AMENDMENT AGREEMENT

This Amendment Agreement (the "Amendment"), dated as of March 7, 2008, is made and entered into by Florida Power Corporation d/b/a Progress Energy Florida, Inc. ("PEF") and the City of Gainesville, Florida d/b/a Gainesville Regional Utilities ("GRU") which hereinafter may be referred to individually as "Party" or collectively as "the Parties".

WITNESSETH:

WHEREAS, the Parties previously executed a Power Sales Agreement dated February 1, 2008 (the "Agreement");

WHEREAS, the Parties now desire to enter into additional amendments to the Agreement as hereinafter provided.

NOW THEREFORE, in consideration of the mutual agreements, covenants and conditions herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby mutually agree as follows:

1. Article 1(d) (definition of "Delivery Period"), shall be amended by deleting "January 1, 2009" and replacing it with "April 1, 2009".

2. Article 2(b) shall be amended by deleting each reference to "July 1, 2008" and replacing each such reference with "September 1, 2008".

3. Miscellaneous.

(a) Capitalized terms used herein, unless defined where used, shall have the meanings ascribed to such terms in the First Agreement.

(b) The effective date of the foregoing amendments shall be the date first above written.

(c) Except as expressly amended by this Amendment, all other terms and conditions of the First Agreement, as amended through the date hereof, shall remain in full force and effect and shall govern this Amendment.

(d) This Amendment may be executed in one or more counterparts, each of which when so executed shall be deemed an original and all of which together shall constitute one and the same instrument.

[Remainder of page intentionally left blank. Signature page follows.]

IN WITNESS THEREOF, the Parties have caused this Amendment to be executed by their duly assigned officers, as of the date first above written.

Florida Power Corporation
d/b/a Progress Energy Florida, Inc.

By: _____

Name: Robert F. Caldwell

Title: Vice President, Regulated Commercial Operations

City of Gainesville, Florida d/b/a
Gainesville Regional Utilities

By: _____

Name: Robert E. Hunzinger

Title: General Manager

FORM OF SERVICE AGREEMENT

This Service Agreement, dated as of March 7, 2008, is entered into by and between Florida Power Corporation ("Florida Power") and the City of Gainesville, Florida doing business as Gainesville Regional Utilities ("Customer"), pursuant to Florida Power's Cost-Based Wholesale Power Sales Tariff (CR-1), FERC Electric Tariff No. 9.

Each transaction hereunder shall be carried out under terms and conditions as agreed upon by Florida Power and the Customer in accordance with the terms and conditions of the Tariff and Cost-Based Wholesale Power Sales Schedule A.

IN WITNESS WHEREOF, Florida Power and Customer have caused this Service Agreement to be executed by their respective authorized officials as of the date first above written.

CUSTOMER

By: Robert E. Hunzinger

Title: General Manager

Date: March 7, 2008

FLORIDA POWER CORPORATION

By: Ralph D. Cheshire

Title: VP-Regulated Commercial Operations

Date: 3/5/08

EXECUTION VERSION

POWER SALES AGREEMENT
BETWEEN
FLORIDA POWER CORPORATION,
DOING BUSINESS AS
PROGRESS ENERGY FLORIDA, INC.
AND THE
CITY OF GAINESVILLE, FLORIDA
DOING BUSINESS AS
GAINESVILLE REGIONAL UTILITIES

TABLE OF CONTENTS

POWER SALES AGREEMENT
BETWEEN FLORIDA POWER CORPORATION, DOING BUSINESS AS PROGRESS ENERGY FLORIDA, INC.
AND THE
CITY OF GAINESVILLE, FLORIDA
DOING BUSINESS AS GAINESVILLE REGIONAL UTILITIES

This Agreement for the purchase and sale of electric power and energy (the "**Agreement**") dated as of February 1, 2008 (the "**Agreement Date**"), is made and entered into by Florida Power Corporation, doing business as Progress Energy Florida, Inc. (the "**Company**"), and the City of Gainesville, Florida doing business as Gainesville Regional Utilities (the "**Customer**"). The Company and the Customer are sometimes herein referred to individually as "**Party**" and collectively as "**Parties.**"

WHEREAS

1. The Company is a public utility as defined in the Federal Power Act and sells electric capacity and energy to other utilities for resale; and

2. The Customer is a municipal-owned electric utility located in the State of Florida; and

3. The Parties desire that the Company sell to the Customer, and the Customer purchase from the Company, electric capacity and energy pursuant to the terms and conditions of this Agreement.

NOW THEREFORE

In consideration of the mutual covenants and agreements herein contained, the Parties agree as follows:

ARTICLE 1. DEFINITIONS

When used in this Agreement, terms with initial capitalization shall have the following meaning:

(a) **Business Day** shall mean any day except Saturday, Sunday or a Federal Reserve Bank holiday.

(b) **Calendar Day** shall mean a twenty-four hour period commencing at twelve o'clock midnight Eastern Prevailing Time and ending at the following midnight.

(c) **Costs** shall mean brokerage fees, commissions and other similar third party transaction costs and expenses reasonably incurred by the Non-Defaulting Party either in terminating any arrangement pursuant to which it has hedged its obligations or entering into new arrangements which replace this Agreement, and all reasonable attorneys' fees and expenses incurred by the Non-Defaulting Party in connection with the termination of this Agreement or enforcing its rights under this Agreement.

(d) **Delivery Period** shall mean January 1, 2009 through December 31, 2013.

(e) **Delivery Point** shall mean the point(s) at which the Company inputs capacity and energy into the Transmission Provider's transmission system. Specifically with respect to capacity and energy that the Company provides to the Customer from the Company's system generating resources, the Delivery Point at which the Company shall provide and the Customer shall receive such capacity and energy shall be the high side of the generator step-up transformer interconnected with the Transmission Provider's transmission system.

(f) **Eastern Prevailing Time or EPT** means the prevailing time (i. e. standard time or daylight savings time) on any given day in the eastern time zone.

(g) **FERC** shall mean the Federal Energy Regulatory Commission or its successor.

(h) **FPSC** shall mean the Florida Public Service Commission or its successor.

(i) **Gains** shall mean, an amount equal to the economic benefit determined on a mark-to-market basis (exclusive of Costs), if any, to the Non-Defaulting Party resulting from the termination of this Agreement.

(j) **Good Utility Practice** shall mean any of the practices, methods and acts engaged in or approved by a significant portion of the electric industry in the southeastern United States during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally engaged in or approved by a significant portion of the electric industry in the southeastern United States.

(k) **Interest Rate** shall mean the interest calculated in accordance with the methodology set forth in FERC's regulations at 18 C.F.R. § 35.19a, or any successor thereto.

(l) **Losses** shall mean an amount equal to the economic loss determined on a mark-to-market basis (exclusive of Costs), if any, to the Non-Defaulting Party resulting from the termination of this Agreement.

(m) **Native Load Customers** shall mean the retail power customers of the Company on whose behalf the Company by statute, franchise, regulatory requirement, or contract has undertaken an obligation to construct and operate its electric system to reliably meet the electric needs of such customers, as well as any of the Company's

wholesale power customers that are served with the same level of firmness as these retail power customers.

(n) **Regulatory Agency** shall mean the FERC or FPSC, as applicable.

