

PROGRESS ENERGY CAROLINAS

MARKET POWER MITIGATION REQUEST FOR PROPOSALS



Prepared By



**UTILITY TECHNOLOGY
Engineers – Consultants**

**Asheboro, North Carolina
Spartanburg, South Carolina**

July 31, 2006

**PEC Market Power Mitigation
REQUEST FOR PROPOSALS
July 31, 2006**

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PEC Market Power Mitigation REQUEST FOR PROPOSALS July 31, 2006

1. PURPOSE AND SCOPE

As a condition to the merger of Carolina Power & Light Company [CP&L] and Florida Power Corporation, which currently conduct business as Progress Energy Carolinas and Progress Energy Florida respectively, Progress Energy Carolinas [PEC] must divest operational control of not less than 85 MW of generating capacity at the generation busbar for a consecutive period of six years. To comply with this Federal Energy Regulatory Commission [FERC] requirement, PEC will offer Firm (LD) capacity and associated energy, through this solicitation. PEC will carry reserves for the power associated with this solicitation consistent with and limited to Reserve Requirements inside the CP&L East Control Area. Part of this requirement is already under contract through the end of the six year period (March 31, 2007). This reverse Request for 50-100 MW Proposals [RFP] addresses generation assets in the CP&L East Control Area for the remainder of the FERC requirement, beginning January 1, 2007.

Utility Technology Engineers–Consultants [UTECH], has been selected as an Independent Agent [Agent] to manage/oversee the RFP offering process in conjunction with PEC. This project includes but is not limited to review of the solicitation package, receipt and evaluation of the bid responses, establishing a shortlist, and participation in negotiations of a purchase power agreement(s) [Purchase Agreement(s)] as appropriate. For those wishing to respond to this RFP [Respondents], a copy of the Request for Proposal (*PEC Market Power Mitigation RFP.pdf*) and other related documents can be found on the Agent's web site: www.utilitytec.com; select the "Resources" tab at the top and go to the "Request for Proposals" listing to find the "*PEC Market RFP*" link.

This solicitation by PEC is for two products – a Base product and an Intermediate product. Both products consist of 50 to 100 MW of capacity and associated energy from the PEC system. The Base product offered is delivered continuously (7x24) and will have an energy price (\$/MW-hour) to be determined by the Buyer. The Intermediate product offered is delivered on a (5x16) basis and the price structure consists of the PEC specified energy strike price and a capacity price [Capacity Premium] to be determined by the Buyer. All bids for both products will be evaluated and the one deemed in the best interest of PEC will be chosen. Purchase Agreement(s) will be awarded only to creditworthy counterparties and on the merits of their written proposal, judged solely at the discretion of the Agent and PEC.

2. SOLICITATION SCHEDULE

| EVENT | DATE | COMMENTS |
|--|-------------------|--|
| Solicitation Issued | July 31, 2006 | RFP Documents available electronically and on the Agent's Website. |
| Proposals Due | August 25, 2006 | Proposals due in Agent's Office by 5:00 PM EPT. |
| Short List Determination | September 8, 2006 | Each bidder will be notified of its status; short-list will be confidential. |
| Complete Negotiations and sign contracts | October 20, 2006 | PEC will publicly announce award. |
| Power Transactions Commence | January 1, 2007 | |

EPT = Eastern Prevailing Time

PEC reserves the right to revise, suspend, or terminate this schedule at its sole discretion. Any changes to the schedule will be posted on the Agent's web site.

If it becomes necessary to revise or amend any part of this reverse RFP, the Agent will notify all Respondents who have indicated their interest in these products. However, Respondents should periodically check the Agent's website for updates and/or changes to the information contained herein. For example, a Frequently Asked Questions (FAQ) area may be posted if there is sufficient cause to do so. NOTE: this is not a commitment to post a FAQ but rather an example of ongoing helpful information that may be available at the Agent's Website under the *PEC Market RFP* link.

3. GENERAL SPECIFICATIONS: SYSTEM BASE PRODUCT

Alternative #1

3.1 Pricing

3.1.1 This solicitation is for a 5-month product structure, which includes 50 to 100 MW of Firm (LD) capacity and associated energy. The period of commitment is for 5 months starting January 1, 2007.

3.1.2 All energy scheduled for delivery under the Purchase Agreement will be purchased in hourly blocks of equal MW-hours priced at fixed energy rates for continuous 7x24 delivery during the period of commitment.

