPRESENTATIVE	PHONE	FAX	E-MAIL
GRU	YOLANTA JONYANS	352-393-1284		JONYANS YE @ GRU.COM
WORLEYPARSONS	Jim Knowlton	610 855 2525		JAMES.J.KNOWLTON@WORLEYPARSONS.COM
WORLEYPARSONS	Mike DeLally	610 855 2675		Michael.deLally@WORLEYPARSONS.COM
ALLIED SINGAS CORP	Bill Jones	610 293 5806		b.jones@safeguardintl.com
Nacogdoches Power/EMI	Ari Mervis	617 904 3100		amervis@emienergy.com
Low Pabbille	← unaffiliated	352-373-2643		
GE ENERGY	ZIG BIERNACKI	813-206-4634		ZIG.BIERNACKI@GE.COM
PROGRESS ENERGY	MARK McKEAGUE	727-820-4593		mark.mckeuge@pgnmail.com
PROGRESS ENERGY	John W. Amstern	919-576-4410		John.Amstern@PGNmail.com
DWAIN WAKEFIELD	EPIC	713-979-5191		DWAIN.WAKEFIELD@EPIC-POWER.COM

Company Name	REPRESENTATIVE	PHONE	FAX	e-MAIL
University of FL	Lauren McDonnell	(352) 378-2159		mcdonell@ufl.edu
11	Matthew Langholz	(352) 846-0872		mateo@ufl.edu
CO INC	TED HILL	(904) 292-9980		david.hill13@comcast.net
Southern Fuelwood	Don Post	351-77601-25		
FL Renewable (C+D)	Tom Sumilo	352-376-6265		t.cosato@cah.net
CONRAD ENTERPRISES	CRAIG CONRAD	352-867-1123		SARAJEAN@AOL.COM
Orlando Utilities Comm.	Richard Bachmeyer	407-384-4178		rbachmeyer@ouc.com
Southern Company	Charles Powell	205-670-5865		cpowell@southernco.com
SOUTHERN COMPANY	ALISON CHIOCK	404-506-0901		archiock@southernco.com
SOUTHERN CO	JAMIE ALEXANDER	205 257 6784		JAMEALEX@SOUTHERNCO.COM
Florida Renewable	Harold Saive	352-514-7118		mail@saive.com

CITY OF GAINESVILLE/GAINESVILLE REGIONAL UTILITIES

ADDENDUM NO. 4

**ENERGY SUPPLY DEVELOPMENT
REQUEST FOR LETTERS OF INTEREST**

RFI NO. 2006-169

DATE: November 28, 2006

NOTE: This addendum has been issued only to planholders of record for the solicitation. The original specifications remain in full force and effect except as revised by the following changes which shall take precedence over anything to the contrary.

Answers to questions received since Addendum # 3 was issued are provided below for your information and possible use.

1. Please provide the evaluation basis on how GRU intends to evaluate/select the proposed project in light of the significant variation in the potential projects, specifically a small <100MW biomass unit versus a 260MW IGCC facility. The two new generation projects are very different in every aspect including their size, type, operational requirements, total installed cost, etc.

GRU anticipates a wide range of technologies and contractual structures to be represented in the Letters of Interest. The full range of alternatives generated through this process will be shared with the City Commission, but GRU staff will evaluate the options to assist the Commission in selecting an option or set of options to pursue. The factors considered will be subjected to two criterion- the first being a threshold or gateway criteria, the second being a ranking criteria. The following table illustrates the evaluation process. Additional ranking considerations may be included given that the potential range of options is unknown at this time. Each option will be ranked within each evaluation criteria, and staff will solicit input from the Commission on the relative importance of each factor.

EVALUATION FACTORS AND CRITERIA

EVALUATION FACTOR	THRESHOLD CRITERION	RANKING CONSIDERATIONS
ENVIRONMENTAL AND SOCIAL FOOTPRINT	Must meet environmental standards	-Emission control efficiency. -Traffic and noise -Job creation -Waste stream elimination -Public health concerns -By-product disposition -Water consumption
CARBON INTENSITY	Must reduce GRU's carbon intensity for electric generation	-Fuel Type -Thermal efficiency -Carbon sequestration -Carbon Offsets -Energy conservation

OPTIONALITY	None	-Capacity timing -Incremental commitment -modularity
ALL-IN LIFE CYCLE PRODUCTION COST (\$/MWH)	Must be economically dispatchable	-Fuel price and volatility -Capital, O&M Costs -Heat rate
RELIABILITY	Contributes to firm capacity or will not disrupt electric system performance (in the case of economy sales without firm capacity)	-Security of fuel supply -Fuel flexibility and diversity -Transmission capacity -Distributed locations -Expected availability
FINANCIAL RISK	Must not jeopardize bond rating	-Performance guarantee -Form of contract -Eligibility for grants -Counterparty credit -Counterparty experience -Counterparty incentive
OPERATIONAL RISK	Must contribute to the ability to meet reserve margins	-Maturity of technology -Performance guarantee -Form of contract -Counterparty experience -Counterparty incentives

2. Provide GRU's interest (most important to least important issue) for the supply of new generation. What will constitute GRU's positive evaluation for the supply of power?

Examples: new power generation based on coal or biomass, self generation vs. buying power, phased self generation to meet future demand forecasts, GRU's interest in ownership of the facility or part of the facility i.e.: the power island of a biomass/coal IGCC facility.

Self build options will be subjected to the analysis described above. There are no preferences at this time.

3. Provide an estimate of waste wood that may be available for this project. We need to obtain the approximate quantity (tons per year) that will be available, the approximate heat value (Btu/lb), and what the average delivered cost of this material type will be.

Two studies were performed for GRU as summarized on page H-3 of the document entitled Alternatives for Meeting Gainesville's Electrical Requirements Through 2022. One was by Post and Cunilio, the other by Black and Veatch. Staff's recommendation was to cut the potential for forest wastes in half to account for resource competition and to allow competitive pricing. Respondents are urged to rely on their own estimates and judgment. Source documents are available on the GRU Web site, as follows:

GRU's webpage: <http://www.gru.com/>
 Under Quick Links select: **Future Power Needs**
 Then select: Index of Articles
 On this page under: **Reports**

2. Alternatives for Meeting Gainesville's Electrical Requirements Through 2022.
5. Supplementary Study Of Generating Alternatives For Deerhaven Generating Station

Also under Index of Articles,

Select: **Search all documents associated with GRU's Future Power Needs**

In the blank for Search by Author fill in: POST and click on the search button.

Then select the View button when the following title is displayed.

Biomass Options For GRU Part II By Don M Post And Tom V Cunilio

4. *Provide the amount (existing excess) of natural gas that is available at Deer Haven from the natural gas transmission line.*

FGT's most recent assessment (November 27, 2006) indicates an available capacity of 10,867 MMBtu/day or 652 MMBtu/hr at the Deerhaven site while maintaining minimum pressures of 325 psig at Deerhaven and 400 psig at Kelly. In late 2003 we received a planning level estimate of the cost required to upgrade the pipeline to support a re-powering configuration of approximately 225 MW of additional CT capacity at Deerhaven. The estimate was \$14,650,000.

ACKNOWLEDGEMENT:

Each Bidder shall acknowledge receipt of his Addendum No. 4 by his signature below, and shall attach a copy of this Addendum to its proposal.

CERTIFICATION BY BIDDER

The undersigned acknowledges receipt of this Addendum No. 4 and the proposal submitted is in accordance with the information, instructions and stipulations set forth herein.

Bidder: _____

By: _____