(o) **System Base Resources** shall mean the system base resources of the Company identified and described in **Exhibit A**.

(p) **Transmission Provider** shall mean the business unit within the Company or any successor that provides transmission service for the delivery of capacity and/or energy hereunder during the Delivery Period.

ARTICLE 2. THE TERM OF THE AGREEMENT; CONDITION PRECEDENT

(a) This Agreement shall become effective and binding upon both Parties as of the Agreement Date and shall terminate on December 31, 2013 (the **"Term"**), unless the Agreement is terminated sooner pursuant to terms of this Agreement; provided, however, that the obligations of the Parties to purchase and sell capacity and energy as described herein are subject to the satisfaction of the following condition:

(b) This Agreement must be approved or accepted for filing by the FERC by July 1, 2008, without modification, suspension, investigation, or other condition unless such modification, suspension, investigation or other condition is agreed upon by the Parties. The Company shall file this Agreement with the FERC and it shall use good-faith and diligent efforts to obtain approval from FERC of this Agreement as soon as reasonably practicable. In response to the Company's filing of the Agreement at FERC, the Customer shall use good faith and diligent efforts to assist the Company in obtaining approval from FERC of this Agreement as soon as reasonably practicable. If FERC conditionally accepts this Agreement subject to modification or other condition prior to July 1, 2008, then the Parties agree to enter into good faith negotiations in order to

determine whether they can reach a mutually satisfactory resolution regarding any such unsatisfied condition precedent. If, after one hundred twenty (120) days of attempting to resolve any remaining unsatisfied condition(s) precedent, a mutually satisfactory resolution has not been reached by the Parties, then this Agreement shall terminate immediately upon any Party providing written notice of termination to the other Party, and neither Company nor Customer shall have any obligation, duty or liability to the other arising under this Agreement under any claim or theory whatsoever. If FERC rejects this Agreement or fails to act by July 1, 2008, then this Agreement shall terminate immediately upon any Party providing written notice of termination to the other Party, and neither Company nor Customer shall have any obligation, duty or liability to the other arising under this Agreement under any claim or theory whatsoever.

ARTICLE 3. APPLICABILITY

This Agreement shall govern and be applicable to all electric capacity and energy that the Customer purchases from the Company pursuant to the terms of this Agreement. The sale of capacity and energy under this Agreement shall be a sale of firm capacity and energy, as set forth in Article 8 of this Agreement. The Customer may use the electric capacity and/or energy delivered to the Customer under this Agreement for any purposes whatsoever, including, without limitation, to serve the Customer's native load customers and/or sales for resale. The Company has no right to direct or control how, or in what manner, the Customer uses the electric capacity and/or energy that the Customer takes under this Agreement. The electric energy provided under this Agreement shall be three-phase 60 cycle alternating current at a standard nominal voltage, as injected into the Transmission Provider's transmission system at the Delivery Point.

ARTICLE 4. CAPACITY AND ASSOCIATED ENERGY AMOUNTS

During the Delivery Period, the Company shall deliver to the Customer and the Customer shall accept and receive from the Company electric capacity and associated, scheduled energy determined as follows:

(a) Capacity. During the Delivery Period, the Company shall provide to the Customer 50 MW of capacity at the Delivery Point.

(b) Energy Scheduling. The Customer shall schedule energy from the Company and the Company shall provide energy to the Customer in accordance with the following procedure. The Customer shall notify the Company of the number of megawatts of energy to be delivered for each hour of a specific delivery Calendar Day, no later than 0900 EPT on the Business Day immediately before such delivery Calendar Day. The minimum schedule duration per Calendar Day is four (4) consecutive hours and any scheduled energy amount must be equal to or in excess of five (5) MW. The Customer may schedule zero (0) MW or up to the applicable capacity amount in any hour or multiple hours in a Calendar Day. Normal notification shall be via electronic mail sent to Energy.Trader@pgnmail.com in a plain text file format. If the Parties mutually agree on the need for back-up notification, a back-up copy of the notification may be sent via fax at #919-546-3374, or another phone number established by written notification by the Company. In the event the Company does not receive a schedule for any particular delivery Calendar Day by the 0900 EPT deadline, a schedule of zero (0) MW will be used for all hours of such delivery Calendar Day. The Customer may make up to three schedule changes per Calendar Day. The Customer must provide any changes to the schedule to the Company's hourly trading desk, (#919-546-6747) with two (2) full hours' notice. For example, the Company's hourly trading desk must be

contacted by 1500 EPT for a schedule change to hour ending 1800 EPT. Schedule changes may be made only in increments of five (5) MW. If at the time the Customer provides notice of a schedule change for an upcoming hour, it also advises the Company that it intends to retain this new schedule for the upcoming hour and for at least two (2) additional consecutive hours following the upcoming hour, then such change will be considered to be a single change. Otherwise, a change to any hour is considered to be one schedule change. The Company's hourly trading desk (i) shall accept all of the Customer's schedule changes made in accordance with the foregoing, and (ii) may, but shall not be obligated to, accept additional schedule changes if it can reasonably accommodate such changes. All scheduled deliveries will be implemented consistent with Good Utility Practice and with the written tariff scheduling parameters of the Transmission Provider. Each Party shall promptly notify the other Party of any known applicable communication equipment failure that could affect the Parties' ability to schedule energy hereunder and in such situations, the Parties shall work together to avoid any interruption of service.

ARTICLE 5. MONTHLY RATES

Service rendered hereunder shall be billed at the aggregate of the monthly charges set forth below.

(a) Capacity Payment. The Customer shall pay to the Company a monthly capacity payment (the "**Capacity Payment**") equal to: (i) with respect to calendar year 2009, the product of 50,000 kW multiplied by $18.50/kW-month; and (ii) with respect to calendar years 2010 through 2013, the product of 50,000 kW multiplied by $20.00/kW-month

(b) Non-Fuel Energy Charge. The Customer shall pay to the Company a monthly non-fuel energy charge (the "**Non-Fuel Energy Charge**") equal to the product of (i) $4.00/MWh, multiplied by (ii) the amount of energy scheduled by the Customer and delivered by the Company per month at the Delivery Point ("**Monthly Energy Delivered**").

(c) Monthly Fuel Charge. The Customer shall pay to the Company a monthly fuel charge (the "**Monthly Fuel Charge**") equal to the product of (i) the Fuel Charge (as defined below), multiplied by (ii) the Monthly Energy Delivered. The Monthly Fuel Charge is equal to the Company's actual monthly fuel cost components for the System Base Resources divided by the sales of all energy that the Company sold from the System Base Resources in the month. Sales include net generation, net purchases, Company use, and line loss. The Monthly Fuel Charge is a rate that shall be calculated at the Delivery Point and adjusted for generator step-up transformer losses.

(i) The "**Fuel Charge**" ($/MWh) = Total Fuel Cost divided by Total Energy Generated.

(ii) The "**Total Fuel Cost**" ($) is defined as the sum of the fuel costs of all System Base Resources minus the fuel costs associated with the Company's stratified base interchange sales from System Base Resources for the billing month. **Exhibit C** of this Agreement lists the fuel cost components currently used in the Total Fuel Cost calculation and is derived from costs associated with providing fuel for the Company's System Base Resources and delivery of purchased power and interchange purchases, including items permitted by the Regulatory Agency by their regulations, rulings, and orders. Any additional fuel cost components not currently listed in the Exhibit C Company Fuel Cost

Components shall be approved by the Regulatory Agency, as applicable, prior to being included in the Total Fuel Cost calculation.