3.1.3 Respondents shall submit Energy Price bids that are to be fixed for the given period and stated in \$/MWh for the right to 50 to 100 MW of capacity and associated energy from PEC's system. The fixed amount of Capacity of 50 to 100 MW is for the term of the contract.

3.1.4 The Energy Price is not subject to change by PEC through a unilateral rate change filing with the Federal Energy Regulatory Commission pursuant to Section 205 of the Federal Power Act. Further, the selected Respondent(s) [Buyer(s)] must agree not to file a complaint with the FERC seeking a reduction in rates pursuant to Section 206 of the Federal Power Act.

3.2 Firmness of Delivery / Failure to Perform

3.2.1 Capacity under this agreement will be provided on a Firm (LD) basis as defined in the Master Agreement between PEC and the successful Respondent. This is not a unit-contingent power sale; rather, it is backed by PEC's system of generation assets.

3.2.2 If Buyer fails to receive pre-scheduled energy at the Delivery Point (other than as a result of Force Majeure), Buyer shall pay PEC on the date payment would otherwise be due to PEC, an amount for each MWh of scheduled energy not taken equal to the positive difference, if any, obtained by subtracting the Sales Price from the appropriate Energy Price. Sales Price shall mean the market price at the Delivery Point in each hour for such quantity as determined by PEC in a commercially reasonable manner.

3.3 Generation Scheduling and Transmission Requirements

3.3.1 The Buyer will take system energy during all hours (7x24) in the period of its Purchase Agreement.

3.3.2 The Buyer will be obligated to arrange for and/or purchase transmission service and any ancillary services required for the transmission of such capacity and energy from the point of delivery within PEC's transmission system to the Buyer's off-take location from PEC's transmission system in accordance with the OATT, including any and all congestion charges. In addition, the Buyer will also be responsible for any transmission and/or ancillary service arrangements and costs required to deliver the capacity and energy beyond PEC's transmission system.

3.4 Taxes and Regulatory Requirements

3.4.1 A Respondent whose proposal is selected shall be completely and solely responsible for obtaining and paying for any and all fees or taxes that may be required for sale or delivery of power and energy for the entire term of the Purchase Agreement. Buyer shall reimburse PEC for any and all sales, use, excise, franchise, gross receipts, or similar taxes incurred by PEC as a result of the sale of capacity and energy under the Purchase Agreement.

3.4.2 A Respondent whose proposal is selected shall take all necessary actions to satisfy any regulatory requirements in a timely manner, including but not limited to all licenses and permits that may be imposed on the Respondent by any federal, state, or local law, ordinance, rule, or regulation concerning the generation, sale, or delivery of the power. PEC will cooperate with the Respondent to provide information or such other assistance as may reasonably be necessary for the Respondent to satisfy such regulatory requirements. The Respondent shall likewise fully support all of PEC's regulatory requirements associated with the Purchase Agreement arising from this RFP.

3.5 *Payment Terms*

3.5.1 Invoices under the Purchase Agreement for energy delivered by PEC in each month will normally be rendered no later than the 10th business day following the end of such month and be subsequently paid by the Buyer no later than the 20th day following the end of such month.

3.6 *Conditions Precedent*

3.6.1 Acceptance of any proposals pursuant to this RFP is subject to review of such proposals by the Agent. The Agent shall select such proposals as, in its judgment, provide maximum value to PEC from the sale of capacity and associated energy that is subject to this RFP. Acceptance of any Respondent's proposal is contingent upon successful negotiation of a definitive Purchase Agreement that is acceptable to both the Agent and PEC and to the filing with, and acceptance of, that agreement with FERC and any other regulatory agency that has jurisdiction thereof. A Purchase Agreement is contingent upon a favorable credit review of the prospective purchaser.

4. GENERAL SPECIFICATIONS: INTERMEDIATE PRODUCT
Alternative #2

4.1 Pricing

4.1.1 This solicitation is for a 5-month product structure, which includes 50 to 100 MW of capacity and associated energy with the Energy Strike Price differentiated by time of year. The period of commitment is for 5 months starting January 1, 2007.

