

REQUEST FOR PROPOSALS

FOR

ELECTRIC POWER GENERATED FROM
NORTH CAROLINA WOOD BIOMASS FACILITIES

Progress Energy Carolinas

Dated: November 18, 2009
Proposals Due: December 15, 2009

**Request for Proposals for
Electric Power Generated from North Carolina Wood Biomass Facilities
("PEC NC Wood Biomass RFP")**

November 18, 2009

1. Overview

Progress Energy Carolinas (PEC), referred to as the "Buyer", is soliciting proposals for the supply of power generated in North Carolina from only Wood Biomass facilities which can be used for compliance with the biomass waste Renewable Energy Portfolio Standard ("REPS") requirement set forth in North Carolina's Session Law 2007-397 (Senate Bill 3).

PEC's objective is to select resources that offer the maximum value, based on cost and non-cost attributes, to PEC and its customers. Should none of the proposals reflect suitable value, or should circumstances change PEC's expectations for this solicitation, PEC reserves the right in its sole discretion to cancel, modify or withdraw this RFP, to reject any or all proposals, and/or to terminate contractual negotiations with any bidder at any time during or after the RFP process.

Through this Request for Proposals ("RFP"), the Buyer is seeking proposals for:

- (i) Capacity
- (ii) Electric energy, and
- (iii) Renewable Energy Certificates, which shall include all environmental attributes associated therewith, (the "RECs").

This RFP provides information and instructions for prospective Respondents (the "Respondents"). Proposals are due, as provided below, by December 15, 2009.

The proposal shall also comply with the General Conditions and Terms set forth below.

2. General Conditions

The proposal shall identify the site on which the power will be produced. The proposal shall define if it is under control or the plan to obtain the site. The proposal shall provide permitting and development timeline, if applicable. In addition, the proposal is to provide developer's previous experience in developing wood biomass projects.

The proposal shall provide for the sale of capacity ("Delivered Capacity"), electric energy ("Delivered Energy") and the RECs to the Buyer.

A Respondent to this RFP must demonstrate, to the satisfaction of the Buyer, that it: (i) has obtained the sole and exclusive right to develop, own, operate, and maintain a wood biomass power production facility, (ii) is capable of performing within the General Terms below, and (iii) will enter into an interconnection agreement with PEC Transmission.

3. General Terms

Capacity Amount	PEC is soliciting proposals for between 40 and 75 MW of capacity.
Fuel Type	Wood Biomass Only
Delivered Capacity Price	The proposal shall provide pricing for "Delivered Capacity".
Delivered Energy Price	The proposal shall provide pricing for "Delivered Energy", including any Operational and Maintenance (O&M)
REC Price	The proposal shall provide pricing for the REC
All-in Energy Price	In lieu of a separate Delivered Capacity, Delivered Energy and REC Price, the proposal can provide an "All-in Energy Price", other pricing structures will be considered as well.

Fuel	The Delivered Capacity, Delivered Energy and RECs must be generated at an electric generation facility located in North Carolina. The proposal shall describe the Respondent's rights to its fuel source, including, but not limited to, any conditions to such rights. The proposal shall clearly state that ALL of the Delivered Capacity, Delivered Energy and RECs are to be derived from wood biomass.
Commercial Operation Date	The desired start date is January 1, 2013. Please note, we do have some flexibility with the desired start date.
Environmental Attributes	Proposal should state clearly all environmental attributes that are associated with the proposed facility.
Power Delivery	<p>PEC requires that all resources procured through this RFP process be deliverable via firm transmission or distribution service to serve loads in PEC's control area during the term of the agreement. Therefore, any resources that are the subject of any proposal submitted pursuant to this RFP must be either (a) located within PEC's control area and interconnected to PEC's transmission or distribution system, with any upgrades necessary to allow the resource to qualify as a network resource pursuant to the PEC OATT, or (b) located outside PEC's control area with any transmission upgrades necessary to allow the resource to be delivered to PEC's control area.</p> <p>Bidders who offer resources located outside of the PEC control area will be solely responsible for coordinating with other transmission system owners, as appropriate, for securing firm transmission service for delivery of the resource capacity and energy to the applicable delivery point in the PEC control area.</p> <p>As part of the submission of initial proposals, Bidders will NOT be required to submit a generator interconnection request or transmission service request under the OATT. However, bidders whose proposals are selected by PEC for further review may be required to pursue generator interconnections or transmission service as a condition of advancing negotiations toward executing a PPA. All costs and coordination required for generator interconnection and transmission or distribution service shall be the responsibility of the bidder.</p>

4. Respondent Qualifications and Experience

The Buyers will only accept proposals from Respondents that have (or will have) applicable resources available in North Carolina. Respondents must demonstrate that they have the financial and technical wherewithal to meet all obligations of their proposals.

