GAINESVILLE REGIONAL UTILITES
ENERGY SUPPLY DEVELOPMENT
REQUEST FOR
LETTERS OF INTEREST

PURPOSE AND SCOPE

The City of Gainesville, d/b/a Gainesville Regional Utilities (GRU) is seeking opportunities to either develop additional base load electric generation capacity at its Deerhaven Power Plant site or to participate in one or more base load power supply project(s) located elsewhere. Biomass-fueled or integrated gasification combined cycle (IGCC- also preferably able to use biomass) are the preferred options for any facility to be constructed at the Deerhaven plant site. Any possible off-site participation or proposal for distributed generation is not limited to any particular technologies. Accordingly, GRU is requesting that any entity interested in either developing or participating in these opportunities submit a Letter of Interest **by December 15, 2006, 2:00 PM EST**.

GRU anticipates a wide range of technologies and contractual structures to be represented in the Letters of Interest. The process GRU proposes to follow is designed to provide structure while allowing flexibility and creativity in selecting an option or set of options to pursue this element of GRU's Integrated Resource Plan. The process includes: a) soliciting Letters of Interest; b) a discovery phase with selected firms that submitted responses to this Request for Letters of Interest; c) a public discussion of alternatives with the Gainesville City Commission based on the results of these initial steps; and finally, d) an invitation for one or more interested parties selected from those that submitted Letters of Interest to submit binding proposals based on a conceptual plan approved by the City Commission. The resulting proposal(s) will form the basis of negotiations to allow the development of optimal solutions in a mutually beneficial manner.

CAPACITY REQUIREMENTS

One of the purposes of this Request is to outline the factors of uncertainty confronting GRU in order to provide interested parties the opportunity to accommodate and address these variables in developing their expression of interest. All integrated resource plans have uncertainty related to load forecasts, fuel prices, unit retirements, costs, and regulatory policy and requirements. In addition to these factors, GRU has major uncertainties related to the ability to continue serving adjacent local communities' wholesale power requirements and the projected results of pursuing the maximum achievable cost-effective demand side management (DSM). GRU has recently adopted the Total Resource Cost

(TRC) test, which is a more aggressive DSM planning criterion than previously employed.

The factors contributing to continuation of wholesale loads depend in part upon the System's anticipated power production costs, and will largely be resolved by late 2007. Although the System has a preliminary third-party projection of the potentially achievable levels of cost-effective energy conservation, the data upon which it is based is undergoing a rigorous update which may require substantial time to complete, with additional time then required to measure and validate program results.

Based on these considerations, planning studies have been performed to bracket the range of GRU's economic base load capacity requirements to serve native loads, as shown in Table 1. The scenario under which the least amount of capacity is needed is the one in which the maximum DSM is achieved as projected and the wholesale contracts are allowed to retire. Note that additional capacity would benefit GRU's customers economically well before 2013, which is the first year in which additional capacity is needed to meet reserve margin requirements. Note also that Table 1 is based upon optimal conditions in which capacity is acquired in increments only as needed, and the results are very sensitive to costs, heat rates, and availability.

Table 1
Additional Base Capacity for Various Time Frames
Under Various Scenarios
(Cumulative Net Megawatts)

SCENARIO	2008	2013	2018	2022
Historical Trend	103	137	200	284
Historical Trend less Maximum DSM	96	110	147	188
Historical Trend less Maximum DSM and Wholesale Contracts Retired	63	70	92	136

Note: GRU's planning methodologies and 2006 Florida Public Service Commission's Ten Year Site Plan are described in documents obtainable at www.gru.com by clicking on "Future Power Needs" then "Index to Articles". The studies by Post and Cunilio, Black and Veatch, and ICF Consulting include estimates of biomass resource availability.

Based on these considerations, options to modify the firm capacity share of a unit through time, or other forms of contractual flexibility, are preferred.

THE DEERHAVEN SITE

The Deerhaven Plant Site is located north of the City of Gainesville and includes approximately 3,000 acres (some of which is wetlands) with existing infrastructure which includes rail access, coal handling facilities, and 138 kilovolt looped transmission interconnected to both Florida Progress Energy and Florida

Power and Light. The transmission system can accommodate additional generation capacity at Deerhaven, but some upgrades may be required depending on the amount of capacity proposed.

The site is not anticipated to be water limited and currently uses approximately half of its 6.5 million gallons per day groundwater allocation. Reclaimed water may be made available to the site in the future. The site is licensed as a zero discharge facility requiring on-site recycling and/or treatment of all process waters via a brine concentrator. This is a requirement any new capacity at the Deerhaven site will be expected to adhere to. The site also has two clay-lined landfills for the management of combustion ash and brine salts as well as several process water ponds. The status and descriptions of the coal, natural gas and/or oil fired units existing on the site, together with anticipated emission control upgrades, may be found in GRU's 2006 Ten Year Site Plan submission to the Florida Public Service Commission available at www.GRU.com as described in the note to Table 1. Potential respondents will be given the opportunity to view the site and ask questions.

