

ALTERNATIVE A&G METHODOLOGY AGREEMENT

This Alternative A&G Methodology Agreement (“Agreement”) dated August 8, 2011, is between FLORIDA POWER CORPORATION d/b/a Progress Energy Florida, Inc., a Florida corporation (“PEF”) and CITY OF ALACHUA; CITY OF BUSHNELL; CITY OF GAINESVILLE d/b/a Gainesville Regional Utilities; KISSIMMEE UTILITY AUTHORITY; CITY OF LEESBURG; UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH; CITY OF OCALA; ORLANDO UTILITIES COMMISSION; and SEMINOLE ELECTRIC COOPERATIVE, INC. (collectively, the “CR3 Participants”).

Whereas, the CR3 Participants and PEF are joint owners of the Crystal River Unit 3 nuclear electric generating unit located in Citrus County, Florida (“CR3”) pursuant to the Crystal River Unit 3 Participation Agreement, dated July 31, 1975, as amended (the “Participation Agreement”); and,

Whereas, the Participation Agreement provides for a methodology for the allocation of A&G expenses assignable to CR3; and

Whereas, over the years, the parties have resolved disagreements as to the A&G allocation methodology through the audit process and settlements; and

Whereas, by Settlement Agreement, dated March 1, 2008, the parties agreed to settle disputes related to the allocation of A&G expenses for the audit years 2002-2006 and also agreed to an alternate allocation methodology for A&G expenses for calendar years 2007-2009.

Now, therefore, for good and valuable consideration, the parties agree as follows:

1. Applicability to the Parties. The terms “party” or “parties” as used in this agreement shall include PEF and the CR3 Participants, but also, (1) in the case of PEF, its affiliates, and successors in interest and assignees, and 2) in the case of the CR3 Participants, their constituent agencies, municipalities, departments, divisions, members, offices, bureaus, branches and other instrumentalities, predecessors and successors in interest, and assignees. Any purchaser, transferee, or assignee of any Party’s interest in CR3, in whole or in part, or its rights or obligations, or both, relating to CR3, shall be considered a successor or assignee and shall be bound by this Agreement unless the parties agree otherwise in writing.

2. Settlement Authority. Each of the parties hereby expressly represents and warrants that it possesses full and complete approval and authority necessary to execute this Agreement and to enter into the obligations set forth in this Agreement, and that the person executing this Agreement on behalf of the party has all necessary and appropriate authority to do so and to bind the party to the obligations set forth in this Agreement.

3. Alternate Billing Methodology. The parties hereby agree, that in order to avoid future expensive and protracted audits, that an alternate recovery methodology for A&G expenses shall be employed for the calendar years 2010, 2011, 2012, 2013 and 2014 (the “Term”). PEF shall bill the CR3 Participants for A&G expenses applicable to CR3 on a percentage of non-outage Operation & Maintenance (“O&M”) expenses in accordance with the remainder of this section 3:

- (1) The A&G recovery rate is hereby set at 13% of non-outage O&M for the five calendar years 2010, 2011, 2012, 2013 and 2014.
- (2) The 13% A&G recovery rate will apply only to the non-outage O&M.
 - (A) The 13% of non-outage O&M, as further identified in 3(A), will recover those costs that are included in the A&G allocable portion of the PEF billable FERC A&G accounts balances and the related A&G payroll taxes and benefits allocable to CR3.
 - (B) CR3-specific payroll taxes and benefits will continue to be billed separately at ownership rates.
- (3) Non-outage O&M will continue to be calculated in accordance with “Schedule E O&M Adjust to Cash” included in this Agreement as Exhibit A.
 - (A) The value for the column “Adjusted Non-outage O&M” for each month shall be used as the value for applying the 13% rate to determine the A&G expenses applicable to CR3. The product of the calculation will be multiplied by the CR3 Participant’s ownership share of CR3 to determine the monthly billing for A&G expenses.
 - (B) The 13% rate is based on the 2010 accounting practices for calculation of the non-outage operation and maintenance expenses.
- (4) The mutually agreed upon percentage of A&G recovery via the alternate A&G recovery methodology set forth in section 3 above shall stay in effect throughout the Term. Thereafter, the percentage of A&G recovery will be reset, as mutually agreed upon, in five year term increments. If the parties cannot agree on or before the end of the Term, the A&G expense allocation methodology shall revert to that provided in Exhibit B to the Participation Agreement. At the end of the Term, any mutually agreed upon adjustment to the current 13% shall be established in an amendment to this Agreement.