4.1.2 All energy scheduled for delivery under the Purchase Agreement will be in hourly blocks of 50 to 100 MWh priced at fixed energy rates for all hours as indicated below. The Energy Strike Prices shown below are energy-only prices and are exclusive of transmission and ancillary services, transmission losses, taxes and fees, etc.

| <u>Period</u> | <u>Energy Strike Price (\$/MWh)</u> |
|--------------------------------|---------------------------------------|
| January 1 through May 31, 2007 | \$100 (Jan-Feb) \$80 (Mar-Apr-May) |

In addition to providing Capacity Premium bids on this product, Respondents, if they so desire, can bid a similar structure using custom Energy Strike Prices of their own choosing.

4.1.3 Respondents shall submit Capacity Premium bids that are to be fixed for the given period and stated in \$/kW-month for the right to 50 to 100 MW of capacity and associated energy from PEC's system at the respective Energy Strike Prices. The fixed amount of Capacity of 50 to 100 MW is for the term of the contract.

4.1.4 The Energy Price and Capacity Premiums shall be fixed and not subject to change by PEC through a unilateral rate change filing with the Federal Energy Regulatory Commission pursuant to Section 205 of the Federal Power Act. Further, the selected Respondent(s) [Buyer(s)] must agree not to file a complaint with the FERC seeking a reduction in rates pursuant to Section 206 of the Federal Power Act.

4.2 Firmness of Delivery / Failure to Perform

4.2.1 Capacity supplied under this agreement will be provided on a Firm (LD) basis as defined in the Master Agreement between PEC and the successful Respondent. This is not a unit-contingent power sale; rather, it is backed by PEC's system of generation assets.

4.2.2 If Buyer fails to receive pre-scheduled energy at the Delivery Point (other than as a result of Force Majeure), Buyer shall pay PEC on the date payment would otherwise be due to PEC, an amount for each MWh of scheduled energy not taken equal to the positive difference, if any, obtained by subtracting the Sales Price from the appropriate Energy Strike Price. Sales Price shall mean the market price at the Delivery Point in each hour for such quantity as determined by PEC in a commercially reasonable manner.

4.3 Generation Scheduling and Transmission Requirements

4.3.1 Scheduling

- **5 X 16 (25 MW min)**
- **Day ahead schedule by 8:00 AM EPT**

Buyer will provide to PEC by 0800 EPT each day the schedule for the number of megawatt-hours to be delivered during each hour of the following day (in whole megawatt-hours with a minimum of 25 MWh/hour and with a minimum dispatch of sixteen (16) hours) and a rolling seven-day estimate of its hourly energy usage thereafter.

4.3.2 The Buyer will be obligated to arrange for and/or purchase transmission service and any ancillary services required for the transmission of such capacity and energy from the point of delivery within PEC's transmission system to the Buyer's off-take location from PEC's transmission system in accordance with the OATT, including any and all congestion charges. In addition, the Buyer will also be responsible for any transmission and/or ancillary service arrangements and costs required to deliver the capacity and energy beyond PEC's transmission system.

4.4 Taxes and Regulatory Requirements

4.4.1 A Respondent whose proposal is selected shall be completely and solely responsible for obtaining and paying for any and all fees or taxes that may be required for sale or delivery of power and energy for the entire term of the Purchase Agreement. Buyer shall reimburse PEC for any and all sales, use, excise, franchise, gross receipts, or similar taxes incurred by PEC as a result of the sale of capacity and energy under the Purchase Agreement.

4.4.2 A Respondent whose proposal is selected shall take all necessary actions to satisfy any regulatory requirements in a timely manner, including but not limited to all licenses and permits that may be imposed on the Respondent by any federal, state, or local law, ordinance, rule, or regulation concerning the generation, sale, or delivery of the power. PEC will cooperate with the Respondent to provide information or such other assistance as may reasonably be necessary for the Respondent to satisfy such regulatory requirements. The Respondent shall likewise fully support all of PEC's regulatory requirements associated with the Purchase Agreement arising from this RFP.

4.5 Payment Terms

4.5.1 Invoices under the Purchase Agreement for energy delivered by PEC in each month will normally be rendered no later than the 10th business day following the end of such month and be subsequently paid by the Buyer no later than the 20th day following the end of such month. Capacity payments shall be handled similarly unless a Respondent proposes alternative capacity payment terms (e.g., a Capacity Premium lump sum payment for the entire period of the Purchase Agreement at the time that services commence, etc.). The Agent will consider such payment terms in its economic evaluation of the Respondent's bid.

