



Revised Confidential Proposal for Renewable Energy Generation

in response to

Gainesville Regional Utilities RFP 2007-135, Biomass Fueled Generation Facility



* The 15 MW biomass-fired Alexandria Power Project developed by Energy Management, Inc.

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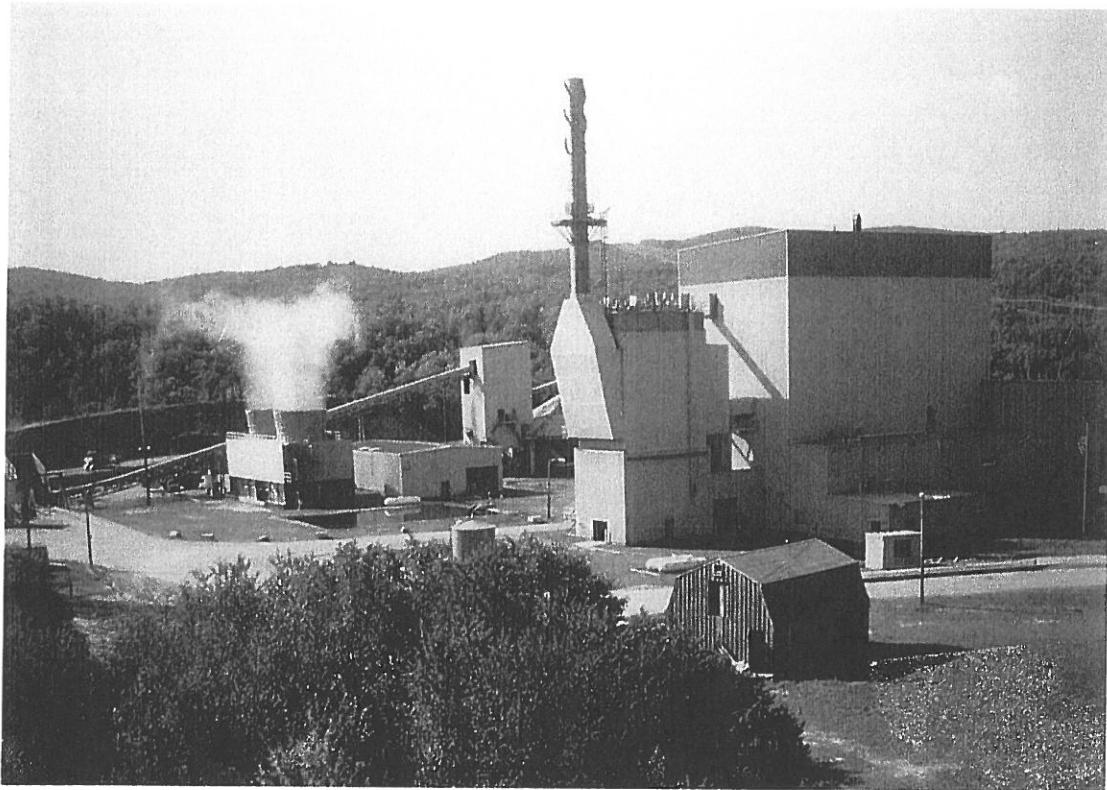
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TABLE OF CONTENTS

SECTION 1 - EXECUTIVE SUMMARY	6
Revised Proposal Summary	6
Florida Clean Energy Center Project Summary	8
The Florida Clean Energy Center Will Produce the Greatest Economic Value for GRU	8
Nacogdoches Power Has Developed the Most Reliable Proposal.....	9
The Florida Clean Energy Center Will Produce the Best Environmental Performance	13
The Florida Clean Energy Center Will Generate the Greatest Local Benefits and Support.....	16
Biomass-fired Electricity Generation is the Best Renewable Solution for GRU	16
Nacogdoches Power Will Work with GRU to Provide the Best PPA Terms	17
Proposer Information.....	17
Primary and Secondary Proposal Contacts.....	17
Proposal Certification.....	17
SECTION 2 – FINANCIAL AND CONTRACTUAL STRUCTURE OF THE PROPOSAL.....	18
Contractual Structure and Power Purchase Agreement Options	18
Evaluation of PPA Contract Structure versus GRU Ownership and Operation	18
Description of Project Financing.....	19
Development Phase.....	19
Construction Phase	20
Option for GRU Purchase After Ten Years	21
PPA Terms	21
Sample PPA Agreement.....	31
SECTION 3 - TECHNICAL INFORMATION.....	32
Project Description.....	32
Choice of Combustion Technology	33
Bubbling Fluidized Bed Boiler.....	33
Char Re-injection System.....	35
Steam Turbine Generator	35
Fuel Handling System	35
Balance of Plant and Zero Liquid Discharge	37
Fuel Supply and Requirements Including Any Backup Fuels.....	38
Start-up Fuel	38
Wastewater Biosolids	38

Fuel Procurement Strategy.....	39
Forest Residue.....	40
Mill Residue.....	41
Thinnings	42
Urban Wood Waste.....	43
Summary of Biomass Fuel Procurement Strategy	44
Net Capacity Rating	44
Indicative Net Heat Rates.....	44
Site Requirements and Layout	44
Projected Permitting and Construction Schedule and In-Service Date	47
Dispatchability of the Project, Including Facility Limitations that May Constrain Operation or Dispatch	48
Permits and Approvals	48
Site Certification (Power Plant Siting Act).....	48
Determination of Need (Power Plant Siting Act).....	50
Air Permit (Construction Permit, Prevention of Significant Deterioration Review and Title V Operating Permit)	50
Acid Rain Permit (Title IV Acid Rain Permit) and Clean Air Interstate Rule (CAIR).....	51
FAA (Notice of Proposed Construction and Alteration).....	51
Industrial Wastewater Discharge Permit (National Pollutant Discharge Elimination System "NPDES")	51
Beneficial Reuse; Non-Hazardous Waste Disposal	52
Environmental Characteristics and Emission Rates	52
Storm Debris Management.....	56
Ash and Other By-products.....	56
Water Use and Wastewater Discharges.....	57
Electrical Interconnection Requirements	58
Reliability of the Proposed Technology	61
Performance Guarantees, Warranties and Risk Mitigation	62
Backup Systems and Fuels	62
Estimated Truck Traffic Associated with Fuel Supply and Traffic Management Plan	62
Construction Phase	63
Operational Phase	63
Description of How Fuel Procurement Practices are Consistent with GRU's Commitment to Sustainable Resource Forest Management.....	64
Community Support Plan	66

SECTION 4 - ECONOMIC INFORMATION.....	67
Pricing	67
Fuel Adjuster.....	68
Fuel Cost Assumptions.....	68
Environmental Attributes are Included in Proposal Price	69
REC and Environmental Allowance Management.....	69
Treatment of Tax Credits and Other Financial Incentives.....	69
Property Taxes and Value	70
Local Economic Impact	70
SECTION 5 – PRODUCTION COST INFORMATION.....	72
SECTION 6 – RESPONDENT QUALIFICATIONS	73
Nacogdoches Power, LLC.....	73
Florida Clean Energy Center Project Team Diagrams	73
Description of Florida Clean Energy Center Project Team Members.....	73
CBX Energy Engineering, Inc.	73
David S. Dee	73
Environmental Consulting & Technology, Inc.	74
Metso Paper USA, Inc.	74
Natural Resource Planning Services, Inc.....	74
North American Energy Services, Inc.	75
Siemens Industrial Turbomachinery, Inc.	75
Wolf Material Handling Systems, Inc.....	75
WorleyParsons Group, Inc.	75
Current and Past Power Supply Ventures	76
BayCorp Power Supply Venture References	76
EMI Power Supply Venture References	77
Recent Annual Report for the Respondent and Any Other Parties Involved, or a Recent Copy of an Audited Income Statement and Balance Sheet.....	80
Bond Rating of Respondent or its Parent Company by Moody’s, Fitch, Standard & Poor’s, and/or Dunn & Bradstreet	80
Financial Guarantees from Affiliates or Others, as Appropriate	80
Attachment – GRU RFP Addenda	
Appendix 1 – Representative Project Layouts	

Appendix 2 – Project Design Standards

Appendix 3 – Major Equipment Manufacturers and Suppliers

Appendix 4 – Conceptual Water Balance

Appendix 5 – Representative Biomass Fuel Supply Contract

Appendix 6 – Fuel Analyses

Appendix 7 – Key One Line Diagram

Appendix 8 – Electrical Information

Appendix 9 – Project Schedule

Appendix 10 – Project Ownership Information

Appendix 11 – Project Team Diagrams

Appendix 12 – Letters of Intent with Project Partners

Appendix 13 – Project Financial Statements

Appendix 14 – Updated Société Générale Letter

Appendix 15 – Partner Financial Statements

SECTION 1 - EXECUTIVE SUMMARY

Revised Proposal Summary

Nacogdoches Power, LLC ("Nacogdoches Power") is pleased to submit this revised confidential proposal to Gainesville Regional Utilities ("GRU") for the sale of capacity, renewable energy and environmental attributes from a 100 MW biomass-fired electric generating facility being developed in Florida (the "Florida Clean Energy Center" or "Project"). This proposal further refines the concepts and structure presented in the confidential proposal previously submitted to GRU on December 14, 2007.

Nacogdoches Power thanks GRU for providing the opportunity to submit this revised proposal and has worked to address issues raised by GRU and the Gainesville City Commission. As further described below, Nacogdoches Power has advanced the development of the Project over the last few months to provide additional value to GRU. Nacogdoches Power has made the following changes in this revised proposal as compared to its original proposal:

1. Definition of proposed power purchase agreement ("PPA") options;
2. Examination of advantages and disadvantages of a power purchase agreement contract structure versus GRU ownership and operation of facility;
3. Evaluation of feasibility of combusting wastewater biosolids;
4. Analysis of tradeoffs between 100% biomass facility and one that utilizes municipal solid waste, tires, or construction debris;
5. Completion of a detailed fuel supply study;
6. Improvement of fuel supply strategy to eliminate municipal solid waste, waste tires, and refuse-derived fuel;
7. Expansion of commitment to meet sustainable forest resource management goals;
8. Refinement of primary and alternative location for project at the existing GRU Deerhaven Power Plant Site (the "Deerhaven Site");
9. Reduction of project footprint and project site requirements;
10. Improvement of management of project by-products;
11. Selection of an alternative location for project not at Deerhaven Site;
12. Adjustment of expected output to better reflect expected performance;
13. Description of local economic impact and job creation;
14. Further review of project and proposal with prospective lenders;
15. Enhancement of detail regarding resources of project team; and
16. Entry into binding agreements with project team members.

Nacogdoches Power compared the advantages and disadvantages of a power purchase agreement contract structure versus GRU ownership and operation of the facility and concluded that the PPA structure would provide the most value to GRU. Nacogdoches Power proposes to sell capacity, renewable energy and environmental attributes from the Project to GRU under a twenty-year power purchase agreement; the environmental attributes would include any and all renewable energy credits, carbon dioxide emission reduction credits, and future environmental attributes associated with the capacity and energy sold to GRU.

Nacogdoches Power proposes to sell the output from the Project to GRU on a firm capacity and energy basis, rather than on an as-delivered energy basis. The firm capacity and energy basis PPA structure will provide GRU with energy supply portfolio flexibility as GRU will be able to dispatch the Project as needed. This type of power purchase agreement structure is preferred by lenders because it aligns dispatch incentives between the Project and its offtakers. In addition, a twenty-year PPA would allow Nacogdoches Power to reduce the cost of constructing and financing the Project by maximizing the tenor of project debt.

Nacogdoches Power was recently awarded a similar 50 MW power purchase agreement by another Florida utility and has begun the formal development of the Project. Therefore, Nacogdoches Power proposes the following three power purchase agreement options to be evaluated separately (listed in order of Nacogdoches Power's preference):

- Proposal Option 1: Nacogdoches Power constructs a 100 MW biomass-fired electric generating facility at the existing Deerhaven Site and sells 50 MW of capacity, renewable energy and environmental attributes from the Project to GRU under a twenty-year power purchase agreement; Nacogdoches Power sells 50 MW to another utility under a twenty-year power purchase agreement with substantially similar terms.
- Proposal Option 2: Nacogdoches Power constructs a 100 MW biomass-fired electric generating facility at an alternative site and sells 50 MW of capacity, renewable energy and environmental attributes from the Project to GRU under a twenty-year power purchase agreement; Nacogdoches Power sells 50 MW to another utility under a twenty-year power purchase agreement with substantially similar terms.
- Proposal Option 3: Nacogdoches Power constructs a 100 MW biomass-fired electric generating facility at the existing Deerhaven Site and sells 100 MW of capacity, renewable energy and environmental attributes from the Project to GRU under a twenty-year power purchase agreement.

Florida Clean Energy Center Project Summary

The Florida Clean Energy Center Project will be a new 100 MW (total net) biomass-fired electric generating facility, consisting of a fuel handling system, a bubbling fluidized bed ("BFB") boiler, a condensing steam turbine generator with evaporative cooling towers and auxiliary support equipment. The Project will also utilize a Zero Liquid Discharge ("ZLD") system to eliminate wastewater discharges. The Florida Clean Energy Center will employ state of the art boiler and emissions control technologies to minimize emissions.

The primary fuels for the Project will be forest residue, mill residue, thinnings and urban wood waste. Supplementary fuels could include agricultural residues, such as rice hulls, woody storm debris, whole tree chips and pulpwood chips. Nacogdoches Power will not utilize municipal solid waste ("MSW"), waste tires, or refuse-derived fuel ("RDF"). Nacogdoches Power has explored the use of wastewater biosolids and believes the use of such biosolids will not meet the economic or environmental goals for the Project.

Nacogdoches Power will seek to purchase as much fuel as possible under long-term contracts and will employ a dedicated staff to manage fuel purchases. The biomass fuel handling system will consist of truck tippers, screens and hogs, an automatic stacker/reclaimer system and a manual stacker/reclaimer system to maintain two fuel storage piles. Fuel will be transported into and out of on-site storage via a series of conveyors.

The Florida Clean Energy Center Will Produce the Greatest Economic Value for GRU

A long-term power purchase agreement for output from the Project will supply GRU with the best combination of economic and environmental performance from a renewable generating facility.

At 100 MW, the Florida Clean Energy Center will be the most efficient size for a modern biomass-fired electric generating facility. Nacogdoches Power evaluated a 50 MW design and a 100 MW design for this Project. Nacogdoches Power contacted equipment vendors and received budgetary price quotations for critical components for a 50 MW project. The rate of cost increase for project components, such as boilers, steam turbines, truck tippers, stacker/reclaimer systems and feed conveyors, is rather minor for facility sizes between 30 and 100 MW. For example, a steam turbine for a 100 MW facility costs less than 20% more than a steam turbine for a 50 MW facility. In addition, the operating staff necessary to operate a 100 MW facility is nearly identical in size to that necessary to operate a 30 MW or 50 MW facility. Therefore, a well-designed 100 MW biomass-fired electric generating facility will have significant economies of scale in capital costs and operating costs when compared to a well-designed smaller facility. Nacogdoches Power performed a detailed cost estimate for a 50 MW facility designed to the same performance standard as the Florida Clean Energy Center and determined that the delivered cost of electricity from such a facility will be more than 25% higher than that of the Florida Clean Energy Center.

Nacogdoches Power recognizes the importance that the Gainesville City Commission has placed upon overall plant efficiency and has developed the most efficient design possible for a modern biomass-fired electric generating facility. Although bubbling fluidized bed boilers are inherently more efficient than previous technologies, Nacogdoches Power evaluated BFB boilers from leading manufacturers and selected the most efficient BFB boiler for the Florida Clean Energy Center. Nacogdoches Power further evaluated steam turbines from the leading manufacturers and selected the most efficient steam turbine for the Florida Clean Energy Center. Nacogdoches Power has optimized the Project steam cycle, which will utilize four feedwater heaters. Therefore, the Florida Clean Energy Center should have a very low heat rate for any biomass-fired electric generating facility using pure biomass fuel.

Through the Development of its Texas Project, Nacogdoches Power Has Acquired the Most Current Experience Developing Biomass-Fired Generating Facilities in the United States

Nacogdoches Power has the most up-to-date experience developing state of the art biomass-fired generating facilities in the United States. Currently, Nacogdoches Power is finalizing the development of a 100 MW biomass-fired electric generating facility in Nacogdoches County, Texas (the "Texas Project"). Nacogdoches Power has achieved the following significant milestones for the Texas Project that are relevant to the development of the Florida Clean Energy Center:

- ✓ received all environmental permits necessary for construction;
- ✓ completed all interconnection studies;
- ✓ entered into contracts for major plant components;
- ✓ selected an engineering and construction management firm;
- ✓ performed preliminary design and engineering;
- ✓ performed trace chemical analyses of biomass fuels;
- ✓ worked with timber harvesting companies to estimate costs and job creation; and
- ✓ executed contracts for supply of wood fuel.

The development of the Texas Project has provided Nacogdoches Power with a distinct advantage in ensuring that the Florida Clean Energy Center will be completed in a timely manner with the fewest surprises.

Nacogdoches Power Has Developed the Most Reliable Proposal

Nacogdoches Power is concerned that other proposers may submit unreliable information in the hope of being selected for a power purchase agreement and revising such information at a later date. Numerous evaluation criteria, such as development schedule, emission rates, heat rate, fuel prices, fuel consumption, by-product production, water usage, production cost and job creation, depend on critical assumptions. Nacogdoches Power strongly urges GRU to evaluate the sources of data used by the other proposers.

In contrast, Nacogdoches Power has used the best available information to prepare its proposal. Nacogdoches Power has spent a significant amount of money and effort to ensure that its proposal will be reliable. Nacogdoches Power has used actual data developed for this Project or for its Texas Project wherever possible. Nacogdoches Power has used publicly available data to supplement actual data. Where actual data and publicly available data were not available, Nacogdoches Power has relied upon the expert opinions of a highly-qualified and experienced project team. Below, Nacogdoches Power has summarized several of the attributes that make its proposal extremely reliable.

First, Nacogdoches Power has performed preliminary design and engineering for the Florida Clean Energy Center. Nacogdoches Power has hired WorleyParsons Group, Inc. ("WorleyParsons") to perform engineering, procurement and construction management services for the Project. WorleyParsons has over 100 years of power industry experience, tracing its roots in power sector to Charles T. Main and Gilbert/Commonwealth in the USA and John Thompson, SECVI and Burmot in Australia. WorleyParsons has supplied over 150,000 MW of generating capacity worldwide. Energy Management, Inc. ("EMI"), a member of the Nacogdoches Power team, had previously worked with a predecessor of WorleyParsons on the construction of its Dartmouth Power and Dighton Power projects. WorleyParsons is working with Nacogdoches Power on the engineering, procurement and construction management of the Texas Project. WorleyParsons adapted the design of the Texas Project to meet the specifications for the Florida Clean Energy Center.

Second, Nacogdoches Power has received proposals from, and entered into letters of intent with, other major project partners, including the boiler manufacturer, biomass fuel handling system supplier, electrical engineering firm and third-party operations and maintenance provider. Such proposals allow Nacogdoches Power to accurately calculate the cost and performance of the Project. Nacogdoches Power has interviewed local Florida contractors to evaluate construction costs for the Project. The remaining pricing for the Nacogdoches Power proposal is based on contracts and vendor proposals for the Texas Project, an actual project under advanced development.

Nacogdoches Power has entered into a letter of intent with Metso Paper USA, Inc., formerly Aker Kvaerner Power, Inc. ("Metso"), to design and supply a bubbling fluidized bed boiler for the Project. Nacogdoches Power selected Metso to design and supply the boiler for its Texas Project after a competitive bid process. Metso will design and supply the BFB boiler under a firm-price, firm-schedule contract. In order to reduce potential interface issues, Metso will design and supply the remainder of the boiler island, including the SNCR system, baghouse, stack, and support steel. Metso has proven that its equipment can meet the proposed emission limits. In addition, Metso will provide a full emissions guarantee under its contract. Nacogdoches Power urges GRU to consider whether other proposers have permitted facilities with similar emission rates and whether boiler manufacturers for other proposers have committed to guarantee such emission rates.

Metso is the leading manufacturer of biomass-fired boilers, having supplied more than 200 worldwide. Since its introduction in the 1970s, Metso's fluidized bed boiler technology has offered an economical, flexible, cost-effective and environmentally acceptable solution for burning low heating value, high moisture bio-fuels. Over the last fifteen years, Metso has supplied nearly all of the bubbling fluidized bed boilers sold to the pulp and paper industry in Scandinavia and North America. Metso's patented bubbling fluidized bed boiler design features the innovative HYBEX™ floor. The HYBEX™ floor, which was designed for fuels containing stones or other coarse materials, features an extended free removal area where coarse material can be evacuated from the bed. More than thirty percent of the total floor area is open for tramp material removal compared with approximately one percent in a conventional floor design. Metso's fleet of HYBEX™ floor bubbling fluidized bed boilers has achieved high levels of availability.