4. No Audit of A&G Expenses for Calendar Years 2010, 2011, 2012 and 2013. Except as provided in clause (1) of section 5, the 2010, 2011, 2012 and 2013 A&G expenses are not subject to audit by the CR3 Participants. All other components of the 2010, 2011, 2012 and 2013 billings under the CR3 Participation Agreement will continue to be subject to audit for 2010, 2011, 2012 and 2013.

5. A&G Expense and Payroll Loading. The intent of the Parties is to ensure that the A&G expenses and the payroll taxes and benefits attributable to A&G payroll (“A&G payroll loading”) that are to be recovered via the 13% rate of non-outage O&M are not subsequently included in the billable non-outage O&M, which would result in an improper over-recovery of A&G expenses. Therefore:

- (1) The CR3 Participants retain the right to audit the O&M expenses related to CR3, used to arrive at non-outage O&M expenses (excluding refueling outage costs and accruals/reversals for PEF’s outage reserve applicable to their jurisdictional customers). As part of the CR3 Participant’s audit rights of O&M or other individual costs not covered by this A&G alternate billing methodology, the CR3 Participants may audit, in accordance with the Participation Agreement, expenses charged as O&M or

other individual costs not covered by this A&G alternate billing methodology for any inappropriate charges from A&G expenses billed as O&M expenses.

(2) Except as otherwise expressly set forth herein, this Agreement shall not be construed to restrict audit rights, rights to challenge or other rights of any party hereto under the CR3 Participation Agreement.

6. General Provisions. (a) The descriptive headings in this agreement are for convenience only and shall neither control nor affect the meaning or construction of any of the provisions of this Agreement. No amendment to this Agreement (including any amendment to this section) shall have any effect, legal or otherwise, nor be construed to have any such effect, unless agreed to in writing by the parties.

(b) This instrument shall constitute the final complete expression of this Agreement between the parties relating to the subject matter of this Agreement.

(c) Wherever possible, each provision of this Agreement is to be interpreted in such a manner as to be effective and valid under applicable law. Should any portion of this Agreement be declared invalid for any reason, such declaration shall have no effect upon the remaining portions of this Agreement. In the event any provision of this contract is held by any tribunal of competent jurisdiction to be contrary to applicable law, the remaining provisions of this Agreement remain in full force and effect.

(d) This Agreement reflects the negotiated agreement of the parties. Accordingly, this Agreement shall be construed as if the parties jointly prepared it, and no presumption against one party or the other shall govern the interpretation or construction of any of the provisions of this Agreement.

(e) The failure or delay of any party at any time to require performance by any other party of any provision of this Agreement, even if known, does not affect the continuing right of that party to require performance of that provision or to exercise any right, power, or remedy granted by this Agreement. The waiver by any party of a breach of any provision of this Agreement cannot be construed as a waiver of a continuing or succeeding breach of such provision, a waiver of the provision itself, or a waiver of any right, power, or remedy under this Agreement. No notice to or demand on a party in any circumstance shall, of itself, entitle the party receiving the notice or demand to any other or further notice or demand in similar or other circumstances.

(f) The validity and interpretation of this Agreement and the right and obligation of the parties hereunder shall be governed and construed in accordance with the laws of the State of Florida without regard for any conflicts of law provisions that might cause the law of other jurisdictions to apply. All controversies, claims or disputes arising out of or related to this contract or any agreement, instrument, or document contemplated hereby, shall be brought exclusively in the state or federal courts located in Florida, as appropriate.

(g) A default by any party under this Agreement shall entitle the other to all remedies available at law or in equity.