4.6 Conditions Precedent

4.6.1 Acceptance of any proposals pursuant to this RFP is subject to review of such proposals by the Agent. The Agent shall select such proposals as, in its judgment, provide maximum value to PEC from the sale of capacity and associated energy that is subject to this RFP. Acceptance of any Respondent's proposal is contingent upon successful negotiation of a definitive Purchase Agreement that is acceptable to both the Agent and PEC and to the filing with, and acceptance of, that agreement with FERC and any other regulatory agency that has jurisdiction thereof. A Purchase Agreement is contingent upon a favorable credit review of the prospective purchaser.

5. PROPOSAL GUIDELINES

5.1 Instructions for Completing Forms

5.1.1 As a minimum, proposal responses must include a completed *RFP Response Form* found in Attachment E. Bidders may also include other information with their proposals which they feel enhances their bid. To facilitate bid submission, a separate MS Word file with just *Attachment E - RFP Response Form (RFP Response Form.doc)* is available on the Agent's website.

5.1.2 It is expected that submitted proposals be firm bids which will become binding in the event that it is selected. In lieu of a bid fee and to demonstrate good faith, proposals must be signed by a duly authorized officer of the Respondent.

5.1.3 A signed original plus two (2) complete copies of the proposal must be submitted by traceable courier to the Agent's Contact Person listed below. In the event of a question about a proposal not being received (lost) or not being received in a timely manner, you may be asked to share the tracking information.

AGENT'S PRIMARY CONTACT PERSON

R. Ed Kilby
Project Manager

Voice: (336) 625-0917
Fax: (336) 625-0919
E-mail: ekilby@utilitytec.com

AGENT'S SECONDARY CONTACT PERSON

J. Ted Orrell
Partner

Voice: (336) 625-0917
FAX: (336) 625-0919
E-mail: torrell@utilitytec.com

AGENT'S ADDRESS

Utility Technology Engineers-Consultants
P.O. Box 2629
Asheboro, NC 27204

147B Dublin Square Road
Asheboro, NC 27203

Website: www.utilitytec.com

PEC RESPONSIBLE PARTY

Louis H. Davis
Business Development Manager

E-mail: louis.davis@pgnmail.com

5.1.4 All proposals must be received by no later than 5:00 PM EPT on August 28, 2007. Late or incomplete bids may be rejected. Proposals shall be valid until at least November 1, 2007. **All inquiries and other communications relating in any manner to this RFP should be directed in writing, by facsimile, or E-mail, to the Agent's Contact Person.** Unsolicited contact about this process with any other personnel may result in disqualification of the Respondent.

5.1.5 The Agent may request clarifying information at any time during the evaluation process, and Respondents will be expected to provide timely responses to facilitate the evaluation and decision making process. Respondents must provide all data requested in this RFP and the applicable attachments. The Agent may reject non-specific offers from further consideration.

5.1.6 Whenever possible, proposals should quote all prices and dollar amounts in nominal \$US for the year in which they occur.

5.1.7 Bidders may, if they so desire, submit proposal structures that differ from that outlined herein. While these will be given due consideration in seeking the most value for PEC and its customers, the preference is for the deal structure herein described.

5.1.8 Bidders are encouraged to provide feedback on the bid process and any aspect of the specific products around which this RFP is based. Most specifically, any exceptions to the terms and conditions outlined in the RFP that the Respondent wishes to take must be explicitly stated. Terms and conditions contained in this RFP (and in documents it references) that are not specifically excepted in the Respondents' proposal will be assumed to be acceptable.

5.2 Confidentiality

5.2.1 The Agent and PEC will exercise reasonable precautions and use reasonable efforts to protect any proprietary and confidential information contained in a proposal provided that such information is clearly identified by the Respondent as "Proprietary and Confidential" on the page on which proprietary and confidential information appears. Such information would only be made available if the Agent or PEC were legally compelled or required to disclose Confidential Information by a court or government agency having federal, state or local jurisdiction.

5.2.2 The Agent reserves the right to release any proprietary and confidential information to its agents or contractors for the purpose of evaluating the Respondent's proposal and such agents or contractors will be legally bound to observe the same care with respect to disclosure as the Agent. However, under no circumstances will the Agent, PEC or their subsidiaries, agents, or contractors, be liable for any damages resulting from any disclosure after the solicitation process.