Nacogdoches Power has entered into a letter of intent with Wolf Material Handling Systems, Inc. ("Wolf") to design and supply the wood fuel handling system for the Project. Founded in 1978, Wolf specializes in bulk material handling systems for the pulp and paper, power generation and mining industries. Wolf is the leading supplier of biomass-fuel handling systems in the United States. Arlin Wolf, the founder of Wolf Material Handling Systems, has been called upon in a number of cases to repair and redesign biomass-fuel handling systems supplied by other vendors.

CBX Energy Engineering, Inc. ("CBX") will perform electrical engineering to support the utility interconnection for the Project. Christopher M. Bryan, P.E., principal engineer, has more than twenty-five years of experience as a consulting engineer to the power industry. He specializes in the design, analysis, project management, and engineering review of power generating stations, substations, transmission interconnections, and electrical distribution systems.

Nacogdoches Power has entered into a letter of intent with North American Energy Services, Inc. ("NAES") to operate and maintain ("O&M") the Project. NAES is the premiere third-party O&M contractor in the United States. In addition, NAES has proven experience operating wood-fired generating facilities: NAES has operated 9 biomass-fired electric generating facilities totaling 246.9 MW of capacity. NAES has worked with Nacogdoches Power to develop an accurate operating budget for the Project and to transfer key wood-procurement knowledge. Steam boiler facilities operated by NAES have an average availability rating nearly 4% higher than the industry average availability rating. Several prospective lenders recommended that Nacogdoches Power contract with NAES for O&M services.

Third, Nacogdoches Power has selected the most experienced team of consultants to assist with the permitting and development of the Florida Clean Energy Center. Wherever possible, Nacogdoches Power sought out and selected consultants based in Gainesville with local experience.

Nacogdoches Power has hired David S. Dee, of Young van Assenderp, P.A. ("David Dee"), to provide permitting and other legal support for the Florida Clean Energy Center Project. Mr. Dee has considerable experience with the Florida Electrical Power Plant Siting Act; he has handled the permitting of 13 major construction projects involving electrical generating facilities, including nine facilities on greenfield sites.

Nacogdoches Power has hired Environmental Consulting & Technology, Inc., of Gainesville, Florida ("ECT"), to manage the permitting for the Florida Clean Energy Center Project. ECT's services to the power industry include site selection studies and overall permitting for new power plants; specialty permitting projects involving air quality modeling, wetlands, water supply, wastewater discharges, and solid waste disposal; compliance auditing; and remediation programs. Nacogdoches Power, ECT and David Dee have worked together to develop an accurate permitting and development schedule for the Project. Moreover, ECT and David Dee have evaluated potential project configurations and options and advised Nacogdoches Power on the most appropriate choices for Florida and the City of Gainesville.

Nacogdoches Power hired Natural Resource Planning Services, Inc., of Gainesville, Florida ("NRPS") to provide biomass fuel procurement and ash disposal consulting services for the Florida Clean Energy Center Project. NRPS manages over 300,000 acres of timberland in Florida for a variety of clients including TIMO's, investors, family trusts, individuals, and government agencies. Jack Vogel, one of the principals of NRPS, is the current president of the Florida Forestry Association.

Fourth, Nacogdoches Power has performed a detailed biomass fuel supply study to evaluate biomass resources. At the request of Nacogdoches Power, NRPS conducted a detailed biomass fuel resource study (the "Biomass Fuel Study") for the Project. The Biomass Fuel Study evaluated all potential sources of biomass fuel, analyzed potential competition for each biomass fuel and determined that sufficient biomass fuel resources will be available to operate the Project at a reasonable cost and on a sustainable basis.

Fifth, Nacogdoches Power has used hard science to evaluate issues such as water consumption, by-product production and job creation. WorleyParsons developed preliminary water and heat balances for the Project. Nacogdoches Power utilized trace chemical analyses of biomass fuels performed for its Texas Project to estimate ash production. Nacogdoches Power obtained vendor proposals for ZLD systems. Nacogdoches Power used published data and detailed source estimates to analyze lifecycle greenhouse gas impacts and economic development impacts.

Finally, Nacogdoches Power has updated the capital structure and financing assumptions for the Project to meet the current challenging market conditions. Several prospective lenders, including Société Générale, have evaluated the Florida Clean Energy Center financial model and indicated that they are highly confident that they would be able to arrange financing for the Project under current market conditions.

The Florida Clean Energy Center Will Produce the Best Environmental Performance

The Project will be consistent with policies espoused by Florida Governor Charlie Crist, the Florida Legislature and the Florida Department of Environmental Protection ("DEP"). In July 2007, Governor Charlie Crist signed three Executive Orders committing Florida to reduce greenhouse gases and increase energy efficiency. Governor Crist signed Executive Order 07-126, titled "Leadership by Example: Immediate Actions to Reduce Greenhouse Gas Emissions from Florida State Government"; Executive Order 07-127, "Immediate Actions to Reduce Greenhouse Gas Emissions within Florida"; and Executive Order 07-128, "Florida Governor's Action Team on Energy and Climate Change." The Executive Orders require the state government to develop a governmental carbon scorecard and work to reduce governmental emissions, direct the adoption of maximum emission levels of greenhouse gases for electric utilities and request that the Public Service Commission adopt a 20 percent Renewable Portfolio Standard by 2020.

In May 2007, the Florida Legislature passed a comprehensive energy bill that promoted the use of renewable energy through a number of programs, including tax incentives, grants, and a study to create a Renewable Portfolio Standard ("RPS"). The Florida DEP has begun a rulemaking procedure to enact Governor Crist's Executive Order regarding the adoption of maximum emission levels of greenhouse gases for electric utilities. In 2007, the Florida DEP prepared a preliminary inventory of Florida greenhouse gas emissions to help guide planning efforts in the state. The Project will help make a significant contribution to the development of new renewable resources in Florida. It will take significant investment to reach the 20% RPS goal set forth by Governor Crist in his Executive Orders; the Florida Clean Energy Center will be an important step in this process.

The Florida Clean Energy Center may result in net greenhouse gas ("GHG") emission reductions. The global warming potential ("GWP") of methane is 21 times higher than that of CO₂. Depending on the amount of forest residue and urban wood waste used as fuel that would otherwise decompose, the Project may result in a reduction of GHG emissions on a CO₂ equivalent basis due to the replacement of methane emissions (a by-product of wood decomposition) with CO₂ emissions (a by-product of wood combustion). A January 2004 report by the National Renewable Energy Laboratory ("NREL") compared the greenhouse gas emission potential of direct-fired biomass facilities to other types of generation, such as coal-fired and natural gas combined-cycle units. The report estimated that direct-fired biomass facilities consuming wood residue materials would result in a 148% reduction in global warming potential when compared to a coal-fired unit on a lifecycle basis. Nacogdoches Power calculated the expected carbon dioxide emissions from the harvesting, processing and transport of forest residue material based upon data provided by timber harvesters for its Texas Project and verified the accuracy of the NREL report. In addition, Nacogdoches Power has performed a detailed fuel study that demonstrates that the Project can be fueled with the noted residue fuels. Utilizing the NREL methodology, Nacogdoches Power estimates that the Project will result in a net reduction of 170,000 metric tons of CO₂ equivalent per year. Since the amount of net reduction is related

to the output of the project, the 100 MW Florida Clean Energy Center will result in a greater net reduction of CO₂ equivalent than a 30 MW or 50 MW facility.

Nacogdoches Power has improved the fuel supply strategy for the Florida Clean Energy Center and eliminated the use of municipal solid waste, waste tires, and refuse-derived fuel. Nacogdoches Power believes that the negative environmental impacts of such fuels will outweigh any potential benefits. Nacogdoches Power recognizes the importance that GRU and the Gainesville City Commission have placed on expanding recycling in the community. The combustion of MSW could frustrate the attempt to increase recycling. In addition, the combustion of MSW could cause increased emissions of hazardous air pollutants such as mercury, lead and dioxins. Moreover, the Biomass Fuel Study demonstrated that there is no need for such fuels on an economic or supply security basis. Finally, Nacogdoches Power believes that a project fueled strictly by biomass will be more consistent with policies espoused by Florida Governor Charlie Crist, the Florida Legislature and the Florida DEP and will be less likely to provoke public opposition or trigger controversy.

Nacogdoches Power will utilize Best Available Control Technology ("BACT") to minimize air emissions. Nacogdoches Power has received all environmental permits required for construction of the Texas Project and recently set the standard for BACT in Texas at .10 lb/mmBtu of NO_x for biomass-fired generating facilities. Metso has proven that its equipment can meet the proposed emissions limits. In addition, Metso will provide a full emissions guarantee under its contract with Nacogdoches Power.

Nacogdoches Power has improved the fuel supply strategy for the Florida Clean Energy Center and eliminated the use of municipal solid waste, waste tires, and refuse-derived fuel. Nacogdoches Power believes that the negative environmental impacts of such fuels will outweigh any potential benefits. The use of municipal solid waste, waste tires, and refuse-derived fuel may result in the increased emission of hazardous air pollutants such as mercury, lead and dioxins. The renewable and greenhouse gas benefits of such fuels are uncertain. Moreover, the Biomass Fuel Study demonstrated that there is no need for such fuels on an economic or supply security basis. Finally, Nacogdoches Power believes that a project fueled strictly by biomass will be more consistent with policies espoused by Florida Governor Charlie Crist, the Florida Legislature and the Florida DEP and will be less likely to provoke public opposition or trigger controversy.

The Florida Clean Energy Center will result in the least production of waste by-products on a per MWh basis. Based on data from its Texas Project, Nacogdoches Power believes that it will be possible to beneficially reuse ash produced by the Project as a soil amendment. Nacogdoches Power conducted extensive testing of woody biomass materials in Texas to design the Texas Project and predict the likely chemical composition of the ash. In this manner, the Project will be consistent with other biomass power projects in the United States. Ash from wood-fired power plants is typically spread on agricultural fields as a soil enhancer.

Generally, bubbling fluidized bed boilers generate minimal ash because surface contact between fluidized sand bed particles and fuel particles ensures the complete combustion of fuel within the target temperature range. However, the Metso BFB has further features designed to minimize the production of ash. Metso's innovative HYBEX™ floor design provides an extended free removal area where coarse material can be evacuated from the bed. More than thirty percent of the total floor area is open for tramp material removal compared with approximately one percent in a conventional floor design. Bottom ash that falls through the HYBEX™ floor will be screened, and lighter material, including any ash or sand, will be re-injected into the boiler.

Nacogdoches Power has redesigned the Florida Clean Energy Center to have minimal site impacts should GRU select Proposal Option 1 or Proposal Option 3. Nacogdoches Power has compressed the project layout to occupy fewer acres. The Florida Clean Energy Center will now occupy a total of 45 acres. Nacogdoches Power believes this represents the most efficient use of space at the Deerhaven Site as the Project will occupy less than 1/2 acre per MW of output.

If GRU selects Proposal Option 1 or Proposal Option 3, Nacogdoches Power recommends the utilization of the original Deerhaven Site parcel for the Project because this parcel is already zoned "PS" for Public Services and Operations. By researching existing aerial photogrammetric databases, Nacogdoches Power has identified two potential sites for the Project within the original Deerhaven Site parcel. Each site has unique characteristics and advantages, but, in general, our preferred "Site A", located in the southeast quadrant of the original Deerhaven Site parcel, appears to mitigate any potential impacts relating to existing operations and future upgrades to the GRU facility. By choosing potential sites within the original Deerhaven Site parcel, Nacogdoches Power's site selection strategy eliminates the risk associated with the annexed parcels not receiving the zoning change required to construct a biomass facility.

Nacogdoches Power has prepared two conceptual designs of the Project within the original Deerhaven Site parcel. Site A represents Nacogdoches Power's preferred location and Site B represents Nacogdoches Power's alternate location. Please refer to the Conceptual Project Layout drawings attached as Appendix 1 for a representation of the Project configurations. In the event that GRU does not allow utilization of the original Deerhaven Site parcel, Nacogdoches Power will develop the Project on portions of the annexed parcels acceptable to GRU provided that the parcels are rezoned for public service and operations purposes.

Nacogdoches Power has found an attractive alternative site for the project in northern Florida (the "Alternative Site"). Nacogdoches Power is currently negotiating terms and conditions for an option to lease the Alternative Site. The Alternative Site will provide Nacogdoches Power with needed features, including: available land zoned for industrial use, transportation access for fuel delivery, access to the bulk transmission system, available water for plant makeup and proximity to fuel resources.

The Florida Clean Energy Center Will Generate the Greatest Local Benefits and Support

Nacogdoches Power recognizes the importance of providing a project that is broadly supported by citizens of Gainesville and Alachua County. To that end, Nacogdoches Power has refined its proposal to address issues, such as the use of MSW, raised by GRU and the Gainesville City Commission. If selected by GRU, Nacogdoches Power will develop and implement a public relations program for the Florida Clean Energy Center similar to the program that it successfully employed in Nacogdoches County, Texas. Nacogdoches Power has been able to secure strong local and county support for the Texas Project because the Texas Project will provide substantial economic stimulus to Nacogdoches and neighboring counties.

Biomass-fired electric generating facilities that utilize woody biomass provide significant economic stimulus because fuel dollars stay in the local community. One estimate of the employment benefit of a wood-fired power plant has been prepared by the National Renewable Energy Laboratory of the Department of Energy in its publication, "The Value of the Benefits of U.S. Biomass Power" in which it concluded that 4.9 jobs per MW of installed capacity will be created. Following this methodology, the Florida Clean Energy Center will produce approximately 490 new jobs. Because the amount of job creation is related to the installed capacity of the project, the 100 MW Florida Clean Energy Center will result in significantly greater job creation than a 30 MW or 50 MW facility.

Nacogdoches Nacogdoches Power has sought out and selected wood resource and environmental consultants based in Gainesville with local experience.

Biomass-fired Electricity Generation is the Best Renewable Solution for GRU

Biomass-fired generating facilities have attractive attributes when compared to other potential renewable and carbon-neutral resources:

- ✓ biomass-fired generating facilities operate as baseload generating resources;
- ✓ modern biomass-fired generating facilities have extremely high availability factors;
- ✓ biomass-fired generating facilities offer long-term price stability;
- ✓ biomass fuel is not subject to the same price risks that may affect natural gas and coal-fired units;
- ✓ biomass-fired generating facilities are renewable generating resources; and
- ✓ biomass-fired generating can benefit from financial incentives included in state or federal renewable portfolio standards.

In addition to using state of the art emission controls, the Project would offer other significant environmental benefits. As noted above, biomass-fired generating facilities may result in net greenhouse gas emission reductions due to the replacement of methane emissions (a by-product of wood decomposition) with CO₂ emissions (a by-product of wood combustion). Biomass-fired generating facilities also have the potential to help alleviate environmental problems caused by

natural disasters such as hurricanes, floods and tornados. Large volumes of various types of storm debris, including trees, brush, vegetative matter and clean lumber, need to be disposed of or burned following such disasters. Disposal of such materials incurs costs and utilizes valuable landfill capacity. Open burning of such material, while generally permitted by state regulatory authorities after such disasters, can cause significant air quality impacts. Biomass-fired generating facilities have the capacity to consume this debris as fuel, reducing disposal costs and air quality impacts while transforming the storm debris into a valuable product—electricity.

Nacogdoches Power Will Work with GRU to Provide the Best PPA Terms

Nacogdoches Power will work together with GRU to fashion a power purchase agreement that provides the most value to GRU. Nacogdoches Power recognizes that publicly owned electric utilities approach electric power supply with perspectives that are focused on the long-term health of their communities. Nacogdoches Power will work with GRU as a partner, not an adversary, in order to provide a Project that the City of Gainesville will embrace.

Proposer Information

Florida Clean Energy Center
Nacogdoches Power, LLC
c/o Energy Management, Inc.
75 Arlington Street, Suite 704
Boston, Massachusetts 02116

Primary and Secondary Proposal Contacts

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Proposal Certification

We acknowledge receipt of addenda numbered 1 through 5.

SIGNATURE:  DATE: 04/10/08

NAME OF CERTIFYING OFFICIAL: Ari Mervis

TITLE: Vice President

SECTION 2 – FINANCIAL AND CONTRACTUAL STRUCTURE OF THE PROPOSAL

Contractual Structure and Power Purchase Agreement Options

Nacogdoches Power proposes to sell capacity, renewable energy and environmental attributes from the Project to GRU under a twenty-year power purchase agreement; the environmental attributes would include any and all renewable energy credits, carbon dioxide emission reduction credits, and future environmental attributes associated with the capacity and energy sold to GRU. Nacogdoches Power proposes three power purchase agreement options (listed in order of Nacogdoches Power's preference):

Proposal Option 1: Nacogdoches Power constructs a 100 MW biomass-fired electric generating facility at the existing Deerhaven Site and sells 50 MW of capacity, renewable energy and environmental attributes from the Project to GRU under a twenty-year power purchase agreement; Nacogdoches Power sells 50 MW to another utility under a twenty-year power purchase agreement with substantially similar terms.

Proposal Option 2: Nacogdoches Power constructs a 100 MW biomass-fired electric generating facility at an alternative site and sells 50 MW of capacity, renewable energy and environmental attributes from the Project to GRU under a twenty-year power purchase agreement; Nacogdoches Power sells 50 MW to another utility under a twenty-year power purchase agreement with substantially similar terms.

Proposal Option 3: Nacogdoches Power constructs a 100 MW biomass-fired electric generating facility at the existing Deerhaven Site and sells 100 MW of capacity, renewable energy and environmental attributes from the Project to GRU under a twenty-year power purchase agreement.

Nacogdoches Power proposes to sell the output from the Project to GRU on a firm capacity and energy basis, rather than on an as-delivered energy basis. This power purchase agreement structure is preferred by lenders because it aligns dispatch incentives between the Project and its offtakers. In addition, a twenty-year PPA would allow Nacogdoches Power to reduce the cost of constructing and financing the Project by maximizing the tenor of project debt.

Evaluation of PPA Contract Structure versus GRU Ownership and Operation

Nacogdoches Power compared the advantages and disadvantages of a power purchase agreement contract structure versus GRU ownership and operation of the facility and concluded that the PPA structure would provide the most value to GRU. Listed below are some of the key advantages of a PPA structure:

- **Operational Experience** – Nacogdoches Power has entered into a letter of intent with North American Energy Services, Inc. to operate and maintain the Project. NAES has proven experience operating wood-fired generating facilities: NAES has operated 9 biomass-fired electric generating facilities totaling 246.9 MW of capacity. NAES has worked with Nacogdoches Power to develop an accurate operating budget for the Project and to transfer key wood-procurement knowledge. Steam boiler facilities operated by NAES have an average availability rating nearly 4% higher than the industry average availability rating.
- **Fuel Procurement** – due to the fractured nature of timberland ownership, biomass fuel procurement is difficult and time-consuming. Nacogdoches Power has executed long-term contracts for the supply of biomass fuel for its Texas Project and has developed expertise in the procurement of biomass fuel. Moreover, the proposed Fuel Adjuster will provide Nacogdoches Power with an incentive to minimize the delivered cost of biomass fuel. NAES has also assisted Nacogdoches Power in the development of its fuel procurement strategy.
- **Common Ownership** – Nacogdoches Power is developing the Florida Clean Energy Center as one project in a portfolio of similar biomass-fired electric generating facilities. Nacogdoches Power will use fleet management techniques, such as a spare parts pool, to improve Project reliability and performance.
- **Tax Incentives** – the federal production tax credit (“PTC”) provides a significant benefit to new biomass facilities owned by taxable entities. The Project will lose the benefits of the PTC if owned and operated by GRU.
- **Profit Motive** – Nacogdoches Power will make a profit by maximizing the performance of the Project. Energy Management, Inc., a member of the Nacogdoches Power team, has earned a reputation for maximizing the performance and availability of its generating facilities.

Furthermore, Nacogdoches Power was recently awarded a similar 50 MW power purchase agreement by another Florida utility and has begun the formal development of the Project. Nacogdoches Power intends to develop, own and operate a portfolio of biomass-fired electric generating facilities and therefore is not proposing to construct the Project on an EPC basis.

Description of Project Financing

Development Phase

Trade Secret Material Protected from Disclosure under F.S. 815.045:

Nacogdoches Power will finance the development of the Florida Clean Energy Center through capital contributions by its owners. As further described in Section 6, Nacogdoches Power is owned by BayCorp Holdings, Ltd. (“BayCorp”) through its BayCorp Nacogdoches, LLC subsidiary, and by EMI Nacogdoches, LLC (“EMI Nacogdoches”). BayCorp is a subsidiary of the Tavistock Group, a global private investment company that was founded 30 years ago by

investor Joe Lewis and which has grown to encompass a broad portfolio of interests in over 170 companies in 15 countries. EMI Nacogdoches is owned by individuals affiliated with Energy Management, Inc. ("EMI"), a Massachusetts corporation.