(iii) "**Total Energy Generated**" (MWh) is defined as the sum of the MWh of actual net generation of all System Base Resources minus the MWh of actual energy associated with the Company's stratified base interchange sales from System Base Resources for the billing month. For the sake of clarity, in the example calculation set forth in Exhibit B, the Total Energy Generated is 3,851,981 MWh and the stratified base interchange sales are 26,760 MWh.

(iv) An example calculation of the Fuel Charge is presented in **Exhibit B** of this Agreement.

(d) Changes to Fuel Cost Components. Notwithstanding Article 19(a) of this Agreement, in order to permit the full recovery of the Company's fuel costs, the Company may make changes to the fuel cost components identified in Exhibit C used in determining the Total Fuel Costs, upon approval or acceptance for filing by FERC of such changes to the fuel cost components. No such changes shall be effective until approved or accepted for filing by FERC. The Customer reserves the right to comment on, object to or support the filing with FERC.

(e) Survival. The obligations under Articles 5(a) through 5(d) hereunder shall survive expiration or early termination of this Agreement.

ARTICLE 6. DELIVERY OF CAPACITY AND ENERGY

(a) Delivery Point. The Company shall provide firm capacity and energy, as set forth in Article 8, to the Customer at the Delivery Point and the Customer shall accept, receive and take title to such firm capacity and energy at the Delivery Point.

The Company will provide such capacity and energy to the Customer with a priority that is equivalent to the priority it provides to its firm Native Load Customers.

(b) Transmission Services. The Customer is responsible for arranging and paying for transmission and ancillary services for the delivery of energy under this Agreement beyond the Delivery Point. Except as set forth in Article 8, there shall be no reduction in the Customer's payment obligation under this Agreement as a result of curtailments, interruptions, or reductions of transmission service or ancillary service. The Customer shall also be responsible for any tagging necessary to effectuate the transmission of energy under this Agreement.

(c) Transmission Losses. The capacity and energy supplied by the Company does not include transmission losses, which shall be the Customer's responsibility.

ARTICLE 7. PAYMENT OF BILLS

(a) Bills and Payments. The capacity and energy supplied under this Agreement shall be billed on a calendar month basis, subject to a true-up of Monthly Fuel Charges in accordance herewith. The Company shall deliver to the Customer, within ten (10) days after the first day of each calendar month, a bill identifying and itemizing (i) the Capacity Charge for that month; (ii) the estimated Monthly Fuel Charge for that month which is equal to the product of the Monthly Energy Delivered multiplied by the estimated Fuel Charge for the calendar month (which is the actual Fuel Charge for the previous calendar month); (iii) a true-up of the estimated Monthly Fuel Charges included in the previous calendar month's bill (where the true-up credit or charge, as applicable, is equal to the actual Fuel Charge of the previous calendar month minus the estimated Fuel Charge of the previous calendar month multiplied by the Monthly Energy

Delivered for the previous calendar month); and (iv) the Non-Fuel Energy Charge. The Customer's payment of the bill shall be due and payable within twenty (20) days after the date of receipt of each bill (**"Due Date"**). All payments shall be made by wire transfer in accordance with the terms and wire instructions as set forth in the bill.

(b) Disputes. In the event of a disputed bill, the Customer will provide the Company with written notice before the Due Date identifying that portion of the bill in dispute and the Customer's reasons for disputing that portion of the bill. Notwithstanding the dispute, Customer shall pay both the undisputed and the disputed portions of the bill by the Due Date. Upon resolution of any disputed amount, consistent with the terms of this Agreement, the Company shall include a true-up amount in a subsequent monthly invoice (either a credit or any additional charge, as appropriate), with interest on any credit or additional charge calculated at the Interest Rate, or if the Dispute is resolved after the termination of this Agreement, any amount owed plus interest shall be paid immediately.

(c) Limitation on Right to Challenge. Neither Party shall have the right to challenge any bill or payment (or failure to pay) or bring any action of any kind questioning the same or seeking refunds or deficiencies in payments after a period of two years from the last day of the month in which the applicable service was rendered. In the case of a bill containing estimates, the Customer shall not have the right to challenge its accuracy after a period of twenty-four (24) months from the date the adjustment is made or should have been made to reflect the actual amounts due.

(d) Survival. The obligations under this Article 7 shall survive expiration or early termination of this Agreement.

ARTICLE 8. CONTINUITY OF SERVICE

(a) Service Obligation. The Company shall supply electric capacity and energy scheduled hereunder free from interruption or curtailment; provided, however, the Company shall not be responsible for any failure to supply electric capacity and energy, nor for interruption, curtailment, reversal or abnormal voltage of the supply, and the Customer shall be required to pay the Capacity Charges, Non-Fuel Energy Charges or Monthly Fuel Charges that were incurred during the time period of such failure, interruption, curtailment, reversal or abnormal voltage, unless such failure, interruption, reversal or abnormal voltage is a direct result of an event of Force Majeure. Each Party shall promptly notify the other Party of any event of Force Majeure claimed by such Party as soon as reasonably practicable after learning of such event. The Parties shall work together to avoid or minimize any interruption or curtailment of service upon an event of Force Majeure.

(b) Definition of Force Majeure. A **"Force Majeure"** under this Agreement shall mean an event or occurrence or circumstance beyond the reasonable control of, and without the fault or negligence of, the Party claiming Force Majeure, including, but not limited to, acts of God; labor disputes (including strikes); acts of public enemies; orders, or absence of necessary orders and permits of any kind which have been properly applied for and diligently pursued, from the Government of the United States or from any State or Territory, or any of their departments, agencies or officials, or from any civil or military authority; extraordinary delay in transportation; inability to transport, store or reprocess spent nuclear fuel; lightning; epidemics; earthquakes; fires; hurricanes; tornadoes; storms; floods; extreme weather; washouts; drought; war; civil disturbances; explosions; sabotage; injunction; blight; famine; blockade; quarantine;

breakage of machinery or equipment; or any other similar cause or event which is beyond the claiming Party's reasonable control, and which wholly or in part prevents the Party claiming Force Majeure from performing its obligations under this Agreement. Mere economic hardship of a Party does not constitute Force Majeure. The obligation to pay money in a timely manner is absolute and shall not be deemed to be affected by Force Majeure.

(c) Resolution of Force Majeure. A Party suffering an occurrence of Force Majeure shall remedy with all reasonable dispatch the cause or causes preventing such Party from carrying out its duties and obligations as required in this Agreement; provided, that the terms of any settlement of strikes, lockouts and other industrial disturbances affecting a Party's facilities shall be entirely within the discretion of that Party, and such Party shall not be required to make settlement of strikes, lockouts, or other industrial disturbances by acceding to the demands of the other Party when such course is unfavorable in the judgment of the Party asserting Force Majeure.