5.3 Proposal Evaluation Costs

5.3.1 Neither the Agent, PEC, nor their representatives, affiliate companies, or parent company shall be liable for any expenses incurred in connection with preparation of a response to this RFP or any costs, fees, or lost or foregone profits of unsuccessful Respondents. Respondents should prepare their proposals simply and economically, providing a straightforward and concise description of their bid. Any Respondent that submits a proposal containing information that is determined by the Agent through a reasonable review process to be substantially inaccurate, misleading, exaggerated, or incorrect shall be disqualified from consideration.

5.4 Regulatory Provisions

5.4.1 Any negotiated Purchase Agreement for the sale of capacity and energy by PEC resulting from this RFP will be conditioned upon approval or acceptance without substantial change by any and all regulatory agencies that have jurisdiction over any or all of the subject matter of this solicitation. This includes, without limitation, the Federal Energy Regulatory Commission.

6. PROPOSAL EVALUATION

6.1 *Proposal Evaluation Procedure*

6.1.1 The Agent will initially assess the creditworthiness of all Respondents on the basis of the financial information provided with their proposals in response to the requirements set forth in *Attachment D — Corporate Information*.

6.1.2 Proposals of creditworthy Respondents will be evaluated by the Agent on the basis of the net present value of the expected payments PEC would receive through the proposed Purchase Agreement and in any manner that it deems to reveal the highest total value for PEC.

6.1.3 Based on the information provided in Respondents' proposals, the Agent will develop a shortlist of proposals from which final selection will be made through negotiations with associated Respondents. Additional information will be accepted after the proposal due date only as requested by the Agent for the purpose of bid clarification.

6.1.4 PEC and the Agent may, if deemed in PEC's best interest, award multiple contracts to multiple counterparties for multiple terms within the time period that is the subject of this solicitation. Also, if the evaluation warrants it, an award may be made for a structure not necessarily contemplated or stated in this RFP.

6.2 *Reservation of Rights*

6.2.1 PEC reserves its rights to award Purchase Agreements to those Respondents whom, in the opinion of the Agent, will provide the most value to PEC and their customers.

6.2.2 The Agent reserves the right to reject any of the proposals received for failure to meet any criteria set forth in this RFP. The Agent may decline to negotiate a Purchase Agreement with any Respondent.

6.2.3 Respondents who submit proposals hereby waive any and all legal or other rights of recourse against the Agent or PEC for either rejection of their proposal(s) or for failure to execute a Purchase Agreement for any reason.

7. PURCHASE AGREEMENT

7.1 *EEI Master Service Agreement*

7.1.1 All Purchase Agreements will be completed as a transaction confirmation under a mutually agreed upon Master Power Purchase and Sale Agreement [Master Agreement]. The Master Agreement will be based on the EEI Master Power Purchase and Sale Agreement and PEC's EEI Cover Sheet. A copy of the EEI Master Power Purchase and Sale Agreement is available on the Agent's website (EEI-Master Power Purchase & Sale Agreement.pdf). Also available is a sample PEC EEI Cover Sheet (PEC EEI Cover.pdf).

7.1.2 All Respondents who make the shortlist will be expected to execute a Master Agreement with PEC if one is not already in-place. Such arrangements should begin as soon as the shortlist is announced. This will facilitate the process of getting a Purchase Agreement in place in a timely manner for the successful Respondent.

7.1.3 Should there be any discrepancies between these proposal documents, the Master Agreement, and the Purchase Agreement, the Purchase Agreement shall govern.