The owners of Nacogdoches Power have sufficient available resources to finance the development of the Florida Clean Energy Center. BayCorp and EMI Nacogdoches have made capital contributions to Nacogdoches Power totaling approximately [REDACTED] to date. Furthermore, BayCorp and EMI have contributed staff resources valued at more than [REDACTED] to Nacogdoches Power. As shown on the attached financial statements, BayCorp is [REDACTED] and recorded net income of more than [REDACTED] in 2006. Owners of EMI Nacogdoches have made approximately [REDACTED] in capital contributions to EMI development ventures since 2001.

As described in more detail below, Nacogdoches Power will post a cash deposit or letter of credit upon execution of a binding power purchase agreement to secure its performance obligations, including the orderly development of the Florida Clean Energy Center, under the PPA.

Construction Phase

Trade Secret Material Protected from Disclosure under F.S. 815.045:

Nacogdoches Power intends to finance the construction of the Project through a combination of non-recourse project debt and equity. Nacogdoches Power is confident that it would obtain such financing for the Project based on the past experience of its owners. EMI successfully financed more than \$800 million in construction costs for its prior projects, including \$25 million for the Alexandria wood-fired electric generating facility. BayCorp has extensive experience raising capital in public markets.

Nacogdoches Power has reviewed the Project with several prospective lenders, including Société Générale. All parties have indicated that, if the Project has satisfactory offtake and construction agreements, the Project can be financed as intended with a combination of non-recourse project debt and equity. In addition, Nacogdoches Power and its advisors are confident that the financing markets are sufficiently liquid to provide financing for the Project on the credit terms described below. Should the federal production tax credit be extended, the Project would be eligible to receive federal tax benefits, which would significantly reduce the cost of financing. Nacogdoches Power would obtain equity from its present investors, as well as parties eligible to utilize the PTC.

Société Générale has provided an updated letter to Nacogdoches Power detailing the firm's review of the Project. In its letter, Société Générale indicates that it is highly confident that it would be able to arrange financing for the Project under current market conditions. As one of the world's leading financial services groups, Société Générale employs more than 103,000 staff in 76 countries. Société Générale ranks fifth in global project finance league tables and has been

mandated to arrange more than \$5.7 billion in project finance loans during the first nine months of 2007. Société Générale recently expanded its commitment to renewable energy lending when it announced the formation of a specialized interdisciplinary team within the bank's corporate and investment banking practice to focus on renewable energy, including wind, biomass and solar projects. The updated Société Générale financing letter is attached as Appendix 14

Nacogdoches Power anticipates that the construction period financing would consist of a construction loan secured by unconditional equity commitments to fund on the earlier of construction completion or a date certain. Upon completion of construction, the construction loan would convert to a senior term loan secured by the Project's assets. Although Nacogdoches Power intends to optimize the capital structure for the Project, with the potential for bonds and/or mezzanine financing, the Project financing strategy conservatively envisions commercial bank debt and sponsor and/or third-party equity investments. Debt service coverage ratios and cash distributions have been sized appropriately to meet such credit terms.

Nacogdoches Power believes that its experience in the design, engineering and financing of the Texas Project will result in significant cost savings for a 100 MW biomass-fired generating facility developed in conjunction with GRU. Nacogdoches Power will work with GRU to optimize the financing strategy to provide the most efficient source of capital for the Project.

Please see Section 6 for more information regarding the structure of the Project.

Option for GRU Purchase After Ten Years

Nacogdoches Power prefers to own and operate the Project and to sell capacity, renewable energy and environmental attributes to GRU on a long-term basis. However, Nacogdoches Power is willing to negotiate purchase options with GRU that will complement Nacogdoches Power's business strategy of developing, owning and operating a portfolio of biomass-fired electric generating facilities.

PPA Terms

Nacogdoches Power proposes power purchase agreement terms below. However, Nacogdoches Power is willing to adjust such terms and will work together with GRU to fashion a power purchase agreement that provides the most value to GRU. Nacogdoches Power recognizes that publicly owned electric utilities approach electric power supply with perspectives that are focused on the long-term economic, environmental and social health of their communities. Nacogdoches Power will work with GRU as a partner, not an adversary, in order to provide a Project that the City of Gainesville will embrace.

Trade Secret Material Protected from Disclosure under F.S. 815.045:

Project	Florida Clean Energy Center.
Products	Capacity, Renewable Energy and Environmental Attributes.
Capacity	Any and all capacity generated by the Project during the Contract Term.
Renewable Energy	Any and all three phase, sixty hertz electric energy generated by the Project and available for sale during the Contract Term, but not including energy obtained from other sources, used for station loads or dissipated by transformer and transmission losses, if any, and including any and all renewable attributes or renewable energy credits, as defined by the PSC, or other such tradable instruments that represent the renewable attributes associated with the three phase, sixty hertz electric energy generated by the Project during the Contract Term.
Environmental Attributes	Any and all emissions credits or other environmental credits or attributes associated with the Renewable Energy generated by the Project during the Contract Term.
Capacity Price	Please see Section 4.
Energy Price	Please see Section 4.
Fuel Adjuster	Please see Section 4.
Quantity of Products Sold to GRU	Proposal Option 1: 50%. Proposal Option 2: 50%. Proposal Option 3: 100%.
Contracted Capacity	Proposal Option 1: 50 MW Proposal Option 2: 50 MW Proposal Option 3: 100 MW

Priority	<p>Proposal Option 1: GRU shall have equal priority to other offtakers.</p> <p>Proposal Option 2: GRU shall have equal priority to other offtakers.</p> <p>Proposal Option 3: First call, second to none.</p>
Dispatch	<p>GRU shall exert all reasonable efforts consistent with Good Utility Practice to dispatch and schedule the Project in a manner that maximizes the Products generated by the Project over the life of the Project.</p> <p>GRU shall not dispatch and schedule more than two Project starts in any calendar week or continuous one hundred sixty-eight (168) hour period.</p> <p>GRU shall, on a day-ahead basis, submit dispatch requests to Nacogdoches Power for dispatch of the portion of its offtake within the following parameters: 0%, 70% - 100%. Nacogdoches Power shall use commercially reasonable efforts to honor such dispatch requests in accord with dispatch requests from other offtakers.</p> <p>GRU may, on an hourly basis, submit additional dispatch requests to Nacogdoches Power for dispatch of the portion of its offtake within the following parameters: 50% - 100%. Nacogdoches Power shall use commercially reasonable efforts to honor such dispatch requests in accord with dispatch requests from other offtakers.</p> <p>Dispatch of the Project between 50% and 70% of total Project output, will be available on a limited basis available and according to pre-agreed conditions due to potential maintenance impacts.</p>
Billing	<p>Nacogdoches Power shall prepare a statement (a "Billing Statement") for each Billing Period within ten Business Days following the end of the Billing Period.</p>
Billing Period	<p>A calendar month.</p>

Payment	GRU shall pay Nacogdoches Power by wire transfer or electronic funds transfer the sum due (a "Payment") within fifteen Business Days of receipt of a Billing Statement from Nacogdoches Power.
Billing Disputes	<p>If either Nacogdoches Power or GRU contests a Billing Statement or Payment, any uncontested portions of invoiced amount shall be paid on or before the due date or shall be subject to late payment interest charges. The remaining disputed amount shall be subject to the Dispute Resolution Procedure.</p> <p>Neither Nacogdoches Power nor GRU shall have the right to challenge any Billing Statement or any Payment, to invoke arbitration of the same, or to bring a legal or administrative action of any kind regarding such Billing Statement or Payment after a period of one year from the date of receipt of such Billing Statement or Payment.</p>
Delivery	<p>Nacogdoches Power shall deliver the Products at the Delivery Point.</p> <p>Nacogdoches Power shall bear all costs of delivery, including insurance, and all risk of loss with respect to the Products until they have been delivered to the Delivery Point.</p>
Delivery Point	<p>Proposal Option 1: the interconnection point at the existing Deerhaven Site switchyard.</p> <p>Proposal Option 2: to be negotiated.</p> <p>Proposal Option 3: the interconnection point at the existing Deerhaven Site switchyard.</p>
Transfer of Title and Risk of Loss	GRU shall have title to the Products and to the same extent, Nacogdoches Power shall be deemed to have conveyed 100% of its right, title and interest therein to GRU thereby when the Products are delivered at the Delivery Point. GRU shall bear all risk of loss to the Products when the Products are delivered at the Delivery Point.
LOI Effective Date	The date on which Nacogdoches Power and GRU execute a

	letter of intent for a power purchase agreement for the Project.
PPA Effective Date	The date on which Nacogdoches Power and GRU execute a definitive power purchase agreement for the Project.
Development Performance Security	Nacogdoches Power shall pay to GRU a security deposit equal to \$10.00 per kilowatt (\$10.00/kW) of Contracted Capacity as security for Nacogdoches Power's completion of the development of the Project by the Guaranteed Commencement Date. Such Development Performance Security will be required within sixty (60) days of execution of the PPA Effective Date. Such security shall be in the form of cash deposited in an interest bearing escrow account mutually acceptable to GRU and Nacogdoches Power; an unconditional and irrevocable direct pay letter of credit in form and substance reasonably satisfactory to GRU; or a performance bond in form and substance reasonably satisfactory to GRU. The form of security required will be in the sole discretion of Nacogdoches Power.
Commencement Date	The date on which Nacogdoches Power closes definitive construction financing for the Project.
Guaranteed Commencement Date	[December 31, 2009]
Development Liquidated Damages	If the Commencement Date is more than 6 months following the Guaranteed Commencement Date, GRU may retain or draw down an amount equal to five percent (5%) of the original deposit amount for each month (or portion thereof) that the Commencement Date is delayed. Such security shall be GRU's sole and exclusive remedy in the event that the Commencement Date is delayed.
Completion Performance Security	Nacogdoches Power shall pay to GRU a security deposit equal to \$30.00 per kilowatt (\$30.00/kW) of Contracted Capacity as security for Nacogdoches Power's completion of the construction of the Project by the Guaranteed Completion Date. Such Completion Performance Security will be required within ten (10) days of the Commencement Date. Such security shall be in the form of cash deposited in an interest bearing escrow account mutually acceptable to GRU and Nacogdoches Power; an unconditional and irrevocable direct pay letter of credit in form and substance reasonably satisfactory to GRU; or a

	performance bond in form and substance reasonably satisfactory to GRU. The form of security required will be in the sole discretion of Nacogdoches Power.
Completion Date	The date on which Nacogdoches notifies GRU that it is available to begin delivery of Products under the agreement.
Guaranteed Completion Date	[December 31, 2012]
Completion Liquidated Damages	If the Completion Date is more than 6 months following the Guaranteed Completion Date, GRU may retain or draw down an amount equal to ten percent (10%) of the original deposit amount for each month (or portion thereof) that the Completion Date is delayed. Such security shall be GRU's sole and exclusive remedy in the event that the Completion Date is delayed.
Contract Term	Twenty years from the Guaranteed Completion Date
Contract Year	January 1 – December 31
PPA Performance Security	Nacogdoches Power shall pay to GRU a security deposit equal to \$50.00 per kilowatt (\$50.00/kW) of Contracted Capacity as security for Nacogdoches Power's performance of its obligations under the agreement. Such PPA Performance Security will be required within ten (10) days of the Completion Date. Such security shall be in the form of cash deposited in an interest bearing escrow account mutually acceptable to GRU and Nacogdoches Power; an unconditional and irrevocable direct pay letter of credit in form and substance reasonably satisfactory to GRU; or a performance bond in form and substance reasonably satisfactory to GRU. The form of security required will be in the sole discretion of Nacogdoches Power.
Return of Performance Securities	GRU shall refund the balance of any performance security within twenty days following the completion of the obligation to which the security attached.
Project Parcel Lease	If GRU selects Proposal Option 1 or Proposal Option 3, Nacogdoches Power will lease a 45-acre portion of the Deerhaven Site (the "Project Parcel") from GRU under a fifty-year lease for \$10.00 per year. The Project Parcel Lease shall

	contain standard lease terms and shall indemnify GRU for any harm to the Deerhaven Site resulting from the Project.
Shared Facilities Agreement	Nacogdoches Power shall enter into a shared facilities agreement with GRU to allocate rights and responsibilities regarding use of the Deerhaven Site.
Availability Guarantee	90% Availability Factor. “Availability Factor” means, for each Contract Year, the number of hours the Facility was in service and available to generate Energy in accordance with Good Utility Practice during the Contract Year, divided by 8,760 hours.
Availability Liquidated Damages	No later than thirty (30) days following the conclusion of each Contract Year, Nacogdoches Power shall prepare a report for GRU summarizing the performance of the Project during the Contract Year. In the event that the Project failed to satisfy the Availability Guarantee and the failure is the responsibility of Nacogdoches Power, Nacogdoches Power shall pay GRU as liquidated damages, and not as a penalty, at times agreed to by the Parties \$300,000 per 1% of Availability Factor below 90%, not to exceed \$3 million in any one year. Performance Liquidated Damages shall be GRU’s sole and exclusive remedies in connection with any alleged failure by Nacogdoches Power to achieve the Availability Guarantee.
Force Majeure	“Force Majeure” means any cause beyond the reasonable control of Nacogdoches Power or of GRU that, despite the exercise of due diligence, such Party is unable to prevent, overcome, or avoid in a commercially reasonable manner. Force Majeure may include, but is not limited to, Acts of God, acts or omissions of government, acts of a public enemy, wars (declared or undeclared), hostilities, blockades, insurrections, rebellions, revolutions, riots, terrorism, civil disturbances, sabotage, embargoes, epidemics, quarantines, landslides, earthquakes, fires, explosions, lightning, floods, storms, hurricanes, tornados, nuclear accident, strikes, and other labor disturbances, restraint by court order or other delay or failure in the performance as a result of any action or inaction by or on behalf of a public authority, in each case to the extent that the event of Force Majeure (i) in fact affects the Project or the Products, (ii) is not the fault of the Party relying on the event,

and (iii) could not have been prevented by the Party's exercise of reasonable diligence.

Insurance

Nacogdoches Power shall maintain in full force and effect a "Builder's All Risk" property insurance policy, including delayed start up insurance, for the Project from the Commencement Date through the Commercial Operation Date. The "Builder's All Risk" insurance shall have a minimum limit of liability equal to the replacement cost of the Project and a minimum delayed start up limit of liability equal to one year delay.

Nacogdoches Power shall maintain in full force and effect an "All Risk" property insurance policy for the Project from the Commercial Operation Date through the Termination Date.

The "All Risk" insurance shall have a minimum limit of liability equal to the replacement cost of the Project. Nacogdoches Power shall maintain in full force and effect commercial general liability and umbrella liability insurance policies for the Project with a minimum limit of liability of \$25 million from the Commencement Date through the Termination Date.

GRU shall maintain in full force and effect commercial general liability and umbrella liability insurance policies for the Project with a minimum limit of liability of \$25 million from the Commencement Date through the Termination Date.

Credit Terms

Nacogdoches Power intends for the Project entity to earn the equivalent of an investment grade credit rating. Nacogdoches Power is willing to discuss with GRU the provision of a guarantee of some or all of the Project's obligations under the agreement from an investment grade entity.

Events of Default/Termination

Failure of a Party to perform any material obligation imposed upon that Party by the agreement, including but not limited to failure to make a payment when due, failure by Nacogdoches Power to provide adequate security, or breach by a Party of a representation or warranty set forth in the agreement, if such failure or breach is not cured within sixty (60) days following written notice by registered or certified mail.

Filing of a petition in bankruptcy by or against a Party if such

petition is not withdrawn or dismissed within sixty (60) days after it is filed.

Nacogdoches Power's failure to cure any material default under any material Project financing agreement or other material debt instrument entered into by Nacogdoches Power if Nacogdoches Power has failed to cure the default within the time allowed for a cure under such agreement or instrument unless the event out of which the asserted default arose is in formal arbitration pursuant to an arbitration clause in an agreement of which Nacogdoches Power is a party, or litigation.

Nacogdoches Power's failure to cause the Project to achieve the Completion Date within 18 months after the Guaranteed Completion Date.

A material adverse change [to be defined] has occurred with respect to Nacogdoches Power and Nacogdoches Power fails to provide such performance assurances as are reasonably requested by GRU, including without limitation the posting of additional Default Security or the maintenance or renewal of Default Security within thirty (30) days from the date of such request.

A material adverse change [to be defined] has occurred with respect to GRU and GRU fails to provide such performance assurances as are reasonably requested by Nacogdoches Power, including without limitation the posting of additional Default Security or the maintenance or renewal of Default Security within thirty (30) days from the date of such request.

In the event of a material uncured Event of Default under the agreement that materially impacts its ability to perform hereunder, the non-defaulting Party may terminate the agreement by delivering written notice to the other party by registered or certified mail and, following the relevant cure period specified above for the relevant Event of Default, may pursue any and all legal or equitable remedies provided by law or pursuant to the agreement.

Default Security

To be negotiated.

Cooperating with Financing

GRU recognizes that Nacogdoches Power may seek to obtain debt financing for the Project and GRU hereby agrees to cooperate reasonably with Nacogdoches Power's efforts to secure such financing, and to provide Nacogdoches Power and its lenders on a timely basis with such consents and related documents, as are reasonably requested by the lenders and reasonably acceptable to GRU.

Dispute Resolution Process

If either Party to the agreement believes it has a claim under the agreement, the designated representative of the claimant shall initiate a claim by submitting such claim in writing, including a detailed description, to the designated representative of the other Party, who shall review the claim and shall respond in writing of his findings and recommendations concerning the claim within a reasonable time period not to exceed thirty (30) days. If the claim is not resolved within such thirty (30) day period, the claimant may further pursue the claim by submitting the claim to arbitration pursuant to the Arbitration Procedure.

**Performance During
Dispute**

While any controversy, dispute or claim arising out of or relating to the agreement is pending, Nacogdoches Power and GRU shall continue to perform their obligations to the extent possible notwithstanding such controversy, dispute or claim.

Arbitration Procedure

Any controversy, dispute or claim between Nacogdoches Power and GRU arising out of or relating to the agreement, or the breach thereof, shall be settled finally and conclusively by arbitration according to the Rules of the American Arbitration Association then in effect, unless the parties mutually otherwise agree.

If the parties fail to agree on a panel of three (3) arbitrators within thirty (30) days following the date of a written notice by one party to the other calling for arbitration, either party by written notice to the other may designate one arbitrator, the other party shall then, within ten (10) days thereafter, designate one arbitrator, and the two arbitrators so designated shall promptly designate a third arbitrator from a list of persons from the National Roster following said Rules.

The costs and expenses of arbitration shall be paid as awarded by the arbitrators; otherwise costs and expenses shall be shared

	equally.
	Nacogdoches Power and GRU shall each abide by and perform any resulting arbitration award.
	The arbitration award, when issued, shall be final and shall be enforceable in any court of competent jurisdiction.
Choice of Law	The laws of the State of Florida shall govern the validity, interpretation, construction and performance of the agreement without regard to their internal principles of conflict of laws.
Choice of Forum	To be negotiated.
Exit Ramps	Nacogdoches will work with GRU to define appropriate exit ramps that benefit both parties.

Sample PPA Agreement

Nacogdoches Power will provide a sample power purchase agreement if selected to negotiate a binding PPA.

SECTION 3 - TECHNICAL INFORMATION

Project Description

The Florida Clean Energy Center Project will be a new 100 MW (total net) biomass-fired electric generating facility, consisting of a biomass fuel handling system, a biomass-fired boiler, a condensing steam turbine generator with evaporative cooling towers and auxiliary support equipment. The Project will also utilize a Zero Liquid Discharge system to eliminate wastewater discharges. The Florida Clean Energy Center will be designed in accordance with standards normally used in the utility industry so that the Project will provide full service over the 35-year design life of the Project. A list of such standards is attached as Appendix 2. A list of major equipment manufacturers and suppliers is attached as Appendix 3.

The Project will utilize a bubbling fluidized bed boiler to produce superheated steam. The boiler will be equipped with a baghouse to control particulate matter. An aqueous ammonia injection Selective Non-Catalytic Reduction ("SNCR") system will be provided for NO_x control. Superheated steam from the boiler will be admitted to a single steam turbine with four extractions for feedwater heating. The steam turbine will generate electricity before exhausting axially into the condenser with cooling water provided from the wet evaporative cooling tower.