(d) Curtailment/Restoration. Whenever the integrity of the Company's system or the supply of the electricity is threatened by Force Majeure conditions on its system or on the systems with which it is directly or indirectly interconnected, or whenever it is necessary or desirable to aid in the restoration of service to the electric system, the Company may, in conformance with Good Utility Practice and its obligations under this Agreement and with the application of standards no more interruptive than applied in service to its Native Load Customers, curtail, interrupt or reduce scheduled energy deliveries hereunder to the Customer and such curtailment, interruption or reduction shall constitute a Force Majeure event under this Agreement. If and to the extent a state security coordinator, a Regulatory Agency or other regulatory body

requires the Company to curtail, interrupt or reduce scheduled energy deliveries hereunder to the Customer because of threatened conditions on the Company's system or on the systems with which it is directly or indirectly interconnected, or because it is necessary or desirable to aid in the restoration of service to the electric system, such curtailment, interruption or reduction shall constitute a Force Majeure event under this Agreement, provided that Company's interruption of Customer's scheduled energy deliveries is no more interruptive than the service provided at the time to its Native Load Customers.

ARTICLE 9. REPRESENTATIONS AND WARRANTIES

(a) As a material inducement to enter into this Agreement, each Party represents and warrants to the other Party that as of the Agreement Date:

(i) it is duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation and has all requisite power and authority to enter into this Agreement and consummate the transactions contemplated herein;

(ii) except for such regulatory approvals that the Parties acknowledge, by reference herein, must be obtained subsequent to the Agreement Date, it has all regulatory authorizations necessary for it to legally perform its obligations hereunder or will obtain such authorizations in a timely manner prior to the time that performance by such Party which requires such authorization becomes due;

(iii) subject to subsection (ii) above, the execution, delivery, and performance of this Agreement will not conflict with or violate any rule, statute or

regulation of any court, agency, or regulatory body, or any contract, agreement or arrangement to which it is a party or by which it is otherwise bound;

(iv) subject to subsection (ii) above, this Agreement constitutes a legal, valid, and binding obligation of such Party enforceable against it in accordance with its terms, and each Party has all rights such that it can and will perform its obligations to the other Party in conformance with the terms and conditions of this Agreement, subject to bankruptcy, insolvency, reorganization and other laws affecting creditor's rights generally and general principles of equity;

(v) it has negotiated and entered into this Agreement in the ordinary course of its respective business, in good faith, for fair consideration on an arm's-length basis;

(vi) no event or circumstance exists which would cause it to be deemed to be a Defaulting Party pursuant to Article 11(a)(iii)(iv) or (v) hereof;

(vii) there are no pending, or to its knowledge, threatened legal proceedings against it that could materially adversely affect its ability to perform its obligations under this Agreement.

(b) EXCEPT AS PROVIDED HEREIN, THE PARTIES MAKE NO OTHER REPRESENTATIONS, WARRANTIES OR GUARANTEES, EXPRESS OR IMPLIED, STATUTORY OR OTHERWISE, RELATING TO THEIR PERFORMANCE OR OBLIGATIONS UNDER THIS AGREEMENT, AND EACH PARTY DISCLAIMS ANY IMPLIED WARRANTIES OR WARRANTIES IMPOSED BY LAW INCLUDING

WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

ARTICLE 10. INDEMNIFICATION

(a) Scope of Indemnity. Each Party (the **"Indemnifying Party"**) expressly agrees to indemnify, hold harmless and defend the other Party and such other Party's affiliates, trustees, agents, officers, directors, employees, members and permitted assigns (**"Indemnified Party"**) against all claims, liability, fines, costs or expenses that are either (1) imposed by any governmental authority; or (2) arising from loss, damage or injury to the person or property of third parties in any manner directly related to or proximately caused by: (a) acts and omissions in connection with the performance, or failure thereof, of obligations or representations and warranties under this Agreement; (b) activities on the Indemnifying Party's respective side of the Delivery Point; or (c) any other activities to the extent that they involve the negligence or willful misconduct of the Indemnifying Party or its affiliates, subcontractors, or agents, except to the extent such loss, damage or injury is the result of the negligence or willful misconduct of the Indemnified Party. This Section 10(a) shall not be applicable to any claim arising directly or indirectly from or out of any event, circumstance, act or incident associated with the Transmission Provider's obligations to deliver power and other services to the Customer under its Open Access Transmission Tariff or under any other agreement for transmission–related services between the Transmission Provider and Customer.

(b) Notice of Proceedings. An Indemnified Party which becomes entitled to indemnification under this Agreement shall promptly notify the other Party of any claim or proceeding in respect of which it is to be indemnified. Such notice shall be given as soon as reasonably practicable after the Indemnified Party obligated to give such notice

becomes aware of such claim or proceeding. Failure to give such notice shall not excuse an indemnification obligation except to the extent failure to provide notice adversely affects the Indemnifying Party's interests. The Indemnifying Party shall assume the defense thereof with counsel designated by the Indemnifying Party; provided, however, that if the defendants in any such action include both the Indemnified Party and the Indemnifying Party and the Indemnified Party reasonably concludes that there may be legal defenses available to it that are different from or additional to, or inconsistent with, those available to the Indemnifying Party, the Indemnified Party shall have the right to select and be represented by separate counsel, at the expense of the Indemnifying Party. If the Indemnifying Party fails to assume the defense of a claim, the indemnification of which is required under this Agreement, the Indemnified Party may, at the expense of the Indemnifying Party, contest, settle, or pay such claim; provided, however, that settlement or full payment of any such claim may be made only with the Indemnifying Party's consent or, absent such consent, written opinion of the Indemnified Party's counsel that such claim is meritorious or warrants settlement.

ARTICLE 11. DEFAULT

(a) Events of Default. Each of the following shall be an **"Event of Default"** under this Agreement:

(i) The failure of either Party to make any payment when due to the other Party as required by this Agreement if such failure continues for more than fifteen (15) days after receipt of written notice from the other Party of the failure to make such payment; provided that the failure to pay an amount due shall not constitute an Event of

Default if the Party from whom the payment is due has provided written notice to the other Party that it disputes the amount of the payment and such written notice is in accordance with the terms of Article 7(b).

(ii) Except with respect to the obligations described or referenced in Articles 11(a)(i), (iii), (iv), (v), (vi) and Article 12, the failure by either Party to perform any material obligation to the other Party when due if such failure is not cured within thirty (30) days after receipt by such Party of written notice from the other Party identifying the default and the actions that must be taken to remedy the default (or, if such cure cannot reasonably be made within thirty (30) days, a reasonable period of time not to exceed ninety (90) days provided that the Defaulting Party is diligently pursuing cure).

(iii) The insolvency or bankruptcy of a Party or its inability or admission in writing of its inability to pay its debts as they mature, or the making of a general assignment for benefit of, or entry into any contract or arrangement with, its creditors other than the Company's or the Customer's mortgagee, as the case may be.

(iv) The application for, or consent (by admission of material allegations of a petition or otherwise) to, the appointment of a receiver, trustee or liquidator for any Party or for all or substantially all of its assets, or its authorization of such application or consent, or the commencement of any proceedings seeking such appointment against it without such authorization, consent or application.

(v) The authorization or filing by any Party of a voluntary petition in bankruptcy or application for or consent (by admission of material allegations of a petition or otherwise) to the application of any bankruptcy, reorganization, readjustment of debt, insolvency, dissolution, liquidation or other similar law of any jurisdiction or the institution of such proceedings against any Party without such authorization, application or consent.