Attachment A

**SAMPLE TERMS & CONDITIONS
Firm (LD) Capacity and associated energy**

SYSTEM BASE PRODUCT

Alternative #1

UTILITY TECHNOLOGY ENGINEERS-CONSULTANTS

**as Agent for
PROGRESS ENERGY CAROLINAS**

| | |
|--|--|
| Description | <p>This is an opportunity for the Buyer to obtain access to Firm (LD) capacity and associated energy. The system generation resources of PEC will support the obligation of PEC to supply capacity and associated energy.</p> <p>Respondents must supply bids in \$/MW-hour. Any right to obtain energy or any sales thereof pursuant to this RFP shall be conditioned upon the successful negotiation of a Purchase Agreement between Buyer and PEC and the terms and conditions thereof.</p> |
| Term | <p>The obligation of PEC to supply energy under any related subsequent Purchase Agreement will begin no earlier than January 1, 2007 and may last until May 31, 2007. PEC reserves its right to enter into a Purchase Agreement under this RFP for any number of calendar years during this time period.</p> |
| Quantity | <p>50 to 100 MWh per hour of associated energy. This obligates the Buyer to purchase 50 to 100 MW-hours respectively of system energy for all hours (7x24) during the Purchase Agreement. The fixed amount of energy (50 to 100 MWh's) shall be for the term of the Purchase Agreement.</p> |
| Firmness of Delivery | <p>Capacity under this agreement will be provided on a Firm (LD) basis as defined in the Master Agreement between PEC and the successful Respondent.</p> |
| Remedies for Failure to Receive | <p>If Buyer fails to receive pre-scheduled energy at the Delivery Point, Buyer shall pay PEC damages as defined in the Master Agreement between PEC and the successful Respondent.</p> |
| Energy Pricing | <p>The Respondent's are to provide a fixed energy bid for this product. The Energy Prices are exclusive of transmission and ancillary services, transmission losses, taxes and fees, etc. The Buyer is responsible for supplying losses as required by the transmission providers OATT</p> |

Table A1 — System Base Defined Product, Alternative #1

| Contract Period | Energy Price (\$/MW-hour) | | |
|---|---------------------------|--------|----------------|
| January 1 to May 31, 2007 | | | |
| Amount of Capacity | 50 MW | 100 MW | Other _____ MW |
| (\$/MW-Hour) | | | |
| Note: Fill in these values on the RFP Response Form (Attachment D, Table D 1. You may bid each capacity. | | | |

| | |
|---------------------------------------|--|
| Rate Changes | The rates for capacity and energy shall be fixed rates that are not subject to change by PEC through a unilateral rate change filing with the Federal Energy Regulatory Commission pursuant to Section 205 of the Federal Power Act. Further, Buyer may not file a complaint with the FERC seeking a reduction in rates pursuant to Section 206 of the Federal Power Act. This paragraph does not apply to transmission. |
| Delivery Point | The Delivery Point shall be the CP&L East Control Area. PEC shall be responsible for any incremental costs associated with delivering energy to the Delivery Point. PEC is open to discuss an alternative Delivery Point. Respondents should include the alternative Delivery Point in proposal. |
| Designation of Capacity Source | PEC will designate capacity resources if required by the customer, otherwise our capacity resource will be the collective PEC system. |
| Transmission | Buyer shall arrange for and/or purchase transmission service and ancillary services required for the transmission of the capacity and energy from the Delivery Point to the buyer's point of off-take on the PEC system in accordance with the OATT, including any and all congestion charges. Buyer will also be responsible for any transmission arrangements beyond the PEC transmission system. |
| Payment Terms | Invoices for capacity and energy supplied by PEC in each month shall be (i) rendered no later than the 10 th business day following such month, and (ii) paid by Buyer no later than the 20 th day following such month (or the next business day, if applicable). |
| Force Majeure | Force Majeure will be as defined in the Master Agreement between PEC and the successful respondent. Any deviations from this must be spelled out in the Purchase Agreement. |
| Assignment | Assignment will be permitted only by written consent of the Parties. |

| | |
|---------------------|---|
| <p>Taxes</p> | <p>Buyer shall be completely and solely responsible for obtaining and paying for any and all fees and/or taxes that may be required for the sale or delivery of power and will reimburse PEC for all sales, use, excise, franchise, gross receipts, or similar taxes incurred by PEC as a result of the sale of capacity and energy under the Purchase Agreement.</p> |
|---------------------|---|