The Gainesville City Commission recognizes the reliability and cost benefits of having generation located within its control area but wishes to place only the most environmentally sensitive generation capacity as possible on the site. On April 12, 2006 the City Commission took the following formal action which has resulted in this request of utility staff:

> *"Initiate a conceptual design and pricing to include but not limited to the following alternatives to compare to an all source solicitation requesting proposals to meet the balance of GRU's demand and energy needs:*
>
> - *A small (<100 MW) facility capable of 100% biomass on site locally;*
> - *An IGCC unit on site locally (260MW or less) or off-site if bigger, preferably using biomass;*
> - *Be open to partnerships either on-site or off-site.*
> - *Carbon neutrality - reduce carbon intensity per capita"*

Staff is currently developing estimates for the biomass and IGCC self-build options. A fuel flexible biomass option may be advantageous, and "off-site" options may include distributed generation within GRU's service territory.

FINANCIAL AND OPERATIONAL CONSIDERATIONS

GRU is a municipally owned and operated electric, water, wastewater, natural gas, and telecommunication utility located in north central Florida. GRU is financially strong, with "Aa" bond ratings from Moody's Investor Services and "AA" bond ratings from Standard and Poor's. Although GRU has a long corporate history of owning and operating its own generation capacity, there are

a number of factors that would lead GRU to considering other arrangements. For example, IGCC is a relatively new technology, and GRU recognizes the potential benefits of joint ownership with, and/or operation and maintenance by, an entity with a long term vested interest in that specific technology. GRU recognizes that recently enacted tax and production credits, IRS regulations, and emerging opportunities for supplemental grant funding could create value leading to something other than a conventionally owned and financed unit and is willing to consider innovative financial arrangements.

SUBMITTAL REQUIREMENTS

GRU does not expect firm pricing or other binding contractual commitments as a part of the Letter of Interest to be submitted pursuant to this request. However, the following information, clearly and succinctly written, would be very helpful in terms of an entity's letter of interest being favorably received.

1. The capacity and type of participation of interest, including the proposed contractual arrangements;

2. The proposed technology, including to the best extent possible, descriptions of fuel requirements, indicative heat rates, indicative environmental characteristics (i.e. emission types and rates, water consumption, etc.), capacity, and expected final production costs, relative to conventional technologies or commodity prices.

3. Contractual options with regard to changing shares of capacity through time, if any;

4. Description of by-products/wastes and their final disposition;

5. Strategies for managing environmental credits/allowances;

6. Site requirements;

7. Performance guarantees or risk mitigation;

8. Level of the proposed technology's commercial deployment;

9. The submitting firm's qualifications and experience; and

10. The timeframe in which power is needed or could be provided.

The options contained in the submittal will be reviewed with respect to potential cost, fuel diversity, environmental characteristics (e.g. emissions, water

consumption, by-products/wastes), counterparty credit, reliability, capacity options, and carbon intensity, as compared to GRU's self build options and projected requirements. Expressions of interest in participating in a facility at the Deerhaven site are also welcome. GRU will set up meetings during the "Discovery Phase" with any or all of the firms whose submittal is of interest to GRU to explore the ideas being presented more fully and to explore options or variations which could improve the value of the proposed project to GRU, or better fit it into a portfolio of options through time. Firms are not required to participate in this discovery process in order to respond to the RFP.

The meetings during the "Discovery Phase" will be held individually between the firm and GRU staff. The questions and answers will not be documented. It is the sole responsibility of the firm's staff to ascertain and interpret information gained from their session for use in developing their proposal in response to the RFP. Documented information contained in the RFP and addenda will take precedence if any conflict arises between the RFP and addenda and information the firm's representatives glean from the discovery meeting.

The firm's staff may meet with GRU staff in person or via phone conference. There will be a specific timeframe during which these meetings will be offered based on three hour time slots per meeting. On-site meetings will be held at the GRU Administration Building located at 301 S.E. 4th Avenue, Gainesville, Florida. For a phone conference, GRU will provide a phone number to the business contact person prior to the Discovery Session meeting date. Participants in the discovery phase are solely responsible for any and all costs associated with their participation

SUBMITTALS AND SCHEDULE

All questions, inquiries, and submittals related to this request should be directed to:

Gainesville Regional Utilities
Power Supply RFI c/o
GRU Purchasing Department
Attn: Ralph Wisco, Senior Buyer
Mr. Wisco can be reached at (352) 334-1251.

Mailing address:
P.O. Box 147117, Station A-130
Gainesville, FL 32614-7117

Physical address (hand delivery by firm or express courier):
301 S.E. 4th Avenue
Gainesville, FL 32601

If this Request is obtained other than directly from GRU's Purchasing Department, interested parties should notify Mr. Wisco in order to be informed should any aspect of this process be amended. Following is the anticipated schedule:

September 1, 2006	Issue request for Letters of Interest
To Be Announced	Pre-submittal meeting and site review
December 15	Submittals due by 2:00 PM, EST
January-March 15, 2007	Discovery period
April 2007	Report to the City Commission
May 2007	Issue Request for Binding Proposals