(vi) The Company notifies the Customer that the Customer's creditworthiness or financial performance under this Agreement has become unsatisfactory, as provided by Article 12, and the Customer does not provide the financial performance assurance as required by Article 12.

(b) Remedies.

(i) If an Event of Default has occurred and is continuing with respect to a Party (the **"Defaulting Party"**), the other Party (the **"Non-Defaulting Party"**) may, for so long as the Event of Default is continuing, subject to the provisions of Article 15, take one or more of the following actions: (i) establish a date (which date shall be no earlier than the day such notice is effective and no more than ten (10) Business Days after the Non-Defaulting Party delivers written notice of such date to the Defaulting Party), on which this Agreement shall terminate (the **"Early Termination Date"**), (ii) proceed by appropriate proceedings in accordance with this Agreement to protect and enforce its right to damages (actual or liquidated), and (iii) immediately cease performance or withhold any payments, or both, due in respect of this Agreement.

(ii) If an Early Termination Date has been established, the Non-Defaulting Party shall in good faith and in a commercially reasonable manner calculate its Gains, Losses and Costs resulting from the termination of this Agreement, aggregate such Gains, Losses and Costs into a single net amount (the **"Termination Payment"**), and then notify the Defaulting Party thereof. The Gains, Losses and Costs shall be determined by comparing the cost under this Agreement of the capacity and energy that would be available under this Agreement for the remainder of the Delivery Period had this Agreement not been terminated to the prevailing market price of capacity and energy of equivalent reliability and scheduling flexibility for the remainder of the Delivery Period (had this Agreement not been terminated). To ascertain such market price, the Non-Defaulting Party may consider, among other evidence, offers for replacement capacity and energy or bids to purchase the remaining capacity and energy that was to be sold pursuant to this Agreement, in either case made by bona fide third-parties (including offers received by the Non-Defaulting Party in response to any request for proposals for capacity and energy contracts), all adjusted for the length of the remainder of the Delivery Period (had this Agreement not been terminated), and differences in locational basis (including without limitation costs of transmission investments and transmission service), reliability, scheduling flexibility and any other considerations affecting value. Neither Party shall be required to enter into replacement transactions in order to determine the Termination Payment. If the Non-Defaulting Party's aggregate Losses and Costs exceed its aggregate Gains, the Defaulting Party shall, unless it disagrees with such Termination Payment calculation, within five (5) Business Days of receipt of such notice, pay the net amount to the Non-Defaulting Party, which amount shall bear interest at the Interest Rate from the Early Termination Date until paid. If the

Non-Defaulting Party's aggregate Gains exceed its aggregate Losses and Costs, if any, resulting from the termination of this Agreement, the Non-Defaulting Party may retain such Gains. If the Defaulting Party disagrees with the calculation of the Termination Payment, the issue shall be resolved pursuant to the provisions of Article 15, and the resulting Termination Payment shall be due and payable within three (3) Business Days after the award.

(iii) All of the remedies and other provisions of this Article 11(b) shall be without prejudice and in addition to any right of setoff, recoupment, combination of accounts, lien, or other right to which any Party is at any time otherwise entitled, whether by operation of law or in equity, under contract, or otherwise.

(iv) Notwithstanding any other provision of this Agreement, each Party has a duty to mitigate damages and covenants that it will use commercially reasonable efforts to minimize any damages it may incur as a result of the other Party's performance or non-performance.

(v) THE PARTIES CONFIRM THAT THE EXPRESS REMEDIES AND MEASURES OF DAMAGES PROVIDED IN THIS AGREEMENT SATISFY THE ESSENTIAL PURPOSES HEREOF FOR BREACH OF ANY PROVISION FOR WHICH AN EXPRESS REMEDY OR MEASURE OF DAMAGES IS PROVIDED, SUCH EXPRESS REMEDY OR MEASURE OF DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY, THE OBLIGOR'S LIABILITY SHALL BE LIMITED AS SET FORTH IN SUCH PROVISION AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. IF NO REMEDY OR MEASURE OF DAMAGES IS EXPRESSLY HEREIN PROVIDED, THE OBLIGOR'S LIABILITY SHALL BE LIMITED TO DIRECT ACTUAL DAMAGES ONLY, SUCH DIRECT ACTUAL DAMAGES SHALL

BE THE SOLE AND EXCLUSIVE REMEDY AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. EXCEPT AS PROVIDED IN ARTICLE 10 HEREOF, AND EXCEPT FOR THE PAYMENT OF LIQUIDATED DAMAGES SPECIFIED HEREIN, NEITHER PARTY NOR THEIR AFFILIATES SHALL BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES, BY STATUTE, IN TORT OR CONTRACT, OR OTHERWISE; PROVIDED, HOWEVER, THAT THIS SENTENCE SHALL NOT APPLY TO LIMIT THE LIABILITY OF A PARTY WHOSE ACTIONS GIVING RISE TO SUCH LIABILITY CONSTITUTE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT. TO THE EXTENT ANY DAMAGES REQUIRED TO BE PAID HEREUNDER ARE LIQUIDATED, THE PARTIES ACKNOWLEDGE THAT THE ACTUAL DAMAGES ARE DIFFICULT OR IMPOSSIBLE TO DETERMINE, OTHERWISE OBTAINING AN ADEQUATE REMEDY IS INCONVENIENT AND THE LIQUIDATED DAMAGES DO NOT CONSTITUTE A PENALTY AND ARE A REASONABLE APPROXIMATION OF THE HARM OR LOSS.

ARTICLE 12. CREDIT SECURITY

Except as otherwise provided in this Agreement, neither Party shall be required to provide a letter of credit or other financial performance assurance in connection with this Agreement. If the Company determines that the Customer has experienced a Material Adverse Financial Event as defined in this Article, it will be deemed that the Customer's creditworthiness or financial performance under this Agreement has become unsatisfactory. The Company will provide the Customer with written notice requesting that the Customer prepay for such service under this Agreement or furnish

reasonably sufficient security of a continuing nature in an amount at least equal to the cost of such service under this Agreement for the most recent three (3) month period and in a form that is acceptable to Company (the "**Performance Assurance**"). The Customer will provide the Performance Assurance within fifteen (15) Business Days of receiving the written notice. If the Customer does not provide the Performance Assurance, then an Event of Default under Article 11(a)(vi) will be deemed to have occurred and the Company shall be entitled to the remedies set forth in Article 11 of this Agreement. As it relates to this Article 12, "**Material Adverse Financial Event**" is defined as a drop in Customer's Credit Rating (defined below) to below Baa3 (Moody's) or BBB (S&P). **"Credit Rating"** means with respect to Customer, on any date of determination, the respective ratings then assigned to Customer's unsecured, senior long-term debt or deposit obligations (not supported by third party credit enhancement) by S&P or Moody's (each as defined below), or if such entity does not have a rating for its unsecured, senior long-term debt or deposit obligations, then the rating assigned to such entity as its "corporate credit rating" by S&P. **"Moody's"** means Moody's Investor Services, Inc. or its successor, and **"S&P"** means Standard & Poor's Rating Group (a division of McGraw-Hill, Inc.) or its successor. The Customer will provide to Company (i) audited annual financial statements within one hundred eighty (180) days of fiscal year end, and (ii) un-audited financial statements to the extent available upon request by the Company.