The primary fuels for the Project will be forest residue, mill residue, thinnings and urban wood waste. Supplementary fuels could include agricultural residues, woody storm debris, whole tree chips and pulpwood chips. Nacogdoches Power will not utilize municipal solid waste, waste tires, or refuse-derived fuel. Nacogdoches Power has explored the use of wastewater biosolids and believes the use of such biosolids will not meet the economic or environmental goals for the Project. Nacogdoches Power will seek to purchase as much fuel as possible under long-term contracts and will employ a dedicated staff to manage fuel purchases.

The biomass fuel handling system will consist of three truck tipplers, two sets of screens and hogs, an automatic stacker/reclaimer system and a manual stacker/reclaimer system. Biomass fuel will be transported to the Project Site by truck. Fuel will be transported into and out of on-site storage via a series of conveyors. The Project will have two 100% capacity conveyors leading from the storage piles to the boiler metering bins. From the metering bins, fuel will be distributed across the combustion zone of the boiler through a pneumatic feed system.

Electric power will be produced in the steam turbine generator at the nominal generator voltage. The Project will increase the voltage at an on-site substation and transmit the power through aerial transmission lines to the interconnection point. When the steam turbine generator is off-line, station service power will be obtained by back feeding.

The proposed Project design will replicate the Texas Project in order to maximize cost savings and lessons learned during process design and engineering.

Choice of Combustion Technology

The choice of combustion technology is a key issue for a biomass-fired generating facility. Nacogdoches Power has chosen fluidized bed boiler technology as this combustion technology is the only proven technology to generate electricity from biomass fuel in a reliable and cost effective manner while minimizing emissions. Older technologies, such as stoker-firing and traveling-grate, can only meet modern emissions standards for biomass-fired units through the use of "back end" emissions control systems that require the supplemental firing of fossil fuel. Newer technologies, such as gasification, are unproven and will likely be more costly and less reliable.

There are two fluidized bed technologies suitable for a biomass-fired generation unit. Each technology offers certain advantages and disadvantages. Fluidized bed boilers use a suspended sand bed to control a low temperature combustion zone and ensure fuel mixing. Bubbling fluidized bed boilers maintain an approximately 6' sand bed while circulating fluidized bed ("CFB") boilers circulate the sand bed through the entire height of the furnace. Both fluidized bed technologies have greater fuel flexibility and result in lower emissions than older combustion technologies.

Bubbling fluidized bed boilers are well-suited to burn high moisture content fuels, such as biomass. Typical BFB fuels include wood wastes and bark, paper mill sludges, recycled paper facility sludges, peat, refuse-derived and tire-derived fuel. On the other hand, CFB boilers are more adept at combusting lower moisture content fuels such as coal and petroleum coke. Furthermore, BFBs are generally simpler to operate due to the fact that the bed temperature can be controlled through combustion air staging. Circulating fluidized bed boilers require additional equipment such as heat exchangers, cyclones and recirculating equipment.

Bubbling fluidized bed boiler technology is the most appropriate combustion technology for a biomass-generating facility designed primarily to consume biomass fuel. Nacogdoches Power selected bubbling fluidized bed boiler technology for the Texas Project based upon its intended fuel. Nacogdoches Power will also utilize bubbling fluidized bed boiler technology for the Florida Clean Energy Center because of the similar projected fuels.

Bubbling Fluidized Bed Boiler

Nacogdoches Power has entered into a letter of intent with Metso Paper USA, Inc., formerly Aker Kvaerner Power, Inc. ("Metso"), to design and supply a bubbling fluidized bed boiler for the Project. Nacogdoches Power selected Metso to design and supply the boiler for its Texas Project after a competitive bid process. Metso will design and supply the BFB boiler under a firm-price, firm-schedule contract. In order to reduce potential interface issues, Metso will design and supply the remainder of the boiler island, including the SNCR system, baghouse, stack, and support steel. Metso has agreed to stand behind its product through a strong

commercial contract, including an accelerated schedule, strong liquidated damage provisions, an in-place warranty and a limited Force Majeure provision. For example, Metso will provide a full emissions guarantee. Metso will also provide Nacogdoches Power with a parent guarantee of its obligations under the contract. Nacogdoches Power used a similar contract structure for its Texas Project.

Metso is the leading manufacturer of biomass-fired boilers, having supplied more than 200 worldwide. Since its introduction in the 1970s, Metso's fluidized bed boiler technology has offered an economical, flexible, cost-effective and environmentally acceptable solution for burning low heating value, high moisture bio-fuels. Over the last fifteen years, Metso has supplied nearly all of the bubbling fluidized bed boilers sold to the pulp and paper industry in Scandinavia and North America.

Currently, there are Metso bark and/or wood-fired bubbling fluidized bed boilers operating at:

- Celulosa Arauco y Constitucion S.A., Chile (460,300 lb/hr, 1233 psig, 905 °F)
- Veracel Celulose S.A., Brazil (198,000 lb/hr, 1378 psig, 914 °F)
- Tembec Saint Gaudens S.A., France (135,000 lb/hr, 885 psig, 842 °F)
- Kymin Voima Oy, Finland (849,200 lb/hr, 1653 psig, 1006 °F)

The most recent Metso bubbling fluidized bed boiler orders, which are under execution or commissioning, include:

- E.ON UK plc, England (381,000 lb/hr, 1978 psig, 999 °F)
- Kappa Kraftliner, Sweden (397,000 lb/hr, 1740 psig, 968 °F)
- CMPC Celulosa S.A., Chile (333,300 lb/hr, 885 psig, 842 °F)
- UPMCouronne, France (254,000 lb/hr, 710 psig, 860 °F)
- UPM Shotten, England (254,000 lb/hr, 710 psig, 860 °F)
- Rauman Voima, Finland (318,600, 1711psig, 995 °F)

Metso's patented bubbling fluidized bed boiler design features the innovative HYBEX™ floor. The HYBEX™ floor, which was designed for fuels containing stones or other coarse materials, features an extended free removal area where coarse material can be evacuated from the bed. More than thirty percent of the total floor area is open for tramp material removal compared with approximately one percent in a conventional floor design. Metso's fleet of HYBEX™ floor bubbling fluidized bed boilers has achieved high levels of availability.

Prior to selecting Metso for the Texas Project, Nacogdoches Power reviewed the technical and commercial merit of its proposal with prospective contractors and lenders. All parties agreed that the Metso bubbling fluidized bed boiler was mature technology suitable for project financing and that the bubbling fluidized bed technology was appropriate for the Texas Project. Moreover, the Metso boiler proposed for the Texas Project is nearly identical in size and design to the existing unit at Kymin Voima Oy, Finland.

Char Re-injection System

The Metso BFB boiler will not have a char re-injection system because such systems are not necessary for fluidized bed biomass-fired boilers. The amount of volatile matter in biomass fuels is higher than in coal and usually varies between 70 to 87% (dry basis) with fixed carbon in the 10 to 18% range. As a result of the high amount of volatiles, the major part of the fuel will be vaporized before homogeneous gas phase combustion reactions take place; the remaining char then will undergo heterogeneous combustion reactions. The fuel will be fed above the fluidized sand bed and will spread uniformly and immediately across the cross-section of the bed. Coarse char and fine char particles will be combusted upon contact with bed media. The balance will be burned in the secondary zone of the furnace.

Steam Turbine Generator

Nacogdoches Power will likely enter into a firm-price contract with Siemens Industrial Turbomachinery, Inc. ("Siemens") to design and supply a steam turbine generator for the Project. Nacogdoches Power selected Siemens to design and supply the steam turbine generator for its Texas Project after a competitive bid process due to the performance and reliability of its industrial steam turbines. The steam turbine for the Texas Project is based on the highly successful MP series of geared axial VAX turbines and is produced in Finspong, Sweden. Energy Management, Inc. has previously purchased and operated three VAX steam turbines with great success. Other qualified vendors include Alstom, the General Electric Company and Fuji Electric Corp. of America.

Prior to selecting Siemens for the Texas Project, Nacogdoches Power reviewed the technical and commercial merit of its proposal with prospective contractors and lenders. All parties agreed that the Siemens steam turbine was mature technology suitable for project financing and that the Siemens steam turbine was appropriate for the Texas Project. For the Texas Project, Siemens has agreed to stand behind its product through a strong commercial contract, including an accelerated schedule, strong liquidated damage provisions, an in-place warranty and a limited Force Majeure provision. Nacogdoches Power would seek similar provisions in its contract for this Project.

Nacogdoches Power has based its proposal on the use of a non-reheat steam turbine. Nacogdoches Power investigated the use of a reheat steam turbine for this Project, but determined that such a turbine would provide minimal performance benefits at significant added capital cost. In addition, Nacogdoches Power has based its proposal on an outdoor steam turbine installation.

Fuel Handling System

Nacogdoches Power has entered into a letter of intent with Wolf Material Handling Systems, Inc. ("Wolf") to design and supply the wood fuel handling system for the Project. Founded in 1978, Wolf specializes in bulk material handling systems for the pulp and paper, power generation and

mining industries. Nacogdoches Power has been working with Wolf to select the fuel handling system for the Texas Project. Together, Nacogdoches Power and Wolf have optimized the design of the wood fuel handling system for reliable, yet cost effective, operation. Nacogdoches Power believes that its experience in the design, engineering and oversight of the Texas Project will result in significant cost savings for the Florida Clean Energy Center.

Along with the choice of boiler technology, the fuel handling system plays a critical role in the success of any biomass-fired generating facility. Nacogdoches Power will incorporate redundancy and proven technologies into the design of the Project fuel handling system in order to ensure high plant availability. The Project biomass fuel handling system will consist of three drive-through full truck tippers, two sets of screens and hogs, an automatic stacker/reclaimer system and a manual stacker/reclaimer system. The Project will be designed to maintain a minimum of 20 days of on-site storage. In this manner, the Project will apply lessons learned from previous biomass-fired electric generating facilities. The biomass fuel will be transported to the Project Site by truck.

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The Project will require approximately 130 truckloads of fuel per day. The wood fuel handling system will be designed to allow the efficient processing of this volume of deliveries during daylight hours even when portions of the system are out of service. Trucks will be weighed upon arriving at the facility. The scalehouse operator will verify the delivery information transmitted by electronic keycard. The scalehouse operator will also sample the fuel load to ensure quality and moisture content.

Following completion of the scale operation, fuels trucks will proceed to the truck tippers. Although drive-through, full truck tippers are more expensive, such tippers reduce material handling times by eliminating the need to back the truck onto the tipper or remove the cab. The Project will also utilize three truck tippers when two will suffice to maintain adequate handling capacity. The tippers can handle up to 18 trucks per hour total and will be able to convey 600 TPH to the screening and hogging area.

Wood fuel will be transported on a conveyor system from the truck tippers to a fuel processing building. Two sets of screens, permanent magnets and hogs will eliminate tramp metals and reduce oversize material to an appropriate size. The hogs will be sized for 100 TPH each. Conveyors will then transport the fuel into the on-site storage piles, which will be designed to maintain a 20-day minimum fuel reserve. Further storage will be provided in areas set aside for sawdust, shavings and roundwood (logs). Finally, two 100% capacity conveyors, each sized for 200 TPH, will transport fuel from the storage piles to the boiler metering bins. The two boiler metering bins will be sized for 45 minutes at full load. However, the redundant feed conveyors will minimize the chance of a forced outage due to a problem with the fuel handling system.

Balance of Plant and Zero Liquid Discharge

The remaining balance of plant will consist of cooling towers, feedwater heaters, pumps, condenser, electric switchyard, water treatment system and a zero liquid discharge system. Appendix 3 includes a list of proposed suppliers for the balance of equipment.

The Project will incorporate a zero liquid discharge system to treat blowdown wastewater from the cooling tower. The plant waste streams from equipment drains, reverse osmosis ("RO") water treatment system back-wash and boiler blowdown will be combined in the cooling tower basin with the blowdown waste stream going to the ZLD processing system. Oily waste from equipment drains will be processed in an oil water separator to remove oils and grease. Recovered distillate water from the ZLD system will be used as make-up to the RO boiler make-up system.

Nacogdoches Power has assumed that plant make-up water will be available from the existing groundwater well system and will have the following characteristics: hardness between 200 and 244 mg/l, pH of 7.9, chloride concentration of 18 to 20 mg/l, maximum silica concentration of 22 mg/l and total dissolved solids of 247 ppm. The silica concentration will be one of the critical criteria that determines the size and design of the ZLD system. Nacogdoches Power will perform a detailed analysis of the well water during the development of the Project to optimize the overall plant water treatment system. The composition of the water supply will greatly influence the choice of treatment equipment.

Nacogdoches Power will optimize conservation techniques to reduce discharge volumes prior to the ZLD system. Cooling blowdown will be the primary discharge. Treatment chemicals will be carefully selected to allow an increase in tower cycles of concentration. Nacogdoches Power has developed a base design concept using 15 cycles to establish flow rates. Nacogdoches Power's base design will utilize a side stream softener with two pass RO and a final brine concentrator crystallizer. The final ZLD system design will be selected after consideration of make-up water chemistry and life-cycle economic analysis. A water balance showing the conceptual design and water usage is included in Appendix 4.

EMI, a member of the Nacogdoches Power team, utilized a RCC brine concentrator with spray dryer for waste water treatment on its Tiverton Power Project. Nacogdoches Power has commenced detailed discussions with Aquatech and GE Water Systems to determine the optimal system.

Fuel Supply and Requirements Including Any Backup Fuels

Start-up Fuel

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If the Project will be located at the Deerhaven Site, the start-up fuel for the Project will be natural gas. If the Project will be located at the Alternative Project Site, the start-up fuel for the Project will be natural gas or propane. The Metso BFB boiler will be capable of combusting high moisture content fuels; therefore, there will be no need to utilize natural gas or propane for flame stabilization or backup. The boiler will be equipped with four start-up burners that will combust a total of approximately 300 MMBtu of natural gas or propane per hour. The start-up burners will be designed to heat the fluidized bed to 900° F before solid fuel feeding commences. The total natural gas or propane consumption during a cold start of the unit will be approximately 2,000 MMBtu. The cost of such fuel is incorporated into the variable energy charge.

Wastewater Biosolids

Nacogdoches Power has explored the use of wastewater biosolids and believes the use of such biosolids will not meet the economic or environmental goals for the Project. The Metso BFB will be technically capable of combusting wastewater biosolids; however, the combustion of wastewater biosolids can impact installation and maintenance costs as well as plant performance. In particular, the handling and conveying of biosolids material has been proven to be difficult. Biosolids have been found to contain chlorine, which, when mixed with biomass fuels, will result in high temperature superheater corrosion. Fuels that contain high levels of alkali metals and chlorine and low levels of sulfur result in accelerated superheater corrosion. A possible solution would be to reduce the superheater temperature to less than 950° F which would result in lower plant efficiency.

Furthermore, the heating value of the wastewater biosolids described by the GRU analysis in Addendum 2 is minimal. Even assuming the most optimistic case shown in the data provided by GRU (approximately 32,000 wet tons of undigested, dewatered biosolids at 8085 btu/lb dry), the biosolids would result in less than 300 kW of electricity production on an annual basis. The majority of the energy in the biosolids would be consumed drying the biosolids. Furthermore, the introduction of biosolids would reduce the efficiency of the boiler due to the introduction of such a high moisture content fuel.

Combustion of wastewater biosolids is not preferred by the EPA or the Florida DEP. Biosolids have been shown to contain heavy metals, which can cause ash contamination and add significant cost to ash disposal. Nacogdoches Power would likely need to add a carbon bed system for metals and mercury control. Nacogdoches Power believes that combustion of wastewater biosolids is likely to cause public opposition to the Project; however, Nacogdoches

Power is willing to work with GRU on this issue should GRU consider the combustion of wastewater biosolids an essential goal for the facility.

Fuel Procurement Strategy

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At the request of Nacogdoches Power, Natural Resource Planning Services conducted a detailed biomass fuel resource study for the Project. The Biomass Fuel Study evaluated all potential sources of biomass fuel, analyzed potential competition for each biomass fuel and determined that sufficient biomass fuel resources will be available to operate the Project at a reasonable cost and on a sustainable basis. Based on its Biomass Fuel Study, Nacogdoches Power believes that the fuel studies provided by GRU overstate the delivered cost of fuel for a 100 MW biomass-fired facility. The following fuel supply strategy is based upon the results of the Biomass Fuel Study.

The Project will consume approximately one million green tons of wood fuel per year. The primary fuels for the Project will be forest residue, mill residue, thinnings and urban wood waste. Supplementary fuels could include agricultural residues, woody storm debris, whole tree chips and pulpwood chips. Nacogdoches Power will not utilize municipal solid waste, waste tires, or refuse-derived fuel.

Utilizing lessons learned from previous biomass-fired generating facilities, Nacogdoches Power has emphasized fuel flexibility in the design of the Project. The Project will be capable of combusting the identified primary and secondary fuels with little impact on availability or reliability. Biomass fuel will be delivered to the Project by truck. Nacogdoches Power investigated the delivery of fuel to the Project by rail in order to reduce traffic impacts; however, Nacogdoches Power found that the associated costs, including the additional handling costs, were uneconomic. Please see the Fuel Handling System subsection above for more information on the biomass fuel handling system.

Nacogdoches Power will seek to purchase as much fuel as possible under long-term contracts and will employ a dedicated staff to manage fuel purchases. Due to the fractured nature of timberland ownership, biomass fuel procurement is difficult and time-consuming. However, Nacogdoches Power has developed expertise in the procurement of biomass fuel. Nacogdoches Power recently entered into a ten-year contract to purchase mill residue for its Texas Project at a fixed price. Furthermore, Nacogdoches Power has developed a basic fuel contract form for its Texas Project that ensures that fuel pricing, quality, suitability and best management practice goals are met. Please see the representative sample fuel contract as Appendix 5. Nacogdoches Power will enhance and expand the fuel contract form for the Florida Clean Energy Center.

Nacogdoches Power believes that the fuel supply strategy detailed below conservatively estimates the delivered cost of biomass fuel. The proposed Fuel Adjuster will provide

Nacogdoches Power with an incentive to minimize the delivered cost of biomass fuel. Nacogdoches Power will aggressively seek to minimize the cost of fuel within the environmental and economic parameters agreed to in the power purchase agreement.

Nacogdoches Power conducted extensive trace chemical analyses of forest and mill residue of common species in Texas to improve the accuracy of its fuel supply strategy for its Texas Project. Please see representative sample chemical analyses attached as Appendix 6. Nacogdoches Power intends to conduct sample analyses in Florida to verify its findings.

Forest Residue

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Forest residue consists of tops, limbs, and cull trees that remain after an area has been logged for lumber, pulp wood, and other forest products. Current industry practices in Florida result in most of this material remaining in the forest after harvesting and available for use as a fuel for the Project.

The U.S. Forest Service Forest Inventory and Analysis ("FIA") estimates that 3.2 million tons of logging residue are produced annually in the procurement area defined for the Florida Clean Energy Center ("Procurement Area"). A biomass energy chipping study conducted in 2006 by the University of Georgia in partnership with Langdale Industries, Inc. of Valdosta, Georgia ("UGA/Langdale Study"), estimated that typical roundwood harvesting yields forest residue production of approximately 4.5% to 12.7% of the roundwood production. Applying the UGA/Langdale Study to production data for the Procurement Area, NRPS estimated that 500,000 to 1,500,000 green tons of forest residue will potentially be available to the Project on an annual basis. NRPS concluded that forest residue will be a reliable source of biomass for the Florida Clean Energy Center.

While current production capacity is not yet sufficient to provide the necessary feedstock from forest residue for the Project, NRPS indicated that production could be ramped up quickly to meet the need. NRPS conducted interviews with harvesting contractors and/or timber buying companies. The interviews revealed that the contractors have a strong interest in taking advantage of additional outlets for forest products. Existing fuel wood operations seemed eager to expand production and indicated a willingness to make additional capital investments to meet the increased demand. Whole-tree chipping operations in the Procurement Area currently produce between 300,000 and 400,000 tons annually. While this production is committed to other users (pulp/paper mills), NRPS believes that the production from these operations could easily be doubled with all of the new capacity going to the Project. Additional sources of forest residue feedstock would undoubtedly come from conventional roundwood harvesting operations that add chippers to their operations. NRPS therefore estimated that a combination of whole tree chippers and concurrent forest residue harvesting operations could produce at least 750,000 tons of forest residue feedstock each year for the Florida Clean Energy Center.

NRPS conducted personal interviews with the three existing whole tree chipping operators in the Procurement Area and determined that current delivered prices for chipped fuel wood range from \$20 to \$26 per green ton. Each producer stated that it was not able to pay the landowner stumpage for the fuel at the quoted prices. On the contrary, the landowner typically paid the producer \$1.00 to \$2.00 per ton to harvest the fuel wood. The land owner made such payments to clean up the site for reforestation or to convert the land to other uses. Each producer indicated that it would need to receive a delivered price of approximately \$30 per ton in order to be able to pay landowners a stumpage rate of \$3.00 to \$5.00 per ton. Therefore, NRPS estimated that forest residue delivered prices to the Project would be approximately \$30.00 per ton.