(h) This Agreement may be executed in any number of counterparts, and signature pages exchanged by facsimile or email, and each counterpart shall be regarded for all purposes as an original, and such counterparts shall constitute, but one and the same instrument, it being understood that all parties need not sign the same counterpart. The signature page of any counterpart, and facsimiles and photocopies of that counterpart, may be appended to any other counterpart and when so appended constitute an original. In the event that any signature is delivered by facsimile transmission or by facsimile signature, such signature creates a valid and binding obligation of the party executing (or on whose behalf such signature is executed) the contract with the same force and effect as if such facsimile signature page were an original.

(i) This Agreement is intended to be a pre-audit agreement by and among the parties as to an appropriate methodology and rate to allocate the A&G expenses in an effort to avoid costly and protracted audit investigations of the A&G expenses. Therefore, in the event of any conflict between the terms and conditions of this Agreement and any other agreement between the parties, including the Participation Agreement, the terms and conditions of this Agreement shall control.

The parties are signing this agreement as of the date stated in the introductory clause.

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

By: _____
Name:
Title:

CITY OF ALACHUA, FLORIDA

By: _____
Name:
Title:

CITY OF BUSHNELL, FLORIDA

By: _____
Name:
Title:

CITY OF GAINESVILLE, FLORIDA
d/b/a GRU

By: _____
Name:
Title:

KISSIMMEE UTILITY AUTHORITY

By: _____
Name:
Title:

CITY OF LEESBURG, FLORIDA

By: _____
Name:
Title:

CITY OF OCALA, FLORIDA

By: _____
Name:
Title:

ORLANDO UTILITIES COMMISSION

By: _____
Name:
Title:

SEMINOLE ELECTRIC
COOPERATIVE, INC.

By: _____
Name:
Title:

EXHIBIT A

Calculation of monthly A&G expenses – example

Florida Power Corporation
SCH E O&M Adjust to Cash
For the Month Ended September 30, 2010
Invoice No. 425

	Total CR3 O&M	Nuclear Refuel Outage Costs	Adjustments to PEF Share of Accruals	Adjustments for PEF Reversal Of Outage Accruals	Adjusted Non-outage O&M
5170000 - NUC OPER SUPER AND ENGINEER	199,336.81	-	-	-	199,336.81
5182300 - NUCLEAR FUEL - MISC & LABOR	140,937.55	-	(100,000.00)	-	40,937.55
5183000 - NUCLEAR FUEL - OTHER CHARGES	3,311.64	-	-	-	3,311.64
5190000 - NUC COOLANTS AND WATER	480,114.71	(16,634.19)	(40,669.64)	-	422,810.88
5200000 - NUC STEAM EXPENSES	539,386.56	(137.37)	(71,541.33)	-	467,707.86
5230000 - NUC ELECTRIC EXPENSES	305,650.85	-	(1,140.58)	-	304,510.27
5240000 - NUC MISC NUCLEAR POWER EXP	3,938,715.44	(461.14)	(52,123.14)	-	3,886,131.16
5240REC - NUC MISC EXP-RECOVERABLE	-	-	-	-	-
5280000 - NUC MAINT SUPER AND ENGIN	1,175,917.36	(5,451.23)	(125,272.57)	-	1,045,193.56
5290000 - NUC MAINT OF STRUCTURES	179,814.84	(3,864.29)	(38,762.66)	-	137,187.89
5300000 - NUC MAINT OF REAC PLANT EQUIP	1,150,557.89	(185,421.04)	(455,210.56)	-	509,926.29
5310000 - NUC MAINT OF ELECTRIC PLANT	434,048.34	(100,642.54)	(87,452.00)	-	245,953.80
5320000 - NUC MAINT OF MISC NUC PLANT	779,461.99	681.61	(120,956.10)	-	659,187.50
Total	<u>9,327,253.98</u>	<u>(311,930.19)</u>	<u>(1,093,128.58)</u>	<u>-</u>	<u>7,922,195.21 (a)</u>

Monthly A&G calculation per Section 3.(3)(A) of the Settlement Agreement:

Adjusted Non-Outage O&M	\$ 7,922,195.21 (a)
Rate for calculating A&G under alternate methodology (2010 - 2014)	13%
A&G Expenses applicable to CR3	<u>\$ 1,029,885.38</u>
Ownership Share	8.2194%
CR3 Participants share of Sept 30, 2010 A&G expenses:	<u>\$ 84,650.40</u>