If, after a Material Adverse Financial Event, the Customer's respective credit ratings return to the level the Customer had prior to the Material Adverse Financial Event, then the Customer shall no longer be obligated to provide the Performance Assurance to the Company.

ARTICLE 13. ENVIRONMENTAL CHANGE OF LAW

(a) The Parties acknowledge that changes in environmental laws could increase the Company's costs to provide capacity and/or energy hereunder (**"Change in Environmental Law"**). A Change in Environmental Law includes, but shall not be limited to (i) the enactment, adoption, promulgation, implementation, or issuance of, or a new or changed interpretation of, any statute, rule, regulation, permit, license, judgment, order or approval by a governmental entity concerning the environment or pollution control that takes effect after the Agreement Date; and (ii) any revision to the Clean Air Interstate Rule promulgated on May 12, 2005 (70 Fed. Reg. 25,162) or the Clean Air Mercury Rule promulgated on May 18, 2005 (70 Fed. Reg. 28,606) and any repromulgation or reissuance of such rules in response to a petition for reconsideration or litigation challenging such rules, regardless of the date on which those requirements are imposed. The Customer shall pay for its pro rata share of any increase in the Company's costs required by a Change in Environmental Law through an additional payment each month (**"Change in Environmental Law Recovery Charge"**).

(b) If the Company determines that a Change in Environmental Law will result or has resulted in an increase of the Company's costs to provide capacity and energy to the Customer under this Agreement, the Company shall notify the Customer of the Change in Environmental Law giving rise to the increased costs (**"Change in Environmental Law Notice"**). The Change in Environmental Law Notice shall include reasonable documentation of the applicable Change in Environmental Law and the resulting increased costs. If the Company does not know the actual increased costs, the Change in Environmental Law Notice shall include an estimate of such costs. Within sixty (60) days after receipt of such notice, the Customer shall provide the

Company a good faith, written determination of (i) whether the Customer agrees that the increased costs resulted from a Change in Environmental Law as defined in this Agreement, and (ii) whether the Customer agrees that the increased costs are determined in accordance with this Agreement. In the event that the Customer does not provide written notice of its determinations within such time period, the Customer shall be deemed to have agreed with the Change in Environmental Law Notice and to have agreed to pay the Change in Environmental Law Recovery Charge. If the Customer provides the Company a timely written notice that it disagrees with the Change in Environmental Law Notice, the Parties shall commence discussions in an effort to address and resolve the basis for the Customer's disagreement. Notwithstanding Article 19(a), Customer acknowledges and agrees that Company may submit a Section 205 filing at FERC to seek approval to charge such Change in Environmental Law Recovery Charge.

(c) Notwithstanding the existence of any disagreement between the Parties regarding a Change in Environmental Law Notice, the Company may initiate a Change in Environmental Law Recovery Charge (or, if applicable, an increase in the Change in Environmental Law Recovery Charge) in the first monthly invoice following the issuance of the Change in Environmental Law Notice and FERC acceptance, without modification or condition, of the Change in Environmental Law Recovery Charge. In the event that the Change in Environmental Law Recovery Charge is based on an estimate of increased costs, the Company shall include a true-up amount in a subsequent monthly invoice (either a credit or an additional charge, as appropriate), with interest on any credit or additional charge calculated at the Interest Rate, to reflect actual increased costs once they are known.

(d) In the event that following the Agreement Date (i) any provision of this Article 13 is held by a court, FERC, or other administrative agency of competent jurisdiction to be unenforceable or otherwise contrary to law, or (ii) FERC does not accept the concept (versus the actual just and reasonable amount of the Environmental Law Surcharge) of an Environmental Law Surcharge mechanism (either event (i) or (ii) to be deemed a **"Rejection"**), the Company may, within thirty (30) days following the negotiating period provided for below, in its sole discretion, terminate this Agreement upon written notice to the Customer, such termination to be effective sixty (60) days from the date of the written notice, without any penalty or further obligation to the Customer related to such termination; provided, however, that the Parties shall engage in good faith negotiations for ninety (90) days following the Rejection, prior to the Company's ability to provide the described notice, in an effort to reach a mutually acceptable resolution that maintains the economic bargain originally intended by the Parties.

(e) The Parties acknowledge that federal or state legislation that is enacted after the Agreement Date which implements a renewable energy portfolio standard that is applicable to the Customer's power supply service under this Agreement constitutes a Change in Environmental Law pursuant to this Article 13 and the Company may initiate a Change in Environmental Law Recovery Charge pursuant to this Article 13 in order to recover the Company's increased costs associated with implementation of the renewable energy portfolio standard.

ARTICLE 14. RESPONSIBILITY FOR TAXES

The Company shall pay or cause to be paid all taxes imposed by any governmental authority ("**Taxes**") accruing prior to the Delivery Point at which the

Company delivers capacity and/or energy under this Agreement. The Customer shall pay or cause to be paid all Taxes accruing from and after such Delivery Point with respect to any capacity and/or energy delivered under this Agreement (other than ad valorem, franchise or income taxes which are related to the sale of capacity and energy hereunder and are, therefore, the responsibility of the Company). In the event that the Company is required by law or regulation to remit or pay Taxes that are the Customer's responsibility hereunder, the Customer shall reimburse the Company for such Taxes that have been paid by the Company within twenty (20) days of receipt of notice of such payment. In the event that Customer is required by law or regulation to remit or pay Taxes that are the Company's responsibility hereunder, the Customer may deduct the amount of any such Taxes from the sums due to the Company under this Agreement. The obligations under this Article 14 shall survive expiration or early termination of this Agreement.

ARTICLE 15. DISPUTE RESOLUTION

In the event of any dispute arising out of or relating to this Agreement which the Parties are unable to settle within thirty (30) days after the dispute arose, either Party may refer the dispute to a meeting of senior management, in which case each Party shall nominate a senior officer of its management to meet at a mutually agreed time and place not later than forty-five (45) days after the dispute arose to attempt to resolve the dispute. Should a resolution not be reached within fifteen (15) days after the meeting of senior officers, then either Party may pursue its rights at law or in equity with respect to such dispute. Unless directed otherwise by a court or governmental agency of competent jurisdiction or unless otherwise provided by the express terms of this Agreement, no Party shall cease or delay performance of its obligations under this

Agreement during the existence of any dispute or the pendency of any proceeding to resolve it, and the Parties shall pay to each other all amounts owing and not subject to dispute or offset. Notwithstanding the foregoing, if either Party has the right to terminate this Agreement pursuant to Article 11(b) hereof, such Party shall not be obligated to comply with this Article 15 prior to or as a condition precedent to exercising its right to terminate the Agreement.

ARTICLE 16. AUDIT RIGHTS

Each Party shall have the right, at its own expense, to audit and to examine any supporting documentation related to any bill submitted, payment requested, or any energy schedule submitted pursuant to this Agreement. Any such audit shall be undertaken by the requesting Party, or its representatives, at reasonable times and in conformance with generally accepted auditing standards. The right to audit shall extend for a period of two years following the end of the month in which service is rendered. Each Party shall fully cooperate with any audit by the other Party and retain all necessary records or documentation for the entire length of the audit period. If any audit discloses that an overpayment or underpayment has been made, the amount of such overpayment or underpayment shall promptly be paid by the obligated Party, with interest calculated at the Interest Rate, from the date on which the payment should have been made to the date on which the payment or repayment is actually made. The obligations under this Article 16 shall survive expiration or early termination of this Agreement.