Breakdown of forest residue logging, stumpage, and hauling costs for fuel wood production:

Delivered Price (\$/ton)	Stumpage (\$/ton)	Harvest Cost (\$/ton)	Hauling Cost* (\$/ton)	Dealer's Profit (\$/ton)
\$30.00	\$5.00	\$17.00	\$5.50	\$2.50

* Based on \$0.11 per ton/mile cost and a 50-mile loaded haul.

Mill Residue

Trade Secret Material Protected from Disclosure under F.S. 815.045:

Mill residue takes the form of bark, clean and dirty chips, round-offs, end-cuts, sawdust, shavings and reject lumber. NRPS conducted an intensive telephone survey of primary wood processing facilities in the Procurement Area (mills) to gather information related to mill residues available for feedstock for the Project. In addition, NRPS reviewed U.S. Forest Service Forest Inventory and Analysis data. Pulp/paper mills were not included in the survey as they consume all of the residues they generate on site. Likewise, the production of clean chips from chip mills was not considered to be available as feedstock for the Project. The survey found that at least 1.27 million tons of mill residue suitable for use as fuel wood was potentially available for use by the Florida Clean Energy Center.

Mill residue fuel types were classified as bark, dirty chips, clean chips, sawdust, and shavings. Bark is produced from drum debarkers at mills. Although some bark is used for fuel, most of it is sold for landscape mulch due to the high demand and higher price paid by that market. Clean chips are defined as chips that are being produced for pulp manufacturing and that are shipped directly to a pulp/papermill facility. Shavings are produced in planing machinery and are usually sold for animal bedding material.

Mill residue survey results:

Category	Bark	Sawdust	Shavings	Clean Chips	Dirty Chips	Total
Weekly Tons	1,947	2,380	1,118	14,245	4,649	24,339
Annual Tons	101,250	123,750	58,125	740,750	241,750	1,265,625
Percent	8.0%	9.8%	4.6%	58.5%	19.1%	100.0%

An additional 326,250 tons of material was found to be available outside the Procurement Area.

NRPS was able to obtain usable price estimates from ten mills:

Residue Type	Delivered Price (\$/ton)		
	High	Low	Average
Bark	\$25.00	\$20.00	\$23.33
Sawdust	\$25.00	\$18.00	\$21.70
Shavings	\$33.00	\$24.00	\$31.00
Dirty Chips	\$17.00	\$16.00	\$16.50
Clean Chips	\$27.00	\$25.00	\$26.07
All:	\$33.00	\$16.00	\$23.72

The total production of mill residue resulted in an average delivered price of \$23.72 per ton. It is likely that increased competition for mill residues will create upward pressures on delivered prices since supply is relatively tight. Therefore, NRPS estimated that the cost for mill residue delivered to the Project will be \$27.00 per ton.

Thinnings

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Properly managed selective thinnings can promote tree growth and reduce fire loads in young forests; however, many overstocked young planted pine stands in the Procurement Area are not being thinned due to minimum age restrictions at some mills and the higher logging costs associated with harvesting smaller roundwood. According to U.S. Forest Service FIA data, approximately 46% (270,000 acres) of the planted pine stands ages 10 to 17 years in the Procurement Area are categorized as fully stocked or over stocked. This acreage represents a large underutilized forest resource. Assuming 10% of the acreage is thinned for fuel wood annually and the average production of thinning is 20 tons per acre, thinning of such stands would provide approximately 540,000 tons of fuel wood per year.

NRPS conservatively assumed that Nacogdoches Power will have to pay stumpage costs to obtain thinnings. Current pulpwood stumpage prices for thinning sales in the Procurement Area range from \$5.00 to \$8.00 per ton. NRPS estimated that stumpage payments of \$5.00 will entice a sufficient number of landowners to conduct thinning operations on younger stands. Therefore,

NRPS estimated that the delivered price for fuel wood from thinning operations will be \$30.00 per ton.

Breakdown of thinnings logging, stumpage, and hauling costs for fuel wood production:

Delivered Price (\$/ton)	Stumpage (\$/ton)	Harvest Cost (\$/ton)	Hauling Cost* (\$/ton)	Dealer's Profit (\$/ton)
\$30.00	\$5.00	\$17.00	\$5.50	\$2.50

* Based on \$0.11 per ton/mile cost and a 50-mile loaded haul.

Urban Wood Waste

Trade Secret Material Protected from Disclosure under F.S. 815.045:

Urban wood waste comprises waste generated by homeowners, landscaping contractors and powerline clearance contractors. It includes tree trimmings, dead limbs, grass and hedge trimmings, palm fronds, small logs, and small stumps. This material is generally collected separately from ordinary urban wastes and would, therefore, be easier to divert to fuel purposes. Approximately 54% of this waste is currently recycled into landscaping material while the rest is disposed of in landfills. Total urban wood waste produced within the Procurement Area is estimated at over 400,000 tons annually.

Urban wood waste is transported to landfills in whole piece, ground, and chipped form. Material from homeowners and landscape companies is typically received unchipped and includes limbs, clippings, leaves, grass clippings, and cut logs. Material from right-of-way clearing contractors is usually in chipped or ground form, although larger pieces of tree trunks are cut into short lengths.

Urban wood waste consists of pine and hardwood and should provide a relatively clean and low-moisture fuel source. The volume of this urban waste will vary depending upon weather events and will dramatically increase after significant storms or hurricanes. Volume available will also be higher during the spring and summer months when landscaping activity is higher and when storms are more active. The supply of urban wood waste from right-of-way contractors will likely be steady year-round, although such supply will also spike upward after storm events.

NRPS assumed that approximately 50% of urban wood waste will continue to be used for landscape mulch and 25% of the waste will be unrecoverable. Therefore, NRPS estimated that 100,000 tons of urban wood waste will be available to the Project annually. NRPS determined that much of the urban wood waste would likely be supplied to the project free of charge to avoid costly tipping fees at landfills. However, because the material will contain limbs, logs, stumps, and other solid material, it will be necessary for the waste be further processed to make it suitable for burning. This will require that the material be hogged at the Project Site or that the

producer do that before prior to delivery. Either way, NRPS estimated that hogging will increase the delivered cost of urban wood waste by about \$5.00 per ton. Nacogdoches Power increased the NRPS estimate to \$18.00 per ton to match the highest prices seen for such material in Texas.

Summary of Biomass Fuel Procurement Strategy

Trade Secret Material Protected from Disclosure under F.S. 815.045:					
Fuel	Quantity (tons)	Cost (delivered green ton basis)	Moisture Content	Btu/lb	\$/mmbtu
Forest Residue	378,852	\$30.00	46%	4,525	\$3.19
Mill Residue	354,928	\$27.00	40%	5,050	\$2.59
Thinnings	239,506	\$30.00	40%	5,050	\$2.87
Urban Wood Waste	99,847	\$18.00	38%	5,225	\$1.67
Summary	1,073,133	\$27.89			\$2.78

Net Capacity Rating

The Project will be designed to maintain a peak net capacity rating of 100 MW under all ambient temperature conditions. Thus, the summer and winter peak ratings will be 100 MW.

Indicative Net Heat Rates

Trade Secret Material Protected from Disclosure under F.S. 815.045:

The Project will be designed to achieve an average annual net heat rate of approximately 12,950 btu/kWh using the average moisture content fuel. The actual heat rate will vary depending on the final plant design, including the ZLD system configuration and its auxiliary power requirements and the blend of fuel used for generation. Nacogdoches Power will refine the net heat rate estimate following development of additional information regarding the zero liquid discharge system and potential fuel sources.

Site Requirements and Layout

Nacogdoches Power has redesigned the Florida Clean Energy Center to have minimal site impacts should GRU select Proposal Option 1 or Proposal Option 3. Nacogdoches Power has compressed the project layout to occupy fewer acres. The Florida Clean Energy Center will now occupy a total of 45 acres. Nacogdoches Power believes this represents the most efficient use of space at the Deerhaven Site as the Project will occupy less than 1/2 acre per MW of output.

If GRU selects Proposal Option 1 or Proposal Option 3, Nacogdoches Power recommends the utilization of the original Deerhaven Site parcel for the Project because this parcel is already zoned "PS" for Public Services and Operations. By researching existing aerial photogrammetric databases, Nacogdoches Power has identified two potential sites for the Project within the original Deerhaven Site parcel. Each site has unique characteristics and advantages, but, in general, our preferred "Site A", located in the southeast quadrant of the original Deerhaven Site parcel, appears to mitigate any potential impacts relating to existing operations and future upgrades to the GRU facility. By choosing potential sites within the original Deerhaven Site parcel, Nacogdoches Power's site selection strategy eliminates the risk associated with the annexed parcels not receiving the zoning change required to construct a biomass facility.

The original Deerhaven Site offers advantages for the construction of the Project, including:

- Existing power plant site and Site Certification – Nacogdoches Power has found that public acceptance of new generating facilities is greater when such facilities are constructed at existing power plant sites rather than new locations.
- Existing water withdrawal authorization – plant makeup water is becoming increasingly difficult to obtain due to constraints on water supplies. Based on the existing Site Certification for the Deerhaven Site, GRU is authorized for a ground water withdrawal rate of up to 6.5 million gallons per day ("MGD"). The existing facility draws a maximum of approximately 3.5 MGD. According to the RFP Addendum No. 2, GRU will allow the selected proposer to use a portion of the remaining ground water allocation, which will eliminate the need for the selected proposer to seek an increase in the overall allocation from the Suwannee Water Management District ("SRWMD"). Nacogdoches Power proposes to utilize or tie into the existing water supply source with its own isolation valves and pumps in a manner that would not interfere with GRU's ongoing operations at the Deerhaven Site. If GRU cannot accommodate such a request, Nacogdoches Power will develop its own well water program that would include a well or wells, pumping station and associated infrastructure dedicated for the Project and will request a re-allocation of the approved Deerhaven ground water use as part of the Site Certification process for the project.
- Proximity to transmission lines – the cost of constructing transmission lines or wheeling power through the bulk transmission system will be minimized through use of the Deerhaven Site.
- Proximity to wood supply sources – the Deerhaven Site is located at an advantageous setting to capture wood fuel resources.

Nacogdoches Power has prepared two conceptual designs of the Project within the original Deerhaven Site parcel. Site A represents Nacogdoches Power's preferred location and Site B represents Nacogdoches Power's alternate location. Please refer to the Conceptual Project Layout drawings attached as Appendix 1 for a representation of the Project configurations.

The conceptual design for Site A attempts to avoid all disruption to ongoing operations at the Deerhaven Site by locating the bulk of the Project to the south of the existing units. Two variations for a driveway entrance are shown in order to allow flexibility in the event the Project requires reorientation or if necessary to conform to Florida DOT driveway entrance regulations. Both driveway entrances will be situated directly opposite a US 441 median cut-over, which will allow vehicular traffic to turn directly into and out of the Project from either direction. Nacogdoches Power will initiate direct consultation with Florida DOT to define traffic impacts. It should be noted that the northerly entrance, defined as "alternate", will cross under the existing transmission and distribution lines running to and from the existing GRU units. This conceptual design will be further refined in conjunction with GRU during the development of the Project.

The conceptual design for Site B depicts the facility within the northwest quadrant of the original Deerhaven Site. This location will provide some additional buffer from populated areas, but primary access to the site will most likely be shared with GRU's existing construction access from US 441, which also crosses the active rail to the plant. Some modification to this existing entrance will be required to ensure traffic flow for both facilities is unimpeded. It should be noted that a second driveway off of NW 128 Lane could be established as access for administration and operational personnel to further reduce traffic emanating from US 441.

The Florida Clean Energy Center will occupy approximately 45 acres. This total includes acreage for the Project layout, access road, storm water detention basins, potential wetlands mitigation areas, and setbacks from property lines to conform to local zoning ordinances. The footprint of the Project can be further broken down as follows:

- Fuel delivery, preparation and storage will occupy 19.3 acres
- The power block, including: boiler, STG, cooling tower, water treatment and ZLD system, will occupy 9.1 acres
- Solid waste will be hauled off site, so there is no need for a large solid waste storage area.
- Storm water attenuation may require 2.5 to 3.5 acres.
- Wetlands mitigation may vary from 1 to 5 acres depending on impacts and ratios.
- Balance of plant including access road, administration building and parking will occupy 2.2 acres.
- The remaining acreage of approximately 6 acres represents set backs from property lines as well as to act as a visual buffer.

Nacogdoches Power will continue to evaluate ways to reduce the project footprint as much as possible if selected by GRU.

As shown on the Conceptual Project Layout drawings, access roadways and impervious areas are represented in blue outline, structures and fuel handling infrastructure in yellow outline, and storm water attenuation / wetlands mitigation areas are shown in red. The Project Site will be fenced and will utilize remote cameras to facilitate security. The fence is not shown on the layout drawings at this time. Rail access will not be required. Communications systems within the site will be by radio.

The tallest Project structure will be the boiler chimney, which will have a maximum height of 300 feet. This stack height is equal to, or less than, the heights of the existing stacks on the Deerhaven Site.

The SNCR will use 19.5% aqueous ammonia. The SNCR will use approximately 600 lb/hour of 19.5% aqueous ammonia MCR while firing the design 50% moisture biomass fuel. The aqueous ammonia storage tanks will be designed for truck unloading and will be sized for approximately 5 days of storage.

The Project will not utilize or supply auxiliary steam. The steam cycle is designed to maximize efficiency by pre-heating ambient air to 155° F and boiler feedwater to 420° F when the unit is operating. There are no systems that will require on-site interface or integration with the existing Deerhaven facility.

In the event that GRU does not allow utilization of the original Deerhaven Site parcel, Nacogdoches Power will develop the Project on portions of the annexed parcels acceptable to GRU provided that the parcels are rezoned for public service and operations purposes.

Nacogdoches Power has found an attractive alternative site for the project in northern Florida. Nacogdoches Power is currently negotiating terms and conditions for an option to lease the Alternative Site. The Alternative Site will provide Nacogdoches Power with needed features, including: available land zoned for industrial use, transportation access for fuel delivery, access to the bulk transmission system, available water for plant makeup and proximity to fuel resources.

Projected Permitting and Construction Schedule and In-Service Date

Nacogdoches Power has prepared a detailed project schedule for the development, permitting, engineering, construction and startup of the Project. Nacogdoches Power, ECT and David Dee worked together to refine the permitting and development schedule for the Project. Nacogdoches Power used its experience developing the Texas Project to estimate the duration of other schedule activities. Please see the detailed project schedule attached as Appendix 9.

The overall schedule duration is estimated to be 55 months. The development phase is estimated to last 19 months and the construction phase is estimated to last 36 months. The critical path for the overall schedule runs through permitting activities and the manufacturing and erection of the boiler.

The Site Certification process will dictate the length and pace of the development phase. Although the length of the Site Certification process is largely set by statute, Nacogdoches Power has taken steps to help reduce the length of this process. Nacogdoches Power has already performed a sizeable portion of the preliminary design and engineering work necessary to

develop a Site Certification application. In addition, Nacogdoches Power has developed a work plan with ECT and David Dee to maximize the utilization of information prepared for its Texas Project. Nacogdoches Power anticipates that it will be able to proceed more quickly through the permitting process due to its head start.

The construction schedule is primarily driven by the manufacturing and erection of the boiler. Metso has already performed preliminary engineering for the boiler and WorleyParsons has already reviewed the preliminary boiler design and P&IDs. Nacogdoches Power may be able to reduce the duration of the construction phase by performing limited detailed engineering prior to financial closing. Nacogdoches Power will explore this option if selected by GRU.

Dispatchability of the Project, Including Facility Limitations that May Constrain Operation or Dispatch

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The Project will be dispatchable within the following parameters: 0%, 70% - 100%. Additional dispatch flexibility, down to 50%, will be available, but would result in maintenance impacts. Nacogdoches Power will make such flexibility available to GRU according to agree-upon dispatch conditions. If GRU purchases less than the full output of the Project, Nacogdoches Power will sell the remaining output to another entity under a long-term contract. Dispatch and control rights will be negotiated accordingly. There are no other operational constraints that will impact energy output.

Permits and Approvals

The Project will require the following permits and approvals.

Site Certification (Power Plant Siting Act)

The Project will utilize steam to produce more than 75 MW of power and, thus, will be subject to the Florida Electrical Power Plant Siting Act. See FLA. STAT. ch. 403.501, et seq. (2007). The Site Certification process is designed to provide a streamlined process for the development of critical energy infrastructure and allows for participation by local governments and the public. The Florida Department of Environmental Protection coordinates the Site Certification process. Site Certification may ultimately require the approval of the Governor and Cabinet, sitting as the Siting Board

Nacogdoches Power has hired David S. Dee, of Young van Assenderp, P.A., to provide permitting and other legal support for the Florida Clean Energy Center Project. Mr. Dee has considerable experience with the Florida Electrical Power Plant Siting Act; he has handled the permitting of 13 major construction projects involving electrical generating facilities, including nine facilities on greenfield sites. Nacogdoches Power has hired Environmental Consulting &

Technology, Inc., of Gainesville, Florida, to manage the permitting for the Florida Clean Energy Center Project. ECT's services to the power industry include site selection studies and overall permitting for new power plants; specialty permitting projects involving air quality modeling, wetlands, water supply, wastewater discharges, and solid waste disposal; compliance auditing; and remediation programs. Nacogdoches Power, ECT and David Dee have worked together to develop an accurate permitting and development schedule for the Project. Moreover, ECT and David Dee have evaluated potential project configurations and options and advised Nacogdoches Power on the most appropriate choices for Florida and the City of Gainesville.

ECT and David Dee will work with Nacogdoches Power to prepare the application for Site Certification and will lead the permitting process for Nacogdoches Power. If GRU selects Proposal Option 1 or Proposal Option 3, Nacogdoches Power will file an application for a new Site Certification for the portion of the Deerhaven Site leased by Nacogdoches Power. If GRU selects Proposal Option 2, Nacogdoches Power will submit an application for a new Site Certification for the Alternative Site.

The Site Certification process is governed by Ch. 403, Part II, F.S. The formal review process for a new Site Certification is designed to take approximately 12.5 months to complete, but the schedule can be revised in light of the specific facts involved with a particular project.

In determining whether a Site Certification should be approved, the Siting Board considers whether the proposed facility will:

- (a) Provide reasonable assurance that operational safeguards are technically sufficient for the public welfare and protection.
- (b) Comply with applicable nonprocedural requirements of agencies.
- (c) Be consistent with applicable local government comprehensive plans and land development regulations.
- (d) Meet the electrical energy needs of the state in an orderly and timely fashion.
- (e) Effect a reasonable balance between the need for the facility as established pursuant to s. 403.519 and the impacts upon air and water quality, fish and wildlife, water resources, and other natural resources of the state resulting from the construction and operation of the facility.
- (f) Minimize, through the use of reasonable and available methods, the adverse effects on human health, the environment, and the ecology of the land and its wildlife and the ecology of state waters and their aquatic life.
- (g) Serve and protect the broad interests of the public.

Nacogdoches Power is confident that the Florida Clean Energy Center will meet this broad public interest test. The Project will also be consistent with greenhouse gas and renewable energy policies espoused by Florida Governor Charlie Crist, the Florida Legislature and the Florida Department of Environmental Protection. Recent Executive Orders signed by Governor Crist require the state government to develop a governmental carbon scorecard and work to reduce governmental emissions, direct the adoption of maximum emission levels of greenhouse gases for electric utilities and request that the Public Service Commission adopt a 20 percent Renewable Portfolio Standard by 2020. The Project will help make a significant contribution to the development of new renewable resources in Florida. The Project will use state of the art technology to produce renewable electricity with minimal impacts on the environment.

Determination of Need (Power Plant Siting Act)

An applicant must obtain a Determination of Need from the Florida Public Service Commission before it can complete the Site Certification process. *See* FLA. STAT. ch. 403.507 and 403.519 (2007). In making its determination of need, the PSC considers factors such as the need for electric system reliability and integrity, the need for adequate electricity at a reasonable cost, the need for fuel diversity and supply reliability, whether the proposed plant is the most cost-effective alternative available, and whether renewable energy sources and technologies, as well as conservation measures, are utilized to the extent reasonably available.

Nacogdoches Power is confident that the PSC will make a Determination of Need in favor of the Project. The Project will be consistent with greenhouse gas and renewable energy policies espoused by the Governor, Florida Legislature, DEP and PSC. There are limited opportunities for the development of utility-scale renewable energy projects in Florida. Furthermore, the Project will increase the fuel diversity and reliability of the electricity supply in Florida.