5. Notice to Respondents

The proposal process begins with the issuance of this RFP on or about November 18, 2009 and will continue until December 15, 2009 (the "Proposal Due Date"). Responses to this RFP received after the Proposal Due Date may, in the sole discretion of the Buyer, be deemed non-responsive and given no further consideration in this RFP process.

Each Respondent is required to submit a RFP Form 1, Proposal Summary and information and/or data contained in RFP Form 2, Required Proposal Data.

Responses to this RFP should be emailed to the email address below

Email Address: Louis.Davis@PGNMAIL.COM

or

mailed (or delivered) to the following address:

Louis H. Davis
100 East Davie Street
Mail code: TPP 9A
Raleigh, NC 27601

Each Respondent is expected to carefully review the information provided in this RFP as it contains important instructions which should be followed in preparing the proposal(s). Modifications to proposals already received by the Buyers will only be accepted if submitted in writing by the Respondent prior to the Proposal Due Date. Proposals are due by 5:00 PM (EDT).

6. RFP Schedule

<u>Event</u>	<u>Date</u>
Issue RFP	November 18, 2009
Proposal Due Date	December 15, 2009
Short-List Notification / Commence Negotiations	January 11, 2010
Execution of Final Contract(s) with Respondent(s)	February 15, 2010
Commencement of Service Under Contract(s)	January 1, 2013

7. Confidentiality and Reserved Rights

Trade secrets or similar proprietary data which a Respondent does not wish disclosed other than to personnel of the Buyer involved in the evaluation of its proposal will be kept confidential. If a Buyer is required to disclose the confidential information to the North Carolina Utilities Commission the Buyer will seek to protect such information from public disclosure pursuant to N.C. Gen. Stat. § 132-1.3 Each page containing confidential information shall be marked in boldface at the top and bottom as "CONFIDENTIAL." Any section of the proposal which is to remain confidential shall also be so marked in boldface on the title page of that section.

This RFP is not an offer establishing any contractual rights. This RFP is solely an invitation to submit proposals.

The Buyer reserves the right to:

- reject any and all proposals received in response to this RFP for any reason or no reason;
- reject any proposal for failure to extend its validity date if requested;
- waive any requirement in this RFP;
- not disclose the reason for rejecting a proposal;
- negotiate an arrangement for power supply and RECs with more than one Respondent simultaneously;
- terminate negotiations;
- not select the proposal with the lowest price; and
- request clarifications from Respondents at any time.

Respondents who submit responses to this RFP do so without recourse against the Buyer for either rejection or failure to enter into a binding commitment for any reason whatsoever.

8. Evaluation Process

The evaluation of proposals will be based on the information provided by the Respondent with special emphasis on pricing, physical and financial risk profile, financial viability of Respondent, firmness of supply, the portion of energy generated from biomass fuel, physical location and flexibility of use. The evaluation will be made in the sole discretion of the Buyer. The Buyer reserves the right to negotiate with one or more Respondents to improve on their proposals and ask such Respondents to extend the date through which their proposals will be held firm. However, selection for negotiation will not be a commitment by the Buyer to enter into a contract with the Respondents.

If the Buyer decides to accept the proposal of one or more Respondents, the Buyer will undertake to develop standard form contracts with such Respondents that will embody the general principles and concepts set forth herein. In the event negotiations with a Respondent do not, within a reasonable period of time, produce a standard contract satisfactory to the Buyer, the Buyer reserves the right to terminate those negotiations and pursue any and all other power

supply options available to them including, without limitation, entering into negotiations with other parties.

A. Pricing

Prospective Respondents are advised that price will be important in the Buyers' evaluation. However, proposals will also be compared and evaluated in terms of the non-price characteristics of each submittal. Therefore, the lowest price proposal may not be selected. The proposal should include sufficient detail to evaluate all fixed and variable charges associated with Delivered Capacity, Delivered Energy and RECs.

B. Non-Price Criteria

Each proposal will be evaluated on a list of non-price criteria, which the Buyer will develop.

The Buyer intends to consider the following non-price criteria, among others:

- flexibility with regard to the use of Delivered Capacity, Delivered Energy and RECs,
- contract term and ability to adjust contract quantities,
- complexity and reliability of transmission arrangements,
- fuel reliability and cost risk,
- price certainty,
- previous experience of the Respondent, and
- the financial strength of Respondent.