ARTICLE 17. SUCCESSORS AND ASSIGNS

(a) Except as provided in Article 17(b), neither Party may assign, transfer or convey this Agreement or any of its rights, duties and/or obligations under this

Agreement without the prior written consent of the other Party, which consent may be granted or withheld in such Party's sole, absolute and unfettered discretion.

(b) Either Party may, without the consent of the other Party (and without relieving itself from liability hereunder), (i) pledge, encumber or collaterally assign this Agreement in connection with any financing or financial arrangements, or (ii) transfer, sell, pledge, encumber or collaterally assign the accounts, revenues or proceeds hereof in connection with any financing or financial arrangements, or (iii) transfer, assign or convey this Agreement to any entity that (a) succeeds to all or substantially all of the assets of the assigning Party; (b) has a credit rating equal to or greater than the higher of the assigning Party's credit rating as of the Agreement Date or the assigning Party's credit rating as of the date of the assignment; (c) agrees in writing to be bound by and comply with all of the terms, covenants and obligations set forth in this Agreement; and (d), in the case of a transfer, assignment or conveyance by the Company, is subject to the same level of regulation to which the Company is subject as of the date of assignment.

ARTICLE 18. MATERIAL ADVERSE EVENT

(a) A **"Material Adverse Event"** is any one of the following events:

(i) This Agreement is not approved by FERC, or is accepted for filing by the FERC with terms and conditions that are not mutually agreeable to the Parties; or

(ii) The FPSC's order, directive, regulation, ratemaking or any other regulatory action results in a material modification of or condition affecting the implementation of, this Agreement; or

(iii) A regional transmission organization ("**RTO**"), independent system operator or regional reliability organization prevents, in whole or in part, either Party from performing any material provision of this Agreement in accordance with its terms or that imposes obligations on a Party that materially affect the costs that a Party incurs to comply with this Agreement; or

(iv) The Customer is unable to acquire firm transmission capacity from the Transmission Service Provider which is required for Customer to be able to accept delivery of the quantity of capacity and energy set forth in Article 4 hereof.

(b) Either Party may provide written notice to the other Party of the occurrence of a Material Adverse Event within thirty (30) days of the occurrence of the event. In the event either Party provides written notice of a Material Adverse Event, the Parties shall negotiate in good faith to amend this Agreement so as to restore to the Parties the benefits and burdens that the Parties originally intended pursuant to this Agreement. If, within thirty (30) days after written notice of the Material Adverse Event, the Parties are unable to reach agreement as to what, if any, amendments to this Agreement are necessary to put each Party in effectively the same position as the Parties would have been had the Material Adverse Event not occurred, then the Party that is adversely affected by the Material Adverse Event shall have the right to unilaterally terminate this Agreement upon one hundred fifty (150) days prior written notice, subject to complying with any regulatory requirements applicable to such termination and subject to the other Party's right to dispute whether a Material Adverse Event has occurred. Unless such Party notifies the other Party in writing within one

hundred twenty (120) days after the occurrence of the Material Adverse Event that it is exercising its right to terminate the Agreement, such Party shall have no right to terminate the Agreement as a result of such Material Adverse Event.

ARTICLE 19. RIGHTS UNDER THE FEDERAL POWER ACT

(a) Except as set forth in Article 5(d) and Article 13, each Party irrevocably waives its rights, including any rights under Sections 205 and 206 of Federal Power Act, to unilaterally seek or support a change in the rate(s), charges, classifications, terms or conditions of this Agreement. By this provision, each Party expressly waives its right to seek or support: (a) an order from the FERC finding that the rate(s), charges, classifications, terms or conditions agreed to by the Parties in this Agreement are unjust and unreasonable; or (b) any refund with respect thereto. Each Party agrees not to make such a filing or request, and that these covenants and waivers shall be binding.

(b) Absent agreement by the Parties, the standard of review for changes to the rates, terms and conditions of this Agreement proposed by a Party, a non-party or the FERC acting *sua sponte* shall be the "public interest" standard of review set forth in *United Gas Pipe Line Co. v. Mobile Gas Service Corp.,* 350 U.S. 332 (1956) and *Federal Power Commission v. Sierra Pacific Power Co.,* 350 U.S. 348 (1956). [I need our FERC attorney to look at this]

(c) The Parties acknowledge that as of the Agreement Date, FERC has issued a notice of proposed rulemaking in Docket No. RM05-35-000 that, if adopted, would specify the language for parties to include in future agreements where the parties intend to include application of the "just and reasonable" standard or review. In the event that the language adopted by FERC in a final rule in Docket No. RM05-35-000 specifies the language that parties should include in an agreement where the parties

intend to apply the "public interest" standard of review, then, without further action of either Party, this Article 19 shall be deemed amended to incorporate the language specified in the final rule that requires the "public interest" standard of review.

ARTICLE 20. APPLICABLE LAW

This Agreement is made under and shall be governed by and construed in accordance with the laws of the State of Florida, exclusive of any conflict of law provisions thereof that would apply the laws of another jurisdiction. The Parties expressly waive the right to a jury trial for any dispute concerning this Agreement.

ARTICLE 21. NO WAIVER

The failure of either Party to enforce at any time any of the provisions of this Agreement or to require at any time performance by the other Party of any of the provisions hereof, shall in no way be construed to be a waiver of such provisions, nor in any way to affect the validity of this Agreement or any part hereof or the right of such Party thereafter to enforce each and every such provision.

ARTICLE 22. NOTICE

(a) Any notice, demand, request, offer, consent, approval or communication to be provided under this Agreement (except for scheduling notices under Article 4(c)) shall be in writing and sent by one of the methods hereinafter described and shall be deemed received: (i) three (3) Business Days after it is deposited, postage prepaid, in the United States mail, certified or registered mail with a return receipt requested, addressed (as the case may be) to the Customer at Customer's address shown herein, or to the Company at Company's address shown herein; (ii) the next delivery day after it is deposited for overnight delivery with a nationally recognized and reputable air courier

(with electronic tracking requested) addressed (as the case may be) to the Customer at Customer's address shown herein, or to the Company at Company's address shown herein; (iii) upon confirmation of receipt of electronic transmission if it is sent by facsimile or telecopier transmission to the Customer at Customer's facsimile number set forth below, or to the Company at Company's facsimile number set forth below (as the case may be); and, in such case, a copy is also sent by one of the methods described in clauses (i), (ii) or (iii) of this paragraph (it being understood and agreed, however, that such notice shall be deemed received upon confirmation of receipt of electronic transmission); or (iv) the same day it is personally delivered (as the case may be) to the Customer at Customer's address shown herein, or to the Company at Company's address shown herein. Notwithstanding the foregoing, in the event any notice or other communication as described in this paragraph is sent by either Party to the other Party by facsimile/telecopy transmission and it is received by such party during non-business hours (*i.e.*, other than during 8:30 a.m. to 5:00 p.m. EPT on a Business Day), then such notice or other communication shall not be deemed to have been received until the next Business Day. Either Party may designate a different address or facsimile number for receiving notices hereunder by notice to the other Party in accordance with the provisions of this paragraph.