Air Permit (Construction Permit, Prevention of Significant Deterioration Review and Title V Operating Permit)

Because the Project will have the potential to emit at least 250 tons per year of a single air contaminant, it will be considered a major stationary source with respect to the Prevention of Significant Deterioration ("PSD") rules. *See* Rule 62-12.400 F.A.C., 40 CFR § 52.21(b)(1)(B). As such, the Project must undergo a PSD review by the Florida Department of Environmental Protection ("DEP") by means of its EPA-approved PSD program. In addition, the Project must complete a Best Available Control Technology review. *See* 40 CFR § 52.21(b).

Because the Project will also be a major source with respect to Title V of the Clean Air Act, it must obtain a Title V operating permit from the DEP. *See* FLA. STAT. ch. 403.0872 (2007), Chapter 62-213, F.A.C. Nacogdoches Power must submit a Title V air operation permit application to the DEP within 180 days following commencement of operation. The Title V operating permit will incorporate the applicable provisions of the Construction Permit.

As previously described, the Florida Clean Energy Center will utilize Best Available Control Technology to limit NO_x emissions to less than .10 lb/mmmbtu. Therefore, Nacogdoches Power believes the Project is likely to receive an air permit. Nacogdoches Power received the final air permit for its Texas Project from the Texas Commission on Environmental Quality ("TCEQ") on March 5, 2007. It is important to note that the TCEQ accepted Nacogdoches Power's proposed emissions limits and choice of boiler technology for the Texas Project. Nacogdoches Power anticipates that the air permit for its Texas Project will set the BACT standard for similar biomass-fired generating facilities.

Acid Rain Permit (Title IV Acid Rain Permit) and Clean Air Interstate Rule (CAIR)

The Project will be subject to the Title IV Acid Rain program. An application for an acid rain part must be submitted at least two years before the planned start date of operation, but may be submitted in conjunction with the Title V operating permit application. See FAC § 62-214. Based on the use of wood fuel, Nacogdoches Power anticipates, however, that the annual amount of SO₂ emissions will be extremely low and that the Project will require a minimal amount of SO₂.

The Project will also be subject to CAIR and will need to obtain NO_x and SO₂ CAIR allowances equal to its actual emissions.

FAA (Notice of Proposed Construction and Alteration)

If an object or construction cranes are more than 200 feet in height above ground level or if the object is above certain horizontal slope parameters near an airport, the Federal Aviation Administration ("FAA") requires the person proposing to construct the object to submit a Notice of Proposed Construction or Alteration (FAA Form 7460-1) to the FAA Regional Office. The applicable forms must be submitted at least 30 days before construction begins. The Project stack will be more than 200 feet in height and will require the notice.

Industrial Wastewater Discharge Permit (National Pollutant Discharge Elimination System "NPDES")

Pursuant to instruction from GRU for use of the Deerhaven Site, Nacogdoches Power intends for the Project to be a Zero Liquid Discharge ("Zero Discharge") facility. Therefore, the Project will not require a wastewater discharge permit under the federal National Pollutant Discharge Elimination System ("NPDES") for wastewater discharges to waters of the United States. The Florida DEP administers the NPDES program through delegated authority under the Clean Water Act. See FAC § 62-620.

Beneficial Reuse; Non-Hazardous Waste Disposal

The Florida Clean Energy Center will generate ash as a by-product of the combustion process. Regulatory treatment of the ash depends on whether the ash can be beneficially reused. Based on data from its Texas Project, Nacogdoches Power believes that it will be possible to beneficially reuse the ash as a soil amendment. Nacogdoches Power conducted extensive testing of woody biomass materials in Texas to design the Texas Project and predict the likely chemical composition of the ash. Nacogdoches Power has attached representative wood fuel chemical analyses as Appendix 6. Nacogdoches Power intends to obtain and analyze the chemical composition of wood fuel samples in Florida to confirm this analysis since the chemical composition of wood can depend on soil characteristics. In this manner, the Project will be consistent with other biomass power projects in the United States. Ash from wood-fired power plants is typically spread on agricultural fields as a soil enhancer. If the ash cannot be used as a soil amendment, Nacogdoches Power will dispose of the ash as a non-hazardous solid waste in a permitted, offsite landfill.

The zero liquid discharge system will produce salts, which will be a solid waste that will be disposed of in a permitted, offsite landfill. Nacogdoches Power estimates that the ZLD may produce approximately 14 tons per year of salt sludge; however, the actual quantities and composition of the ZLD wastes are not available at this time and require a water analysis and detail design of the ZLD. Nacogdoches Power intends to dispose of the salt sludge in a lined class 1 landfill.

Environmental Characteristics and Emission Rates

As described above, Nacogdoches Power has hired David S. Dee, of Young van Assenderp, P.A., to provide permitting and other legal support for the Florida Clean Energy Center Project. Mr. Dee has considerable experience with the Florida Electrical Power Plant Siting Act; he has handled the permitting of 13 major construction projects involving electrical generating facilities, including nine facilities on greenfield sites. Nacogdoches Power has hired Environmental Consulting & Technology, Inc., of Gainesville, Florida, to manage the permitting for the Florida Clean Energy Center Project. ECT's services to the power industry include site selection studies and overall permitting for new power plants; specialty permitting projects involving air quality modeling, wetlands, water supply, wastewater discharges, and solid waste disposal; compliance auditing; and remediation programs. Nacogdoches Power, ECT and David Dee have worked together to develop an accurate permitting and development schedule for the Project. Moreover, ECT and David Dee have evaluated potential project configurations and options and advised Nacogdoches Power on the most appropriate choices for Florida and the City of Gainesville.

Nacogdoches Power will be liable and accountable for meeting the environmental requirements for the Project. Nacogdoches Power has permitted a facility with identical emissions limits to those proposed for the Florida Clean Energy Center. Nacogdoches Power has received all environmental permits required for construction of the Texas Project and recently set the

standard for Best Available Control Technology in Texas at .10 lb/mmBtu of NO_x for biomass-fired generating facilities. In addition, Metso has proven that its equipment can meet the proposed emissions. Metso will provide a full emissions guarantee for the Project. Finally, Nacogdoches Power has proposed power purchase agreement terms that will ensure the environmental performance of the Project. Please see Section 2 for more details.

The Project will utilize a bubbling fluidized bed boiler to produce superheated steam. Modern BFB boilers utilize sophisticated, yet simple, technology to generate steam while minimizing emissions. Surface contact between fluidized sand bed particles and fuel particles ensures the complete combustion of fuel within the target temperature range. Fluidization also allows such boilers to combust a wide range of fuel types and fuel moisture contents with few opportunities for reliability problems. The boiler will be equipped with a baghouse to control particulate matter. An aqueous ammonia injection Selective Non-Catalytic Reduction system will be provided for NO_x control.

The Project will avoid and reduce air pollutant emissions. On a lb/MWh basis, the air pollutant emissions for the Project will be significantly lower than such emissions for a number of currently operating electric generating facilities in Florida. As a result, the Project will avoid and reduce air pollutants each time the Project operates and displaces existing units with higher pollutant emissions limits.

Nacogdoches Power has not yet performed detailed dispatch modeling to determine the likely specific air pollution reductions that would occur as a result of the Project; however, a comparison between the existing pollution emission limits for units 1 and 2 of the Seminole Generating Station, a 1300 MW coal-fired electric generating station built in 1984 ("Seminole Station") and the proposed emission rates for the Project is useful to highlight the air pollution benefits of the Project. The Project will emit 70% less NO_x and 93% less SO₂ when compared to the average per mmBtu emission limits of the Seminole Station.

The Project may result in a net reduction of greenhouse gas emissions because biomass is a renewable and sustainable fuel source. Nacogdoches Power evaluated published sources of biomass greenhouse gas emission analyses, including a January 2004 report by the National Renewable Energy Laboratory entitled *Biomass Power and Conventional Fossil Systems with and without CO₂ Sequestration – Comparing the Energy Balance, Greenhouse Gas Emissions and Economics* and the October 2007 University of Florida study *Biomass Resource Assessment Part I: Availability and Cost Analysis of Woody Biomass for Gainesville Regional Utilities*, to characterize the greenhouse gas emissions from the Florida Clean Energy Center. Nacogdoches Power also performed its own greenhouse gas emissions analysis and found that its estimate generally agreed with the published analyses.

The National Renewable Energy Laboratory compared the greenhouse gas emission potential of direct-fired biomass facilities (similar to the Project) to other types of generation, such as coal-fired and natural gas combined-cycle units. The report estimated that direct-fired biomass

facilities consuming residue materials would result in a 148% reduction in global warming potential on a lifecycle basis when compared to equivalent generating capacity from coal-fired units like Seminole Station. The Project will utilize residue from logging operations, mill residue, thinnings and urban wood waste. Often, forest residue is left to decompose after the harvesting of merchantable timber. By utilizing forest residue as fuel, the Project will provide significant environmental benefits by avoiding the emission of methane, a potent greenhouse gas, resulting from decomposition.

The NREL study estimated that the harvesting, processing and transport of biomass fuels would result in 13 kg/MWh of CO₂ emissions. The University of Florida study summarized two recent studies of the greenhouse gas emissions from the harvesting, processing and transport of biomass fuels. One study concluded that the harvesting, processing and transport of biomass fuels resulted in 4-6 kg/MWh of CO₂ emissions while the other study found that the harvesting, processing and transport of biomass fuels resulted in 38-44 kg/MWh of CO₂ emissions.

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Nacogdoches Power performed its own greenhouse gas emissions analysis and found that its estimate generally verified the accuracy of the published studies with respect to the greenhouse gas production from the harvesting, processing and transportation of forest residue. Nacogdoches Power worked with Advanced Ecology, Ltd., its wood fuel consultant for the Texas Project, and several Texas timber harvesting companies to estimate the cost and methodology for harvesting forest residue in Texas. As part of that effort, Nacogdoches Power calculated the diesel fuel use for the harvesting, processing and transportation of forest residue. On average, one forest residue harvesting crew can produce approximately 50 green tons of forest residue per hour using a skidder, knuckleboom loader and horizontal grinder. The horizontal grinder will consume approximately 15 gallons of diesel fuel per hour and the skidder and knuckleboom loader will together consume approximately 5 gallons of diesel fuel per hour. Data on the carbon dioxide emissions of diesel fuel was obtained from a published U.S. Environmental Protection Agency ("EPA") report. In a 2005 report entitled "*Average Carbon Dioxide Emissions Resulting from Gasoline and Diesel Fuel*," EPA estimated that a gallon of diesel fuel produces 22.2 pounds of CO₂ emissions. Therefore, the harvesting and processing of one green ton of forest residue will produce approximately 8.88 pounds of CO₂.

Loaded chip vans typically carry approximately 25 green tons of chipped forest residue per trip. Fuel economy varies with a number of factors, but averages between 6 and 8 miles per gallon. Assuming a 100-mile round trip, the chip van will consume approximately 12.5 gallons of diesel fuel (the truck will achieve better fuel economy on the empty leg) and produce approximately 11.1 pounds of CO₂ for one green ton of forest residue. Nacogdoches Power estimates that the harvesting, processing and transportation of one green ton of forest residue will produce 20 pounds of CO₂. (14.88 kg/MWh) This figure is approximately 15% greater than the NREL estimate and in the range between the two estimates in the University of Florida study.

It appears from Nacogdoches Power fuel samples that carbon makes up approximately 25% of the weight of average moisture content fuel. Thus, a green ton of delivered wood fuel would produce approximately 500 lbs of carbon. Due to the efficiency of the Metso bubbling fluidized bed boiler, nearly 99% of the carbon will be converted to CO₂. Finally, the weight of carbon dioxide can be calculated from the weight of the carbon by multiplying the weight of carbon by the ratio of the molecular weight of CO₂ (44) to the molecular weight of carbon (12). Thus, a delivered green ton of average moisture content fuel will produce approximately 1,815 pounds of CO₂ emissions. This figure is approximately 12% less than the NREL estimate. Overall, the Nacogdoches Power estimate broadly agreed with the results of published studies on the greenhouse gas production from the harvesting, processing and transportation of forest residue.

The following table lists the expected air pollution emissions for the Project:

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Pollutant	Performance Standard (lb/mmBtu)	On-Site Emissions from Proposal Option 1 (lb/net MWh)	On-Site Emissions from Proposal Option 2 (lb/net MWh)	On-Site Emissions from Proposal Option 3 (lb/net MWh)
NO _x	.10	2.59	0	1.295
SO ₂	.046	1.1914	0	0.5957
CO	.15	3.885	0	1.9425
PM/PM ₁₀	.032	0.8288	0	0.4144
VOC	.02	0.518	0	0.259
H ₂ SO ₄	.003	0.0777	0	0.03885
HCl	.022	0.5698	0	0.2849
Hg	3.5E-06	7E-08	0	3.5E-08
Pb	4.8E-05	9.6E-07	0	0.00000048
Fluorides	NA	NA	NA	NA

Note: Hg and Pb per EPA 5th Edition AP-42 Emission factors for trace elements from wood residue combustion.

No materials stored on the Project Site will be subject to Process Safety Management or Department of Homeland Security regulations.

Storm Debris Management

The Project also has the potential to help alleviate environmental problems caused by natural disasters such as hurricanes, floods and tornados. Large volumes of various types of storm debris, including trees, brush, vegetative matter and clean lumber, need to be disposed of or burned following such disasters. Disposal of such materials incurs costs and utilizes valuable landfill capacity. Disposal of such materials incurs costs and utilizes valuable landfill capacity. Open burning of such material, while generally permitted by state regulatory authorities, can cause significant air quality impacts. Biomass-fired generating facilities have the capacity to consume these debris as fuel, reducing disposal costs and air quality impacts while transforming the storm debris into a valuable product—electricity.

Nacogdoches Power expects that the Project could be used to reduce the cost and environmental impact of dealing with storm debris.

Ash and Other By-products

The Florida Clean Energy Center will generate ash as a by-product of the combustion process. Regulatory treatment of the ash depends on whether the ash can be beneficially reused. Based on data from its Texas Project, Nacogdoches Power believes that it will be possible to beneficially reuse the ash as a soil amendment. Nacogdoches Power conducted extensive testing of woody biomass materials in Texas to design the Texas Project and predict the likely chemical composition of the ash. Nacogdoches Power has attached representative wood fuel chemical analyses as Appendix 6. Nacogdoches Power intends to obtain and analyze the chemical composition of wood fuel samples in Florida to confirm this analysis since the chemical composition of wood can depend on soil characteristics. In this manner, the Project will be consistent with other biomass power projects in the United States. Ash from wood-fired power plants is typically spread on agricultural fields as a soil enhancer. If the ash cannot be used as a soil amendment, Nacogdoches Power will dispose of the ash as a non-hazardous solid waste in a permitted, offsite landfill.

Due to the Metso bubbling fluidized bed design, bed ash will be minimal and will predominantly consist of rocks, metals and non-combustible coarse material. Metso's patented bubbling fluidized bed boiler design features the innovative HYBEX™ floor. The HYBEX™ floor, which was designed for fuels containing stones or other coarse materials, features an extended free removal area where coarse material can be evacuated from the bed. More than thirty percent of the total floor area is open for tramp material removal compared with approximately one percent in a conventional floor design. These coarse particles from the bed will be removed through discharge hoppers and chutes under the HYBEX™ floor. From the discharge hoppers, the bottom ash system will consist of dry water cooled conveyors.

Bed ash will be screened; heavy material will drop into a dumpster and lighter material, including any sand, will be re-injected into the boiler. The majority of the ash will leave the

furnace with the flue gas and will be collected in the fly ash system. Total bed ash will be very minimal and may be in the order of 8 tons or less per day depending on the amount of impurities in the fuel.

The fly ash system will be a dry vacuum-type pneumatic conveying system. It will receive ash from the discharge side of a screw conveyor collecting fly ash from the economizer hoppers as well as the pre-heater hopper, and the outlets of the twelve (12) bag house hoppers (2 rows of six hoppers). The fly ash system will convey the collected ash to a fly ash storage silo. The ash storage silo will be a 20-foot diameter, 13,000 cubic feet storage capacity (4-day storage capacity), elevated fly ash storage silo with conical bottom with dual outlets.

Fly ash quantities will vary with the wood ash, which can range from .5% for some pines to 2.0 - 3.0% for some oaks and hickory. To be conservative, Nacogdoches Power has assumed 2.0% ash, which will result in approximately 21,000 tons of ash on an annual basis, .025 tons/MWh, 2.5 tons/hour and 60 tons/day. Based upon its trace chemical analyses and the experience of other biomass projects, Nacogdoches Power estimates that the Project would average 1% ash and result in a daily ash flow of 30 tons.

All the biomass fuel will be combustible, so there will be no processing waste. Over-sized material will be hogged to the correct size. Waste oil and grease from the machinery will be collected using practices consistent with similar power plant operations and will be properly disposed.

The zero liquid discharge system will produce salts, which will be a solid waste that will be disposed of in a permitted, offsite landfill. Nacogdoches Power estimates that the ZLD may produce approximately 14 tons per year of salt sludge; however, the actual quantities and composition of the ZLD wastes are not available at this time and require a water analysis and detail design of the ZLD. Nacogdoches Power intends to dispose of the salt sludge in a lined class 1 landfill.

The Project will produce no other solid waste. No hazardous material is anticipated. Nacogdoches Power has estimated disposal costs and included such values in its budget; final disposal costs will be determined during the detailed development phase.

Water Use and Wastewater Discharges

The Project will utilize up to 1.4 million gallons per day ("MGD") of water for make-up. The Project will utilize a Zero Liquid Discharge system to produce zero wastewater discharges as shown on the water balance attached as Appendix 4. The water balance highlights planned daily usage and represents the design case with the plant at full load at 80°F ambient DB 78°F WB with all the equipment in the wood yard operating. The average usage will be less and will depend on ambient conditions and the average auxiliary electric load. The average case will be determined at a later time.

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- The cooling tower makeup will be 1.23 MGD of raw water plus blowdown and drains
- The cooling tower system blow down will be 341,000 GPD
- The demineralized water boiler make up will be 74,880 GPD
- Potable water use will be 2880 GPD
- Service water use, including wash down, will be 28,000 GPD
- Fire protection will either come from the city water system or the bottom third of the raw water storage tank. The fire system will be sized for 2,000 gpm.
- Sanitary wastewater will be 2880 GPD.
- The storm water system will be sized for the 25-year / 24-hour storm event or as required in state codes.

It is feasible to utilize reclaimed water from a municipal wastewater system and it has been done at a number of power plant sites across the country. Nacogdoches Power will further evaluate the use of reclaimed water for the Project. If such an approach is required by GRU or the water management district, Nacogdoches Power assumes that the city will provide the pipeline and deliver the reclaimed water to the Deerhaven Site. Several other issues that will affect the Project capital and operating cost will need to be better understood. These issues revolve around the water analysis and, particularly, heavy metals, which will impact the salt sludge disposal. The cycles of concentration may be altered and the ZLD sizing may change.

Use of reclaimed water would require the construction of a large storage tank (volume greater than two million gallons) in order to equalize reclaimed water flows throughout the day and to provide backup if there was a problem at the sewage treatment plant. In order to assure reliable operation of the Project with reclaimed water, additional water treatment equipment would be necessary. Such additional equipment might include the following types of equipment: chlorination, settling, carbon filters, chemical feed systems and ultrafiltration. Beyond increasing chemical usage and sludge disposal, the additional equipment would require added manpower to operate and necessitate further ongoing maintenance. The water treatment system would need to be designed to handle upset conditions from the sewage treatment plant. Nacogdoches Power expects that the reclaimed water quality will vary over time due to the inconsistent pattern of industries discharging into the sewage collection system. These items would impact the design and operation of the upfront treatment system

Electrical Interconnection Requirements

If GRU selects Proposal Option 1 or Proposal Option 3, the Project will interconnect with the GRU transmission system at the existing switchyard at the Deerhaven Site. Nacogdoches Power will install overhead transmission lines and new breaker positions to realize the interconnection at 138 kV. The configuration and major components of the Project electrical system and interconnection are illustrated in Key One Line Diagram SK001032-E1 attached as Appendix 7.

The steam turbine will power a single synchronous generator rated 137 MVA, 0.85 power factor, based on Class B temperature rise, but with Class F insulation. The generator will be designed, manufactured and tested in accordance with ANSI/IEEE Standard C50.13. A brushless excitation system will be provided with an automatic voltage regulator and a power system stabilizer. Detailed generator data and curves are contained in Appendix 8.