9. Final Contract

Any final contract(s) that result from the proposal evaluation and negotiation processes will be subject to approval by the Buyer's corporate governance structures. The tentative date for approval of contract(s) is shown in Section 6, RFP Schedule.

PEC NC Wood Biomass RFP
November 18, 2009

Proposal Summary

Due: December 15, 2009

Company/Respondent: _____

Name of Contact/Title: _____

Mailing Address: _____

Telephone: _____

E-Mail: _____

Certification: Respondent hereby certifies that all of the statements and representations made in this proposal package, including attached documents, are true to the best of the Respondent's knowledge and belief. Respondent agrees to be bound by its representations and the terms and conditions of the Request for Proposals:

PEC NC Wood Biomass RFP
November 18, 2009

Required Proposal Data

The required proposal data should be provided in sections numbered in accordance with the specific items set forth below. General information (e.g., promotional material, 'boiler plate', etc.) may be provided with the proposal, but only the formatted information will be considered in the event of conflicting data. The Buyer may request additional data or clarifying information from Respondents. Responses to such requests shall remain confidential, consistent with the proposal.

1. Description of Proposal

- (a) Describe the source and nature of the Wood Biomass electric generation resource.
- (b) Describe the manner in which the proposed Wood Biomass electric generation resource will be dispatched and the scheduling arrangements envisioned.
- (c) The proposal shall describe the Respondent's rights to its fuel source, including, but not limited to, any conditions to such rights.

2. Proposed Agreement Term

- (a) Specify proposed contract term.
- (b) Specify the manner in which the quantities of Delivered Energy and RECs will be provided or delivered, and any provisions to adjust such quantities.
- (c) Specify proposed provisions for renewal or extension, and any cancellation rights, if any, identifying proposed conditions for the above to occur, including whether such events are proposed to be mutually or unilaterally determined.

3. Scheduling/Dispatchability

Indicate all scheduling, dispatch, or contractual constraints applicable to the proposal, including, but not limited to, the following:

- (a) scheduling requirements;
- (b) minimum power output requirement (if any);
- (c) ramp-up or ramp-down limitations (if any); and
- (d) events that could potentially result in the curtailment of deliveries and notice to be provided to the Buyers in the event of curtailment.

4. Other Commitments of Proposed Resources

Identify any other power supply commitments for the proposed resources that would supply service of equal or higher priority than that committed to the Buyer during the

PEC NC Wood Biomass RFP
November 18, 2009

Proposal Data

proposed contract term and provide a general description of Buyers' rights compared to the rights of the other parties.

5. Pricing Information

- (a) The proposal shall list out any and all prices to be paid by Buyer for Delivered Capacity, Delivered Energy and REC's.
- (b) To the extent any prices contained in the proposal are comprised of several components (e.g., capital-related components of fixed charges, commodity-related portion of variable charges, etc.), describe, for each component, the appropriate billing units, any assumptions used related to the pricing, and the methodology for determining delivered costs. Please distinguish between component rates that may be fixed and not subject to an index, if any.
- (c) Specify annual payment stream components, whether explicitly specified or driven by escalation factors. If price escalation factors are proposed, please identify what attribute the proposed factor is to represent (e.g., general inflation, general economic growth, etc.), proposed index or other source data to define the escalator (e.g., CPI, change in GDP, etc.), and Respondent's current projection of the designated escalator for each applicable time period.
- (d) Provide an Excel spreadsheet that depicts pricing for all major cost components and calculates total costs for each year of the proposed contract term.

6. Performance

The proposal should provide an indication performance (how much energy can be expected from the proposed facility) and how the Buyer will be compensated or made whole for poor performance from the proposed facility.

7. Failure to Deliver RECs

Describe how Buyer will be compensated or made whole for any failure by Respondent to deliver RECs in accordance with the terms of its contract with Buyer.

8. Representative Experience

Describe any previous and current transactions that the Respondent has entered into for arrangements similar in nature to the supply of electric power generated from Wood Biomass facilities.

PEC NC Wood Biomass RFP
November 18, 2009

Proposal Data

9. Financial Information

- (a) Identify any and all Respondent affiliates.
- (b) Provide audited financial statements, if available, or other financial statements for the most recent 12-month period. This information should be provided for all entities, including affiliates involved in the transaction.

10. Additional Information

Please provide any additional information which the Respondent believes will assist the Buyers in an accurate and fair evaluation of the proposal.