Attachment B

SAMPLE TERMS & CONDITIONS

Firm (LD) Capacity and associated energy

INTERMEDIATE PRODUCT, Alternative #2

offered by

UTILITY TECHNOLOGY ENGINEERS-CONSULTANTS

as Agent for

PROGRESS ENERGY CAROLINAS

| | |
|---|--|
| <p>Description</p> | <p>This is an opportunity for the Buyer to obtain access to Firm (LD) capacity and associated energy. The system generation resources of PEC will support the obligation of PEC to supply capacity and associated energy associated with this call option.</p> <p>Respondents are to provide Capacity Premium (\$/MW) bids for this product. Any right to obtain capacity or energy or any sales thereof pursuant to this RFP shall be conditioned upon the successful negotiation of a Purchase Agreement between Buyer and PEC and the terms and conditions thereof.</p> |
| <p>Term</p> | <p>The obligation of PEC to supply capacity and associated energy under any related subsequent Purchase Agreement will begin no earlier than January 1, 2005 and may last until December 31, 2009. PEC reserves its right to enter into a Purchase Agreement under this RFP for any number of calendar years during this time period.</p> |
| <p>Quantity</p> | <p>50 to 100 MW of capacity and associated energy. The amount of capacity (50 to 100 MW) is to be for the full term of the Purchase Agreement.</p> |
| <p>Firmness of Delivery</p> | <p>Capacity supplied under this agreement will be provided on a Firm (LD) basis as defined in the Master Agreement between PEC and the successful Respondent.</p> |
| <p>Remedies for Failure to Receive</p> | <p>If Buyer fails to receive pre-scheduled energy at the Delivery Point, Buyer shall pay PEC damages as defined in the Master Agreement between PEC and the successful Respondent.</p> |
| <p>Scheduling</p> | <ul style="list-style-type: none"> ▪ 5 X 16 (25 MW min) ▪ Day ahead schedule by 8:00 AM EPT <p>Buyer will provide to PEC by 0800 EPT each day the schedule for the number of megawatt-hours to be delivered during each hour of the following day (in whole megawatt-hours with a minimum of 25 MWh/hour and with a minimum dispatch of sixteen (16) hours) and a rolling seven-day estimate of its hourly energy usage thereafter.</p> |
| <p>Capacity Pricing</p> | <p>Respondents to this RFP for Firm (LD) capacity and associated system</p> |

| | |
|-----------------------|--|
| | energy shall bid their highest and best Capacity Premiums (\$/kW-mo) for the products shown in <i>Table B1 - Defined Products</i> . The Capacity Premiums are to be fixed for a given contract period. |
| Energy Pricing | The Energy Strike Prices are fixed. The Energy Strike Prices listed in <i>Table B1</i> are exclusive of transmission and ancillary services, transmission losses, taxes and fees, etc. The Buyer is responsible for supplying losses as required by the transmission providers OATT. |

Table B1 — System Intermediate Defined Product, Alternative #2

| Energy Strike Price (\$/MWh) | Contract Period | | |
|---|---------------------------|--------|----------------|
| \$100 (Jan-Feb) \$80 (Mar-Apr-May) | January 1 to May 31, 2007 | | |
| Amount of Capacity | 50 MW | 100 MW | Other _____ MW |
| Capacity Premium (\$/kW-mo) | | | |
| Note: Fill in these values on the RFP Response Form (Attachment D, Table D 2. You may bid each capacity. | | | |

| | |
|---------------------------------------|--|
| Rate Changes | The rates for capacity and energy shall be fixed rates that are not subject to change by PEC through a unilateral rate change filing with the Federal Energy Regulatory Commission pursuant to Section 205 of the Federal Power Act. Further, Buyer may not file a complaint with the FERC seeking a reduction in rates pursuant to Section 206 of the Federal Power Act. This paragraph does not apply to transmission. |
| Delivery Point | The Delivery Point shall be the CP&L East Control Area. PEC shall be responsible for any incremental costs associated with delivering energy to the Delivery Point. PEC is open to discuss an alternative Delivery Point. Respondents should include the alternative Delivery Point in proposal. |
| Designation of Capacity Source | PEC will designate capacity resources if required by the customer, otherwise our capacity resource will be the collective PEC system |

| | |
|----------------------|---|
| Transmission | Buyer shall arrange for and/or purchase transmission service and ancillary services required for the transmission of the capacity and energy from the Delivery Point to the buyer's point of off-take on the PEC system in accordance with the OATT, including any and all congestion charges. Buyer will also be responsible for any transmission arrangements beyond the PEC transmission system. |
| Payment Terms | Invoices for capacity and energy supplied by PEC in each month shall be (i) rendered no later than the 10 th business day following such month, and (ii) paid by Buyer no later than the 20 th day following such month (or the next business day, if applicable). |
| Force Majeure | Force Majeure will be as defined in the Master Agreement between PEC and the successful respondent. Any deviations from this must be spelled out in the Purchase Agreement. |
| Assignment | Assignment will be permitted only by written consent of the Parties. |
| Taxes | Buyer shall be completely and solely responsible for obtaining and paying for any and all fees and/or taxes that may be required for the sale or delivery of power and will reimburse PEC for all sales, use, excise, franchise, gross receipts, or similar taxes incurred by PEC as a result of the sale of capacity and energy under the Purchase Agreement. |

Attachment C

CORPORATE INFORMATION

Respondents are requested to provide the following descriptive information. This information will be used to assist the Agent in its initial assessment of the Respondent's creditworthiness.