The 13.8 kV output voltage of the generator will be stepped up to 138 kV in a single three-phase Generator Step-up Transformer ("GSU"). The GSU capacity ratings will be 93/124/155 MVA ONAN/ONAF/ONAF. High voltage windings will be wye connected and solidly grounded; a high voltage no-load tap changer will be provided. The generator output will be directly connected to the GSU without intervening circuit breaker by means of isolated phase bus. A 15/20 MVA ONAN/ONAF, 138:4.16 kV Station Service Transformer ("SST") in the same location as the GSU will supply power to station auxiliary loads, both when the Project is operating and when it is off line. In the latter case, power would be backfed from the GRU system. The high voltage windings of the SST will be delta connected unless otherwise specified by GRU; a high voltage no-load tap changer will be included.

The high voltage terminals of the GSU and SST will be bused together via 138 kV SF6 circuit breakers. The generator will be synchronized across the GSU's 138 kV circuit breaker. These circuit breakers will be part of an open bus switchyard designed and constructed in accordance with the National Electrical Safety Code ("NESC") and with applicable ANSI, IEEE and NEMA standards. Design BIL will be 650 kV, and fault duty will be specified as 40 kA rms sym per "GRU Facility Connection Requirements." Nacogdoches Power proposes to locate the revenue metering current and voltage transformers in this switchyard with the meters themselves located in the Project control room. By utilizing extended range CT's (e.g. by Areva-Ritz) with high accuracy maintained at low current levels, the same meters may be used for both exported energy and backfed consumption. Nacogdoches Power is amenable to alternative locations and schemes for revenue metering as required by GRU. The switchyard ground grid will be designed in accordance with IEEE Standard 80 and will be integrated with the overall Project ground grid.

A single circuit 138 kV overhead transmission line will be provided between the Project switchyard and the point of interconnection in the Deerhaven Substation. A motor operated disconnect switch will be installed in the line's outgoing connection at the Project switchyard. Either interconnection Option 1 or Option 2 can be accommodated at the Deerhaven terminus of this line. The overhead line will include a static wire with fiberoptic cable (OPGW) for telecommunications between the Facility and GRU including, but not limited to, SCADA and protective relaying.

A fully integrated relay scheme will be provided for the protection of the generator, auxiliary power distribution equipment, GSU, SST, plant switchyard equipment and the interconnecting 138 kV line. All protective relays will be utility grade and will, in general, be microprocessor based with sequence-of-events recording, oscillography capture and communications capabilities. They will be GPS time synchronized to facilitate troubleshooting. Sufficient

redundancy will be provided such that failure of a single element of the protection system will not result in failure to clear all faults promptly. Protective relaying of the utility interconnection will be in accordance with GRU, FRCC and NERC requirements including, but not limited to, requirements for backup or dual primary protection as appropriate and breaker failure protection.

As stated above, power to station auxiliary loads will be supplied by the 138:4.16 kV Station Service Transformer. The SST's secondary terminals will be connected via non-segregated phase bus to 5 kV metalclad switchgear. The switchgear will be integrated with a lineup of medium voltage motor starters serving large motors and sub-feeding the 480 V power distribution system. A separate 4160 V motor control center, supplied from the 5 kV switchgear, will be located in the woodyard to serve loads there. Medium voltage transformers ("MVT") will supply power from the 4160 V to the 480 V power distribution system. Three MVT's are envisioned, one each for main plant, cooling tower and woodyard, each supplying a lineup of 480 V switchgear. The 480 V switchgear will subfeed motor control centers and also directly supply motors between 100 Hp and 250 Hp. To the extent practicable, where multiple 480 V motors and other devices serve the same auxiliary system, A and B motors (devices) will be fed from separate 480 V motor control centers. Preliminary ratings for the auxiliary power distribution equipment are indicated on the Key One Line Diagram attached as Appendix 7.

For maximum continuity of service, the 4160 V and 480 V auxiliary power systems will be high resistance grounded. Components of the power distribution system will be factory installed in pre-engineered walk-in enclosures complete with DCS remote I/O cabinets. This approach will achieve considerable cost and schedule savings due to decreased control cable, field labor and field commissioning time.

All instrumentation, control and monitoring circuits required for startup, operation, normal and emergency shutdown and off-line housekeeping of the Project will be energized via battery connected DC systems or via uninterruptible power supplies. Redundant battery chargers will be provided. Voltage for switchgear controls and protective relaying circuits will be 125 VDC. Design and installation of electrical systems and equipment will be in accordance with the National Electrical Code and with applicable standards of the following organizations:

- American National Standards Institute (ANSI)
- Association of Edison Illuminating Companies (AEIC)
- Institute of Electrical and Electronics Engineers (IEEE)
- Insulated Cable Engineers Association (ICEA)
- Illuminating Engineering Society of North America (IES)
- Lightning Protection Institute (LPI)
- National Association of Corrosion Engineers (NACE)
- National Electrical Manufacturers Association (NEMA)
- National Fire Protection Associations (NFPA)
- Underwriters Laboratories (UL)
- Components that are UL listed and labeled will be provided where available.

Reliability of the Proposed Technology

Trade Secret Material Protected from Disclosure under F.S. 815.045:

The Florida Clean Energy Center will be highly reliable because it would utilize proven and mature technology in the areas of the Project most likely to be sources of potential reliability issues. Based on data from comparable facilities, the Project is expected to have an availability factor greater than 95%. The Project will require one 10-14 day planned outage per year, which will be scheduled in conjunction with GRU. Forced (unplanned) outages would be limited and would be expected to occupy less than 1.5% of total hours. The projected net energy production will be approximately 69,350 MWh per month and 832,200 MWh per year.

The Florida Clean Energy Center will employ a bubbling fluidized bed boiler to generate steam from the biomass fuel. Modern BFB boilers utilize sophisticated, yet simple, technology to generate steam while minimizing emissions. Surface contact between fluidized sand bed particles and fuel particles ensures the complete combustion of fuel within the target temperature range. Fluidization also allows such boilers to combust a wide range of fuel types and fuel moisture contents with few opportunities for reliability problems. BFBs are simple to operate due to the fact that the bed temperature can be controlled through combustion air staging. Metso's innovative HYBEX™ floor design further reduces the likelihood of forced outages by providing an extended free removal area where coarse material can be evacuated from the bed. More than thirty percent of the total floor area is open for tramp material removal compared with approximately one percent in a conventional floor design. More than 130 HYBEX™ BFB boilers have been installed worldwide since 1974. Metso's fleet of HYBEX™ floor bubbling fluidized bed boilers has achieved high levels of availability.

A boiler nearly identical to that selected by Nacogdoches Power for use in the Florida Clean Energy Center has been operating since 2002 in Finland with an availability track record of greater than 95%. On average, the unit has not been available for service approximately 1.5% of hours due to forced outages and 3.5% of hours due to planned maintenance.

Along with the choice of boiler technology, the fuel handling system plays a critical role in the success of any biomass-fired generating facility. Nacogdoches Power will incorporate redundancy and proven technologies into the design of the Project fuel handling system in order to ensure high plant availability. The Project wood fuel handling system will consist of three drive-through full truck tippers, two sets of screens and hogs, an automatic stacker/reclaimer system and a manual stacker/reclaimer system to maintain two 15-day fuel storage piles. In this manner, the Project will apply lessons learned from previous biomass-fired electric generating facilities. Drive-through, full truck tippers are more expensive than standard tippers; however, such tippers reduce material handling times by eliminating the need to back the truck onto the tipper or remove the cab. The Project will also utilize three truck tippers when two would suffice to maintain adequate handling capacity. Nacogdoches Power also will provide redundant 100% capacity conveyors to transport fuel from the storage piles to the boiler metering bins.

Reliability Summary:

- Scheduled outage hours per year: 311
- Forced outage hours per year: 127
- Service (operating) hours per year: 8322
- Annual availability factor (%): 95%
- Annual capacity factor (%): 95%
- Net MWh per year: 832,200

Performance Guarantees, Warranties and Risk Mitigation

Please see Section 2 for a detailed discussion of commercial issues regarding risk mitigation.

Backup Systems and Fuels

The Project will utilize propane or natural gas as a start-up fuel. Because bubbling fluidized bed boilers can accept a wide range of fuels and moisture contents, no supplementary fuel will be necessary for flame stabilization.

Estimated Truck Traffic Associated with Fuel Supply and Traffic Management Plan

Biomass fuel will be delivered to the Project by truck. Approximately 130 trucks will deliver fuel on any given day. Traffic volumes will likely be the highest from 5am – 4pm Monday through Friday. Nacogdoches Power intends to work with GRU to optimize the operation of the Project to minimize traffic impacts. Nacogdoches Power currently proposes to accept deliveries from 4 am – 8 pm Monday through Saturday. Nacogdoches Power has proposed that trucks access the Deerhaven Site from US 441. Furthermore, Nacogdoches Power has proposed driveway entrances situated directly opposite US 441 median cut-overs, which will allow vehicular traffic to turn directly into and out of the Project from either direction.

Nacogdoches Power investigated the delivery of fuel to the Project by rail in order to reduce traffic impacts; however, Nacogdoches Power found that the associated costs, including the additional handling costs, were uneconomic. Moreover, Nacogdoches Power found that the volume of rail deliveries needed to materially reduce the traffic impact would likely obstruct the rail delivery of coal to the Deerhaven Site. For example, 10 railcars per day will be required to support 20 MW of generating capacity. Nevertheless, Nacogdoches Power is willing to explore the delivery of fuel to the Project Site by rail in conjunction with GRU.

Nacogdoches Power will initiate direct consultation with Florida DOT and will perform a detailed traffic study if selected by GRU. Nacogdoches Power will evaluate the level of service classification of US 441 under the Florida Department of Transportation's "State Highway System Level of Service Classification System." Based on a very preliminary examination,

Nacogdoches Power believes that the increased traffic associated with the Project will not cause the level of service of US 441 to change. Nacogdoches Power will also work with GRU to reduce traffic impacts from the Project and to ensure that truck traffic will not impact existing operations at the Deerhaven Site. Nacogdoches Power has developed the following preliminary traffic management plan:

Construction Phase

As part of the Site Certification application process, Nacogdoches Power will conduct a traffic management study. At the initial stages of construction, vehicular activity will consist of tree and stump clearing & hauling, earth moving and soils preparation. The types of vehicles associated with this work are specialty forest machinery, excavators and dozers, which will arrive and remain on site until site preparations are completed. During the initial stages of construction, the only vehicles that will ingress and egress on a normal daylight work day will be dump trucks and personal vehicles of construction personnel and site management personnel. Nacogdoches Power estimates that this activity will take approximately four months.

The next phase of vehicular construction activity will involve gravel trucks, concrete mixing trucks and flatbed trucks delivering reinforcing bar for concrete pours. In addition, personal vehicles belonging to the labor force will arrive and depart during standard daylight hours. The bulk of the labor force traffic will be arrive around 7:00 AM and depart around 4:00 PM, Mondays through Fridays, with the potential for a limited work force on Saturdays depending on project schedule and weather conditions. Nacogdoches Power estimates that this activity will take approximately six to eight months.

The final phase of vehicular construction activity will consist of material deliveries such as steel, piping, electrical, equipment and associated infrastructure. The labor force will be at its peak during this phase. Nacogdoches Power estimates that this activity will last approximately twenty-four to twenty-eight months.

Operational Phase

The operation and maintenance of the Project will have minimal impact on the local and regional road network. Nacogdoches Power anticipates that approximately 40 employees will work full-time at the Project and that the bulk of those employees will work during typical daylight hours Monday through Friday.

The delivery of biomass fuel to the Project will produce the most significant traffic impact caused by the Project. Approximately 130 tractor trailer trucks will ingress and egress during daylight hours, 5 to 6 days per week. In addition to the primary fuel deliveries, other byproduct truck traffic such as ash and sludge removal and deliveries of sand and chemicals will occur. Approximately 3 ash trucks will haul material off site each day. Sludge from the Zero Liquid Discharge system will also have to be hauled offsite on a less frequent, periodic basis.

Until a detailed traffic management plan can be developed, Nacogdoches Power has assumed that all construction, fuel and byproduct traffic will access the Project Site via US 441. Operational personnel and typical administrative traffic could utilize alternate access depending on final site selection.

Description of How Fuel Procurement Practices are Consistent with GRU's Commitment to Sustainable Resource Forest Management

Nacogdoches Power will work with GRU to ensure that fuel procurement practices are consistent with GRU's commitment to sustainable resource forest management. Nacogdoches Power has already hired Natural Resource Planning Services, Inc., of Gainesville, Florida to provide fuel procurement and ash disposal consulting services for the Florida Clean Energy Center. NRPS manages over 300,000 acres of timberland in Florida for a variety of clients including TIMO's, investors, family trusts, individuals, and government agencies. Jack Vogel, one of the principals of NRPS, is the current president of the Florida Forestry Association. At the request of Nacogdoches Power, NRPS conducted a detailed biomass fuel resource study for the Project. The Biomass Fuel Study evaluated all potential sources of biomass fuel, analyzed potential competition for each biomass fuel and determined that sufficient biomass fuel resources will be available to operate the Project at a reasonable cost and on a sustainable basis.

Nacogdoches Power proposes the following program as an initial step to ensure that fuel procurement practices are consistent with GRU's commitment to sustainable resource forest management:

1. Nacogdoches Power intends to hire two full time professional foresters to manage the fuel procurement for the Project.
2. Nacogdoches Power will work with NRPS and the Florida Forestry Association to develop sustainability standards for the Project ("Project Sustainability Standards"). Broadly, the sustainability standards will:
 - a. Promote forest health.
 - b. Provide for long-term forest productivity by integrating reforestation with harvesting.
 - c. Seek to protect forest resources from threats such as wildfire, pests and diseases.
 - d. Safeguard critical water, soil and habitat resources.
 - e. Apply an ecosystem perspective to preserve biological diversity.
3. As specific measures, the sustainability standards may:
 - a. Require reforestation within a certain timeframe.
 - b. Ban the harvesting of stumps.
 - c. Ban the harvesting of material from legally-designated conservation areas.
 - d. Limit the conversion of natural forest to plantation forest.
 - e. Limit the amount of leafy material.
 - f. Encourage the destruction of non-native invasive species.

4. NRPS, or another independent entity, will conduct regular inspections and annual audits of the Project's compliance with the Project Sustainability Standards and the certification standards promulgated by GRU. Such inspections and audits will include visits to harvesting sites.
5. Biomass fuel supply contracts for the Project will require suppliers to comply with the Project Sustainability Standards and the Florida Department of Agriculture and Consumer Services, Division of Forestry, Best Management Practices for Silviculture.
6. Suppliers will be required to attend an annual sustainability and best practices seminar organized by Project procurement staff.
7. Nacogdoches Power will institute a strict documentation policy to ensure that suppliers comply with the supply contract terms.
 - a. Each supply contract must be signed by a professional forester.
 - b. Each delivered load of biomass fuel must be labeled by a unique identification number corresponding to the supplier ID, contract ID, tract ID, crew, transport, date and time and be accompanied by a manifest signed by the harvesting foreman and driver listing such information. If possible, Nacogdoches Power will seek to use electronic media to increase the accuracy of the information.
 - c. Project operators will record the delivery identification information.
 - d. Project operators will sample at least 10% of all delivered loads.
 - e. A copy of the title to each harvested tract must be kept on file by each supplier and be available for inspection for a period of three years following harvest.
 - f. Project procurement staff will conduct semi-annual inspections of all suppliers to verify compliance with the Project record-keeping procedures and harvesting practices.
8. Non-complying deliveries will be rejected.
9. Suppliers caught engaging in fraudulent practices will be penalized.
10. If a supplier is caught engaging in fraudulent practices more than three times, the supplier will be ineligible to supply biomass fuel to the Project for a period of a year.

Nacogdoches Power has included contractual terms in the supply contracts for its Texas Project that require all suppliers to comply with State Forestry Best Management Practices and that allow for the sampling of every load delivered. Furthermore, the State of Texas created a biomass incentive grant program to encourage the use of forest residue as fuel. Nacogdoches Power is a participant in a working group helping to design a management system to ensure compliance with grant program standards.

Finally, Nacogdoches Power believes that the Project will provide important opportunities for research on forest ecosystem health and forestry practices. Nacogdoches Power will commit to provide at least \$25,000 in annual grants to support such research. Nacogdoches Power will also work with the University of Florida School of Forest Resources and Conservation to make Project data available for researchers.

Community Support Plan

Nacogdoches Power will develop and implement a public relations program in Gainesville similar to the program that it successfully employed in Nacogdoches County, Texas. Nacogdoches Power utilized individual meetings and group presentations to enlist the support of three powerful groups: community leaders, business leaders and key stakeholders.

Nacogdoches Power has been able to secure strong local and county support for the Texas Project because the Texas Project will provide substantial economic stimulus to Nacogdoches and neighboring counties. The bulk of the operating organization will be hired from the local area. There will also be significant economic benefits to the local and regional forestry industry that will be called upon to supply the biomass fuel for the plant. One estimate of the employment benefit of a wood-fired power plant has been prepared by the National Renewable Energy Laboratory of the Department of Energy in its publication, "The Value of the Benefits of U.S. Biomass Power" in which it concluded that 4.9 jobs per MW of installed capacity will be created. The Project therefore is estimated to result in 490 new jobs.

SECTION 4 - ECONOMIC INFORMATION

Pricing

Trade Secret Material Protected from Disclosure under F.S. 815.045:							
Contract Year	Energy Price (\$/MWh)		On-Peak Capacity (MW)		Off-Peak Capacity (MW)		Monthly Capacity Charge (\$/KW-mo)
	On-Peak	Off-Peak	Min	Max	Min	Max	
2012	\$38/MWh +/- Fuel Adjuster	\$38/MWh +/- Fuel Adjuster	70	100	70	100	\$39/kW-month
2013	\$38/MWh +/- Fuel Adjuster	\$38/MWh +/- Fuel Adjuster	70	100	70	100	\$39/kW-month
2014	\$38/MWh +/- Fuel Adjuster	\$38/MWh +/- Fuel Adjuster	70	100	70	100	\$39/kW-month
2015	\$38/MWh +/- Fuel Adjuster	\$38/MWh +/- Fuel Adjuster	70	100	70	100	\$39/kW-month
2016	\$38/MWh +/- Fuel Adjuster	\$38/MWh +/- Fuel Adjuster	70	100	70	100	\$39/kW-month
2017	\$38/MWh +/- Fuel Adjuster	\$38/MWh +/- Fuel Adjuster	70	100	70	100	\$39/kW-month
2018	\$38/MWh +/- Fuel Adjuster	\$38/MWh +/- Fuel Adjuster	70	100	70	100	\$39/kW-month
2019	\$38/MWh +/- Fuel Adjuster	\$38/MWh +/- Fuel Adjuster	70	100	70	100	\$39/kW-month
2020	\$38/MWh +/- Fuel Adjuster	\$38/MWh +/- Fuel Adjuster	70	100	70	100	\$39/kW-month
2021	\$38/MWh +/- Fuel Adjuster	\$38/MWh +/- Fuel Adjuster	70	100	70	100	\$39/kW-month
2022	\$38/MWh +/- Fuel Adjuster	\$38/MWh +/- Fuel Adjuster	70	100	70	100	\$39/kW-month
2023	\$38/MWh +/- Fuel Adjuster	\$38/MWh +/- Fuel Adjuster	70	100	70	100	\$39/kW-month
2024	\$38/MWh +/- Fuel Adjuster	\$38/MWh +/- Fuel Adjuster	70	100	70	100	\$39/kW-month
2025	\$38/MWh +/- Fuel Adjuster	\$38/MWh +/- Fuel Adjuster	70	100	70	100	\$39/kW-month
2026	\$38/MWh +/- Fuel Adjuster	\$38/MWh +/- Fuel Adjuster	70	100	70	100	\$39/kW-month
2027	\$38/MWh +/- Fuel Adjuster	\$38/MWh +/- Fuel Adjuster	70	100	70	100	\$39/kW-month
2028	\$38/MWh +/- Fuel Adjuster	\$38/MWh +/- Fuel Adjuster	70	100	70	100	\$39/kW-month
2029	\$38/MWh +/- Fuel Adjuster	\$38/MWh +/- Fuel Adjuster	70	100	70	100	\$39/kW-month

2030	\$38/MWh +/- Fuel Adjuster	\$38/MWh +/- Fuel Adjuster	70	100	70	100	\$39/kW-month
2031	\$38/MWh +/- Fuel Adjuster	\$38/MWh +/- Fuel Adjuster	70	100	70	100	\$39/kW-month
2032	\$38/MWh +/- Fuel Adjuster	\$38/MWh +/- Fuel Adjuster	70	100	70	100	\$39/kW-month

Fuel Adjuster

Trade Secret Material Protected from Disclosure under F.S. 815.045:

The following Fuel Adjuster has been developed to share the benefits and risks of fuel cost decreases and increases between Nacogdoches Power and GRU. In the event that the average delivered fuel price exceeds the expected delivered fuel price, the Fuel Adjuster is not likely to fully compensate Nacogdoches Power for the increase in cost. Conversely, if the average delivered fuel price falls below the expected delivered fuel price, the Fuel Adjuster is not likely to fully reward GRU for the decrease in cost. In this manner, the incentives of both parties are aligned to reduce the fuel cost as much as possible with the majority of such benefits accruing to GRU.