(b) All notices shall be addressed as set forth below unless a Party hereafter gives written notice to the other Party of a change in its address:

If to Customer: Gainesville Regional Utilities
P.O. Box 147117, Station E37
Gainesville, Florida 32614-7117
Attention: Control Area Manager
Facsimile No. 352-334-2676

With a copy to: Gainesville Regional Utilities

P.O. Box 147117, Station A136
Gainesville, Florida 32614-7117
Attention: AGM for Strategic Planning
Facsimile No. 352-334-3151

If to Company: Progress Energy Florida, Inc.
299 1st Avenue North
PEF 155
St. Petersburg, Florida 33701
Attention: Director Origination & Acct Mgmt
Facsimile No.: 727-820-4598

With a copy to: Progress Energy Florida, Inc.
299 1st Avenue North
PEF 151
St. Petersburg, Florida 33701
Attention: Deputy General Counsel
Facsimile No.: 727-820-5519

ARTICLE 23. ENTIRE AGREEMENT; BINDING EFFECT

This Agreement, together with the exhibits incorporated by reference, shall constitute the entire understanding between the Parties hereto, pertaining to the subject matter contained herein, as of the Agreement Date. Neither Party hereto has relied, nor will rely, upon any previous oral or written representation or previous oral or written information made or given to such Party by the other Party hereto or any representative of or anyone on behalf of the other Party hereto. Any amendments to this Agreement shall be only by mutual agreement evidenced in writing. The covenants, terms, conditions, provisions and undertakings in this Agreement shall extend to and be binding upon the permitted successors and assigns of the respective Parties hereto.

ARTICLE 24. PRESS RELEASE

After the execution of this Agreement, if one or both of the Parties desires to issue a press release announcing the execution of this Agreement, the Parties agree to issue a joint press release that announces the Agreement. The substance of any such press release shall be mutually agreed to by the Parties.

ARTICLE 25. SEVERABILITY

If any clause or provision of this Agreement is illegal, invalid or unenforceable under applicable present or future laws effective during the Term, the remainder of this Agreement shall not be affected. In lieu of each clause or provision of this Agreement which is illegal, invalid or unenforceable, the Company and the Customer shall substitute a provision by mutual agreement that preserves the original intent of the Parties as closely as possible under applicable law.

ARTICLE 26. COUNTERPARTS; FACSIMILE SIGNATURES

This Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of such counterparts together shall constitute one and the same instrument. Additionally, this Agreement may be executed in any number of duplicate originals, each of which shall be deemed to constitute but one and the same instrument. Execution and delivery of this Agreement by means of facsimile or other electronic transmission shall be valid and effective, provided that the Party that so executed and delivered this Agreement by facsimile or other electronic means delivers to the other party at least one (1) duplicate original of this Agreement signed in ink within ten (10) Business Days after the date of execution and delivery by facsimile or other electronic means by such Party.

ARTICLE 27. RELATIONSHIP DISCLAIMER

The Parties hereby acknowledge that it is not their intention to create between themselves a partnership, joint venture, fiduciary, franchise, business opportunity, employment or agency relationship for the purposes of the Agreement or for any other purpose whatsoever. Accordingly, notwithstanding any expressions or provisions contained herein or in any other document, nothing in this Agreement or in any documents executed or delivered or to be executed or delivered shall be construed or deemed to create, or to express an intent to create, a partnership, joint venture, fiduciary, franchise, business opportunity, employment or agency relationship of any kind or nature whatsoever between the Parties hereto.

ARTICLE 28. NO THIRD PARTY BENEFICIARIES

Nothing in this Agreement is intended or shall be deemed to confer any rights or benefits upon any entity or person other than the Parties hereto or to make or render any such other entity or person a third-party beneficiary of this Agreement.

ARTICLE 29. ONGOING DEALINGS

In the event for any reason the Parties hereto hereafter enter into discussions or other communications with respect to modifying the terms of this Agreement, expanding their business relationship or entering into a new business opportunity or other contract or agreement, it is understood and agreed that, except with respect to the terms and provisions of this Agreement (and any other written contract between the Parties), unless and until a final and binding written agreement is executed and delivered by both Parties in connection with such discussions or communications, submission of any information by one Party to the other, along with any conduct on behalf of, or correspondence between, the Parties in connection with any such potential

modifications, business dealings or proposed contracts or agreements as aforesaid, is intended only to facilitate non-binding discussions, and either Party shall in such instance have the absolute right to withdraw from such discussions at any time and for any or no reason without any obligation to compensate the other Party for time or services provided in connection with their discussion and without any other liability whatsoever to the other Party.

ARTICLE 30. CONSTRUCTION OF AGREEMENT; HEADINGS

This Agreement has been fully reviewed and negotiated by the Parties hereto and their respective counsel. Accordingly, in interpreting this Agreement, no weight shall be placed upon which Party hereto or its counsel drafted the provisions being interpreted. The Parties further agree that no inference shall be drawn from the addition, deletion or modification of any language contained in any prior draft of this Agreement. Article headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their respective authorized officials.

FLORIDA POWER CORPORATION
d/b/a PROGRESS ENERGY FLORIDA, INC.

By: _____

Robert F. Caldwell
Vice President – Regulated
Commercial Operations

CITY OF GAINESVILLE, FLORIDA
d/b/a GAINESVILLE REGIONAL UTILITIES

By: _____

Karen S. Johnson
General Manager

Approved as to form and legality:

By _____
Raymond O. Manasco, Jr.
Utilities Attorney

EXHIBIT A
COMPANY SYSTEM BASE RESOURCES

Base Units
Crystal River Units 1 through 5
Hines Energy Complex combined-cycle units
Tiger Bay
University of Florida

Purchased Power Resources
Southern Company Purchased Power (UPS)
Auburndale Power (El Dorado)
Auburndale LFC Power Systems
Bay County Resource Recovery Facility
Citrus World
SI Energy Group
Lake County Resource Recovery Facility
Lake Cogen Limited
Metro-Dade County Resource Recovery Facility
Orange Cogen
Orlando Cogen
Pasco Cogen Limited
Pasco County Resource Recovery Facility
PCS Phosphate
Pinellas County Resource Recovery Facility
Polk Power - Mulberry Energy
Polk Power - Royster Energy
US Agri-Chemicals
Wheelabrator Ridge Energy
As-available cogeneration facilities

Other
Interchange purchases assigned to base stratification
Units/Firm Contracts assigned to base stratification
Units/Firm Contracts removed from base stratification

EXHIBIT C
COMPANY FUEL COST COMPONENTS

- Costs included in FERC Account Nos. 151 and 158 of the Uniform System of Accounts
- Energy charges (fuel and non-fuel) associated with purchased power contracts, including contracts with cogenerators, and interchange purchases
- Transmission charges incurred in connection with purchased power
- Transportation charges included in FERC Account Nos. 151 and 501
- DOE Enrichment Facility decommissioning and decontamination charges
- CR3 spent nuclear fuel disposal fee
- University of Florida adjustments - Adjustments to exclude the credit for steam revenue and to remove the fuel costs associated with the auxiliary boilers
- Emissions allowance costs and taxes, such as SO_2 and NO_x allowances and carbon taxes (and any other emissions allowance costs/taxes allowed by FERC or environmental legislation), but shall not recover such costs that have already been recovered through FERC Account No. 158.
- Fuel additives