Provide the following information for your company:

1. Annual reports and Form 10-K for the past three years. If these documents are not readily available, then audited financial statements for the past three years will be accepted.
2. Dunn and Bradstreet identification number (DUNS Number) for corporate headquarters and the division/branch providing proposal (if different) along with D&B Ratings for both.
3. Moody's and Standard & Poor's credit ratings for the Respondent's unsecured senior long-term debt.
4. Schedule of all secured and unsecured debt issues outstanding along with their book values, interest rates, maturity dates and any call features or triggers.

Attachment D
RFP RESPONSE FORM

I. Respondent Information

Corporate Name _____

Corporate Address _____

Parent's Corporate Name _____

Parent's Corporate Address _____

Primary Contact:

Name _____

Title _____

Mailing Address _____

Phone _____

Fax _____

E-mail _____

Please Check One of the Following That Applies to Your Company / Business:

| | | | |
|------------------|--------------------------|--------------------------|--------------------------|
| Electric Utility | <input type="checkbox"/> | Power Marketer or Broker | <input type="checkbox"/> |
| IPP/EWG/QF | <input type="checkbox"/> | Other (explain) | <input type="checkbox"/> |
| | | _____ | |

How long has your company existed?

How long has your company been in the in the energy business?

Corporate Information Provided Pursuant Attachment D:

| | |
|---|--------------------------|
| Annual Reports for past three years (check box if included in submittal) | <input type="checkbox"/> |
| Form 10K for past three years (check box if included in submittal) | <input type="checkbox"/> |
| Audited Financial Statements in lieu of Annual Report / 10K (check box if included in submittal) | <input type="checkbox"/> |
| DUNS Number (Headquarters) | <input type="text"/> |
| D&B Rating (Headquarters) | <input type="text"/> |
| DUNS Number (Division/Branch, if applicable) | <input type="text"/> |
| D&B Rating (Division/Branch, if applicable) | <input type="text"/> |
| Moody's unsecured senior long-term debt rating | <input type="text"/> |
| Standard & Poor's unsecured senior long-term debt rating | <input type="text"/> |
| Schedule of secured and unsecured debt issues outstanding along with book values, interest rates, maturity dates and any call features or triggers (check box if included in submittal) | <input type="checkbox"/> |

Additional Respondent Information

A large, empty rectangular box with a thin black border, occupying most of the page below the section header. It is intended for the respondent to provide additional information.

II. Executive Summary

Please provide a brief overview of your proposal:

III. Proposal Pricing

Table D1 — System Base Defined Products, Alternative #1

| Contract Period | Energy Price (\$/MW-hour) | | |
|---|---------------------------|--------|----------------|
| January 1 to May 31, 2007 | | | |
| Amount of Capacity | 50 MW | 100 MW | Other _____ MW |
| (\$/MW-Hour) | | | |
| Note: Fill in these values. You may bid each capacity. | | | |

Table D2 — Intermediate Defined Product, Alternative #2

| Energy Strike Price (\$/MWh) | Contract Period | | |
|---|---------------------------|--------|----------------|
| \$100 (Jan-Feb) \$80 (Mar-Apr-May) | January 1 to May 31, 2007 | | |
| Amount of Capacity | 50 MW | 100 MW | Other _____ MW |
| Capacity Premium (\$/kW-mo) | | | |
| Note: Fill in these values. You may bid each capacity. | | | |

IV. Additional Proposal Information

Empty response area for additional proposal information.

V. Proposal Signatures

NAME OF BIDDER

(Respondent / Company Name)
(_____)
(State) (Corporation, LLC, Partnership, etc.)

SIGNATURE OF LEGALLY AUTHORIZED REPRESENTATIVE

Business Address: _____

Telephone Number: _____

Fax Number: _____

E-Mail Address: _____

By: _____
(Signature)

(Print name)

(Title)

Attest: _____
(Signature)

(SEAL)