Fuel Adjuster:

+ \$1.15/MWh for every \$1.00/ton that the average delivered fuel price exceeds the expected delivered fuel price of \$28.00/ton for the previous quarter.

- \$1.15/MWh for every \$1.00/ton that the average delivered fuel price falls below the expected delivered fuel price of \$28.00/ton for the previous quarter.

Example:

If the average delivered fuel price in the first quarter of 2017 is \$26.00/ton, the Energy Price in the second quarter of the 2017 would equal \$33.70/MWh.

$$\$33.70/\text{MWh} = \$36.00 - \$2.30; -\$2.30 = \$1.15 \times -\$2.00; -\$2.00 = \$26.00/\text{ton} - \$28.00/\text{ton}$$

Fuel Cost Assumptions

Trade Secret Material Protected from Disclosure under F.S. 815.045:					
Fuel	Quantity (tons)	Cost (delivered green ton basis)	Moisture Content	Btu/lb	\$/mmbtu
Forest Residue	378,852	\$30.00	46%	4,525	\$3.19

Mill Residue	354,928	\$27.00	40%	5,050	\$2.59
Thinnings	239,506	\$30.00	40%	5,050	\$2.87
Urban Wood Waste	99,847	\$18.00	38%	5,225	\$1.67
Summary	1,073,133	\$27.89			\$2.78

Nacogdoches Power believes that such prices are likely to stay fixed over a ten-year period.

Environmental Attributes are Included in Proposal Price

Trade Secret Material Protected from Disclosure under F.S. 815.045:

Nacogdoches Power confirms that all environmental attributes, and their associated costs, are included in the price quote listed above. The environmental attributes would include any and all renewable energy credits, carbon dioxide emission reduction credits, and future environmental attributes associated with the capacity and energy sold to GRU. Nacogdoches Power believes that the environmental attributes will have significant value on a forward basis. For example, the Texas Project would receive the equivalent of 2 renewable energy credits for every MWh of electricity generated under a final rule adopted by the Public Utilities Commission of Texas in August 2007. Texas renewable energy credits currently trade for approximately \$6.00 per MWh. In addition, carbon dioxide emission reduction futures currently trade in Europe for approximately \$28-36 per metric ton of CO₂ equivalent

REC and Environmental Allowance Management

If desired by GRU, Nacogdoches Power would provide REC and environmental attribute management services to GRU on a fixed fee plus incentive fee basis. BayCorp and EMI are highly experienced at managing environmental attributes, having bought and sold such attributes in the liquid ISO New England power market.

Treatment of Tax Credits and Other Financial Incentives

Nacogdoches Power has based its proposal upon receipt of all applicable federal and state tax credits that apply to the Project. The primary tax credit that would apply to the Project is the federal production tax credit provided in Section 45 of the Internal Revenue Code of 1986 (the "PTC"). The PTC allocates tax credits worth 1.5 cents per kWh (subject to inflation) to the owner of a qualifying facility for every kWh of electricity produced and sold to an unrelated person for the ten-year period beginning on the date that the facility is placed in service. For open-loop biomass facilities like the proposed Project, the PTC is decreased by one half.

The production tax credit is set to expire on December 31, 2008. Nacogdoches Power expects the PTC to be renewed in a structure substantially similar to its present form. If the production

tax credit is not renewed, Nacogdoches Power would need to adjust the pricing in its proposal to accommodate the loss of such tax credits.

Property Taxes and Value

Trade Secret Material Protected from Disclosure under F.S. 815.045:

Nacogdoches Power would like to open a dialogue with GRU regarding property taxation for the Project. Due to the high property tax rates in Florida, property taxes could account for more than 33% of the non-fuel operating budget. Because such property tax payments would impact the price of the electricity provided by the Project, Nacogdoches Power would seek to take advantage of abatements and value limitation to reduce the cost of electricity from the Project. For this proposal, Nacogdoches Power has assumed that the Project will make a total of \$2 million in property tax payments per year.

Nacogdoches Power estimates that the Project could have a total tangible and real property value of approximately \$300 million. Fuel used for the generation of electricity is considered inventory in Florida and exempt from ad valorem taxation under FLA. STAT. ch. 196.185 (2007). In 2007, the total millage rate for the Deerhaven Site was 22.3421, and the millage rate for the City of Gainesville was 4.2544. Therefore, Nacogdoches Power estimates that the Project could provide approximately \$6.7 million in total annual property tax revenue to the area, of which approximately \$1.2 million would flow to the City of Gainesville and \$2.5 million would flow to the school board.

Local Economic Impact

Trade Secret Material Protected from Disclosure under F.S. 815.045:

The Florida Clean Energy Center will provide substantial economic benefits to the local area. The Project will employ a staff of thirty-nine during normal operations, including two staff members dedicated to managing the fuel supply for the Project. The bulk of the operating organization will be hired from the local area.

Florida Clean Energy Center employees will be well-paid and will receive full health benefits. Nacogdoches Power estimates that the average salaries of hourly employees will range from approximately \$37,000 per year for administrative assistants to approximately \$70,000 per year for shift supervisors. Nacogdoches Power estimates that the average salaries of salaried employees will range from approximately \$60,000 to \$120,000 per year. Thus, Nacogdoches Power will comply with the City of Gainesville Living Wage Ordinance (020663, as amended at 030168).

Nacogdoches Power will also provide substantial economic benefits to the local area in the form of jobs created for fuel procurement and transportation. Biomass-fired electric generating

facilities that utilize woody biomass result in significant economic stimulus because fuel dollars stay in the local community. However, biomass-fired electric generating facilities that utilize municipal solid waste should not result in this stimulus. One estimate of the employment benefit of a wood-fired power plant has been prepared by the National Renewable Energy Laboratory of the Department of Energy in its publication, "The Value of the Benefits of U.S. Biomass Power" in which it concluded that 4.9 jobs per MW of installed capacity will be created. Following this methodology, the Florida Clean Energy Center will produce approximately 490 new jobs.

Nacogdoches Power has worked with loggers in Texas to estimate the job creation that would be caused by a 100 MW biomass-fired electric generating facility. After intensive research, Nacogdoches Power estimates that each MW of installed capacity will generate .40 operation and maintenance jobs, 1 fuel harvesting job, .20 fuel harvesting supervision jobs, .20 equipment maintenance jobs, .75 transportation jobs, .10 transportation maintenance jobs and .35 plant support jobs for a total of 3.0 jobs per MW of installed capacity. However, this figure does not include indirect support jobs created by the Project. Therefore, Nacogdoches Power estimates that the Project will create between 300 and 490 jobs.

Nacogdoches Power estimates that loggers and truck drivers will make between \$40,000 and \$50,000 per year. Thus, the Project will provide an annual economic stimulus of at least \$12 million in salary payments to the local economy. Because the amount of job creation is related to the installed capacity of the project, the 100 MW Florida Clean Energy Center will result in significantly greater job creation than a 30 MW or 50 MW facility. If the Project is located at the Deerhaven Site, the bulk of the economic development benefits will accrue to the City of Gainesville and Alachua County.

SECTION 5 – PRODUCTION COST INFORMATION

Not used per GRU instructions.

Act and many of the other environmental regulations applicable to electrical generating facilities. He has handled the permitting of 13 major construction projects involving electrical generating facilities, including nine new facilities on greenfield sites.

Environmental Consulting & Technology, Inc.

Environmental Consulting & Technology, Inc., of Gainesville, Florida, will manage the permitting for the Florida Clean Energy Center Project. ECT is an employee owned consulting firm specializing in the resolution of complex environmental issues through cost-effective project planning, management, and applied engineering and scientific expertise. Headquartered in Gainesville, ECT has eight offices in Florida with a staff of more than 200 multidisciplinary environmental professionals. ECT's past clients include investor-owned and municipal utilities, rural cooperatives, and independent power producers. ECT's services to the power industry include site selection studies and overall permitting for new power plants; specialty permitting projects involving air quality modeling, wetlands, water supply, wastewater discharges, and solid waste disposal; compliance auditing; and remediation programs. Based on its extensive experience, ECT has a full understanding of the regulatory requirements and issues that must be fulfilled for new power plant projects in Florida.

Metso Paper USA, Inc.

Metso Paper USA, Inc. of Charlotte, North Carolina, formerly Aker Kvaerner Power, Inc., will design and supply the bubbling fluidized bed boiler for the Project. Metso is the leading manufacturer of biomass-fired boilers, having supplied more than 200 worldwide. Since its introduction in the 1970s, Metso's fluidized bed boiler technology has offered an economical, flexible, cost-effective and environmentally acceptable solution for burning low heating value, high moisture bio-fuels. Over the last fifteen years, Metso has supplied nearly all of the bubbling fluidized bed boilers sold to the pulp and paper industry in Scandinavia and North America. Metso's patented bubbling fluidized bed boiler design features the innovative HYBEXTM floor. The HYBEXTM floor, which was designed for fuels containing stones or other coarse materials, features an extended free removal area where coarse material can be evacuated from the bed. More than thirty percent of the total floor area is open for tramp material removal compared with approximately one percent in a conventional floor design. Metso's fleet of HYBEXTM floor bubbling fluidized bed boilers has achieved high levels of availability.

Nacogdoches Power has entered into a letter of intent with Metso to design and supply a bubbling fluidized bed boiler for the Project. Nacogdoches Power selected Metso to design and supply the boiler for its Texas Project after a competitive bid process. Metso will design and supply the BFB boiler under a firm-price, firm-schedule contract. In order to reduce potential interface issues, Metso will design and supply the remainder of the boiler island, including the SNCR system, baghouse, stack, and support steel.

Natural Resource Planning Services, Inc.

Natural Resource Planning Services, Inc., of Gainesville, Florida, will provide biomass fuel procurement and ash disposal consulting services for the Florida Clean Energy Center. NRPS

Act and many of the other environmental regulations applicable to electrical generating facilities. He has handled the permitting of 13 major construction projects involving electrical generating facilities, including nine new facilities on greenfield sites.

Environmental Consulting & Technology, Inc.

Environmental Consulting & Technology, Inc., of Gainesville, Florida, will manage the permitting for the Florida Clean Energy Center Project. ECT is an employee owned consulting firm specializing in the resolution of complex environmental issues through cost-effective project planning, management, and applied engineering and scientific expertise. Headquartered in Gainesville, ECT has eight offices in Florida with a staff of more than 200 multidisciplinary environmental professionals. ECT's past clients include investor-owned and municipal utilities, rural cooperatives, and independent power producers. ECT's services to the power industry include site selection studies and overall permitting for new power plants; specialty permitting projects involving air quality modeling, wetlands, water supply, wastewater discharges, and solid waste disposal; compliance auditing; and remediation programs. Based on its extensive experience, ECT has a full understanding of the regulatory requirements and issues that must be fulfilled for new power plant projects in Florida.

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Nacogdoches Power has entered into a letter of intent with Metso to design and supply a bubbling fluidized bed boiler for the Project. Nacogdoches Power selected Metso to design and supply the boiler for its Texas Project after a competitive bid process. Metso will design and supply the BFB boiler under a firm-price, firm-schedule contract. In order to reduce potential interface issues, Metso will design and supply the remainder of the boiler island, including the SNCR system, baghouse, stack, and support steel.

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has been in the consulting forestry management business for over 30 years, and the two founders and principals are still in active in the day-to-day management and work of the company. NRPS manages over 300,000 acres of timberland in Florida for a variety of clients including TIMO's, investors, family trusts, individuals, and government agencies. As a result, NRPS has a deep and broad knowledge of the timber industry from the woods all the way to the processing facilities. Jack Vogel, one of the principals of NRPS, is the current president of the Florida Forestry Association.

At the request of Nacogdoches Power, NRPS conducted a detailed biomass fuel resource study for the Project. The Biomass Fuel Study evaluated all potential sources of biomass fuel, analyzed potential competition for each biomass fuel and determined that sufficient biomass fuel resources will be available to operate the Project at a reasonable cost and on a sustainable basis.

North American Energy Services, Inc.

North American Energy Services, Inc., of Issaquah, Washington, will operate and maintain the Project. Nacogdoches Power has entered into a letter of intent with North NAES. NAES is the premiere third-party O&M contractor in the United States. In addition, NAES has proven experience operating wood-fired generating facilities: NAES has operated 9 biomass-fired electric generating facilities totaling 246.9 MW of capacity. Steam boiler facilities operated by NAES have an average availability rating nearly 4% higher than the industry average availability rating. Several prospective lenders recommended that Nacogdoches Power contract with NAES for O&M services.

Siemens Industrial Turbomachinery, Inc.

Siemens Industrial Turbomachinery, Inc., of Houston, Texas ("Siemens"), will design and supply the steam turbine generators for the Projects. The SST-900 steam turbine for the Projects is based on the highly successful MP series of geared axial VAX turbines and is produced in Finspong, Sweden. EMI has previously purchased and operated three VAX steam turbines with great success.

Wolf Material Handling Systems, Inc.

Wolf Material Handling Systems, Inc. of Elk River, Minnesota, will design and supply the material handling systems for the Projects. Founded in 1978, Wolf specializes in bulk material handling systems for the pulp and paper, power generation and mining industries. Wolf is the leading supplier of biomass-fuel handling systems in the United States. Arlin Wolf, the founder of Wolf Material Handling Systems, has been called upon in a number of cases to repair and redesign biomass-fuel handling systems supplied by other vendors. Nacogdoches Power has entered into a letter of intent with Wolf to design and supply the wood fuel handling system for the Project.

WorleyParsons Group, Inc.

WorleyParsons Group, Inc. of Reading, Pennsylvania, will perform engineering, procurement and construction management services for the Projects. WorleyParsons has over 100 years of

power industry experience, tracing its roots in power sector to Charles T. Main and Gilbert/Commonwealth in the USA and John Thompson, SECVI and Burmot in Australia. WorleyParsons has supplied over 150,000 MW of generating capacity worldwide. EMI, a member of the Nacogdoches Power team, had previously worked with a predecessor of WorleyParsons on the construction of its Dartmouth Power and Dighton Power projects. WorleyParsons is working with Nacogdoches Power on the engineering, procurement and construction management of the Texas Project. WorleyParsons adapted the design of the Texas Project for the Florida Clean Energy Center.

Current and Past Power Supply Ventures

Nacogdoches Power, LLC
Sacul, Texas
100 Megawatts
Biomass-fired Independent Power Facility
Nacogdoches Power began development in 2005

BayCorp Power Supply Venture References

Great Bay Hydro Corp. (Wholly owned subsidiary of BayCorp)
Portsmouth, NH
4 Megawatt Hydroelectric Generation Plant
10 Megawatt Diesel Generation Plant
Acquired in 2004
Great Bay Hydro owns and operates plant
Power and renewable energy credits sold into the ISO-NE market

Great Bay Hydro Maine, LLC (Wholly owned subsidiary of BayCorp)
Portsmouth, NH
4.5 Megawatt Hydroelectric Generation Plant
Acquired in 2005
Great Bay Maine owned and operated plant
Sold in 2006
Power sold to Central Maine Power

Great Bay Power Marketing (Wholly owned subsidiary of BayCorp)
Portsmouth, NH
Trading and marketing of power and natural gas in ISO-NE and other markets
Created in 2002

Great Bay Power Corp. and Little Bay Power Corp. (Wholly owned subsidiaries of BayCorp)
Portsmouth, NH
175 Megawatts of the 1150 Megawatt Seabrook nuclear power plant
Acquired in 1992 and 1999
Great Bay sold power in the bilateral and spot ISO-NE markets
Great Bay sold 10 Megawatts under a long term contract with Unitil Power Corp
Sold interests in 2002

ISO New England Inc.
One Sullivan Road
Holyoke, Massachusetts 01040
Tel: (413) 540-4260
Unitil Power Corporation
6 Liberty Lane West
Hampton, NH 03842
Contact: Mr. David Foote
Tel: (603) 773-6430

Constellation NewEnergy
800 Boylston St.
Boston, MA 02199
Contact: Mr. Bruce McLeish
Tel: (617) 772-7501

Central Maine Power
83 Edison Drive
Augusta, Maine 04336
Contact: Mr. Eric Stinneford
Tel: (207) 623-3521

EMI Power Supply Venture References

Cape Wind Associates, LLC
Nantucket Sound, Massachusetts
468 Megawatts
Offshore Wind Power Facility
Financial advisory services provided by Lehman Brothers, Inc.
EMI began development in 2000

Rumford Power Associates Limited Partnership
Rumford, Maine
265 Megawatts
Gas-Fired Merchant Power Facility
U.S. \$139,000,000 Project Finance
Underwritten by MeesPierson, Landesbank Hessen-Thuringen Girozentrale,
CoBank, Hypovereinsbank
Financial advisory services provided by Fieldstone Private Capital Group
EMI began development in 1996
Construction loan closing 1998
Commercial operation 1999
Interest sold 2000
Contact: Mr. Robert C. Welch, Town Manager
Tel: (207) 364-4576

Tiverton Power Associates Limited Partnership
Tiverton, Rhode Island
265 Megawatts
Gas-Fired Merchant Power Facility
U.S. \$145,500,000 Project Finance
Underwritten by Landesbank Hessen-Thuringen Girozentrale, CoBank,
Hypovereinsbank
Financial advisory services provided by Fieldstone Private Capital Group
EMI began development in 1996
Construction loan closing 1998
Commercial operation 1999
Interest sold 2000
Contact: Mr. William Enos, State Senator
Tel: (401) 222 6896

Dighton Power Associates Limited Partnership
Dighton, Massachusetts
169 Megawatts
Gas-Fired Merchant Power Facility
U.S. \$104,000,000 Project Finance
Underwritten by TD Securities
Provided by The Toronto-Dominion Bank, Teachers Insurance and Annuity
Association of America, Bayerische Verinsbank, AG, Kredietbank, N.V., The
Sakura Bank, Limited
EMI began development in 1994
Construction loan closing 1997
Commercial operation 1998
Interest sold 2000
Contact: Mr. Robert G. Perry, Selectman
Tel: (508) 669-6431

Dartmouth Power Associates Limited Partnership
Dartmouth, Massachusetts
67.6 Megawatts
Gas-Fired Independent Power Facility
U.S. \$73,877,000 Project Finance
Provided by Westpac Banking Corporation, Trust Company of the West
EMI began development in 1987
Construction loan closing 1990
Commercial operation 1992
Interest sold 1999
Contact: Mr. Leonard M. Gonsalves, Selectman
Tel: (508) 910-1813

Pawtucket Power Associates Limited Partnership
Pawtucket, Rhode Island
61.3 Megawatts
Gas-Fired Cogeneration Facility
U.S. \$68,700,000 Project Finance
Underwritten by The Bank of New York
Provided by The Bank of New York, NCNB National Bank of North Carolina,
Mitsui Trust Bank (USA), Trust Company of the West, Bank of New England NA
EMI began development in 1987
Construction loan closing 1989
Commercial operation 1990
Interest sold 1999

Pepperell Power Associates Limited Partnership
Pepperell, Massachusetts
40 Megawatts
Combined-Cycle Cogeneration Facility
U.S. \$43,500,000 Project Finance
Provided by Pru-Capital, Inc.
EMI began development in 1986
Construction loan closing 1988
Commercial operation 1989
Interest sold 1994

Alexandria Power Associates Limited Partnership
Alexandria, New Hampshire
15 Megawatts
Wood-Fired Independent Power Facility
U.S. \$25,400,000 Project Finance
Provided by State Street Bank and Trust Company, BayBank Boston, N.A.,
Connecticut National Bank, The Royal Bank of Scotland plc
EMI began development in 1984
Construction loan closing 1986
Commercial operation 1987
Interest sold 1993

Recent Annual Report for the Respondent and Any Other Parties Involved, or a Recent Copy of an Audited Income Statement and Balance Sheet

Nacogdoches Power, BayCorp and EMI are private companies that do not generally release organizational or financial information. However, Nacogdoches Power, BayCorp and EMI Nacogdoches have provided financial statements for use in evaluating this proposal. Please see the financial statements attached as Appendix 12.

In addition, Nacogdoches Power has provided financial information for the other parties involved in the Project. Please see the financial information for Metso, NAES, Siemens, Wolf and WorleyParsons attached as Appendix 15.

Bond Rating of Respondent or its Parent Company by Moody's, Fitch, Standard & Poor's, and/or Dunn & Bradstreet

N/A.

Financial Guarantees from Affiliates or Others, as Appropriate

Please see Section 2 for a discussion of potential guarantees of performance.