AGREEMENT
FOR THE PURPOSE OF
ENSURING COMPLIANCE WITH
AMBIENT AIR QUALITY STANDARDS FOR OZONE

This Agreement is entered into between the Florida Department of Environmental Protection ("FDEP") and Florida Power & Light Company ("FPL") to reduce emissions of nitrogen oxides from an existing electrical generating facility for the exclusive purpose of ensuring compliance with the ambient air quality standards for ozone, as provided for by Section 366.8255(1)(d)7, Florida Statutes (2002).

WHEREAS:

I. The Florida Legislature enacted Chapter 2002-276, Laws of Florida, to allow agreements between electric utilities and FDEP for the purpose of ensuring compliance with ozone ambient air quality standards, and further to provide for the recovery of costs and expenses prudently incurred by an electric utility pursuant to such an agreement entered into prior to October 1, 2002;

II. FDEP has the statutory duty and authority, pursuant to Chapter 403, Florida Statutes, and rules adopted under Chapter 62, Florida Administrative Code, to protect and maintain Florida's air quality, including ensuring compliance with ambient air quality standards for ozone;

III. The U.S. Environmental Protection Agency ("U.S. EPA") has promulgated a new ambient air quality standard for ozone that establishes a permissible limit on the level of ozone during any 8-hour period;

IV. Manatee County is located in the vicinity of the Tampa Bay Airshed, which has experienced recent episodes of elevated ozone levels higher than the U.S. EPA's new ambient air quality standard for ozone on at least 15 separate days in the past four years;

V. Nitrogen oxides emissions from electrical generating facilities owned by electric utilities can contribute to the formation of ozone in the vicinity of an electrical generating facility;

Based upon the best available information, including ambient air quality monitoring data, it is not clear whether the Tampa Bay Airshed will be in compliance with the 8-hour ozone standard in 2004/2005.

FPL is an electric utility that owns and operates an electrical generating facility known as the Manatee Plant, located in unincorporated Manatee County, Florida, comprised of two 800 megawatt class fossil fuel-fired generating units known as Manatee Units 1 and 2 or jointly as "the facility";

FPL is regulated by the Florida Public Service Commission, and the Manatee Plant provides electric power to consumers in FPL's service area;

Manatee Units 1 and 2 emit nitrogen oxides, a precursor to regional ozone formation, into the atmosphere of Manatee County and surrounding areas, including the Tampa Bay Airshed;

X. The Manatee Plant, together with other regional power plants, commercial and industrial activities, and transportation, are the main sources of nitrogen oxides affecting regional ozone formation in the Tampa Bay Airshed;

XI. FPL has identified a nitrogen oxides emissions control technology known as "reburn" that is a "pollution prevention" system, which can reduce nitrogen oxides emissions from Manatee Units 1 and 2 without the use of reagents, catalysts, pollution collection or removal equipment;

XII. Use of the proposed reburn emissions control technology in Manatee Units 1 and 2 will require FPL to incur certain costs and expenses to install, operate and maintain that control technology; and,

XIII. Installation of reburn technology in FPL's Manatee Units 1 and 2 and the

achievement of an emissions rate of no greater than 0.25 pounds per million BTU on a 30-day rolling average basis will help to ensure that the Tampa Bay Airshed will comply with the ozone ambient air quality standards established by U.S. EPA and by FDEP.

NOW THEREFORE, in consideration of the premises and mutual agreements contained herein, and intending to be legally bound, FDEP and FPL hereby agree as follows:

1. This Agreement is entered into by FDEP and FPL for the exclusive purpose of ensuring compliance with ozone ambient air quality standards.

2. This Agreement is in full force and effect upon the signature of both parties unless the Florida Public Service Commission (FPSC) does not issue a final order authorizing FPL to recover the costs incurred pursuant to this Agreement through the Environmental Cost Recovery Clause within 120 days of the execution of the Agreement at which time the parties may mutually agree, in writing, to extend the Agreement. In the event the FPSC does not issue a final order within 120 days of the execution of the Agreement and the parties do not mutually agree to extend the Agreement, the Agreement becomes null and void. A final order is one that is no longer subject to review or appeal by a court of competent jurisdiction. FPL will exercise good faith in seeking approval of such cost recovery from the FPSC in a timely manner. FDEP agrees to support FPL's request for such approval by the FPSC. FDEP and FPL agree that installation of reburn technology in Manatee Units 1 and 2, in conjunction with the achievement of an emissions rate of no greater than 0.25 pounds per million BTU on a 30-day rolling average, will reduce nitrogen oxides emissions from the facility in a potential ozone nonattainment area.

3. FPL shall commence installation of reburn technology in one of the existing Manatee Units (either Unit 1 or Unit 2) no later than 18 months after receiving all required state, federal or local environmental permits. FPL shall commence installation of reburn technology on the other unit no later than 12 months after installation has commenced on the first Unit. Installation of reburn technology in each Unit shall be completed no later than 12 months after commencement of installation in that Unit. The reburn technology will consist of a combustion

modification process that utilizes fuel (either oil or natural gas) and air staging within the boilers to reduce nitrogen oxides emissions. In addition, overfire air (OFA) may be injected above the reburn zone within the boilers of Manatee Units 1 and 2 to reduce overall nitrogen oxides emissions.

4. The reburn technology installed in Manatee Units 1 and 2 shall be designed to achieve a nitrogen oxides emissions goal of 0.20 pounds per million BTU heat input on a 30-day rolling average. It is anticipated that achievement of this emissions goal will be achieved by utilizing the reburn when operating the Unit at greater than or equal to 350 megawatts.

5. Upon completion of installation of the reburn technology in each Unit, FPL shall optimize the operation of that Unit with reburn technology. After this optimization period has been completed for a Unit, or after a six month period, whichever occurs first, the reburn technology shall be utilized to minimize nitrogen oxides emissions when that Unit is in operation.

6. After completion of the optimization period for each Unit described in Paragraph 5, a nitrogen oxides emissions limit of 0.25 pounds per million BTU (30-day rolling average) shall apply to that Unit. This nitrogen oxides emissions limit shall apply during the data collection, testing and evaluation program described in Paragraph 7 and shall be incorporated into the Manatee Plant's Title V permit at the time of the next renewal.

7 Beginning upon completion of the optimization period for the first of the Manatee Units in which reburn technology is installed, FPL shall conduct an 18 month program designed to evaluate nitrogen oxides emissions rates, boiler performance and Unit operation with the goal of identifying and implementing the lowest emissions rate possible for Manatee Units 1 and 2. This program shall include collection and analysis of data on nitrogen oxides emissions, boiler operating parameters, Unit performance characteristics and emissions of other pollutants, as well as projections of emissions rates assuming alternative, non-tested operating parameters and scenarios, including variations in fuels fired, Unit load and load-changing conditions, boiler and burner performance and any other factors relevant in evaluating possible changes to the nitrogen

oxides emissions limit for Manatee Units 1 and 2. At the end of the 18 month period, FPL shall submit a report to FDEP summarizing the results of the program and addressing whether any further change in the applicable nitrogen oxides emissions limit is possible under tested and other alternative operating scenarios. Following receipt of the report, FDEP and FPL shall meet to discuss whether any further change in the applicable nitrogen oxides emissions limit for Manatee Units and 2 is possible. If FDEP and FPL mutually agree on a change in the nitrogen oxides emissions limit for Manatee Units 1 and 2, FPL shall submit a Title V application for the Manatee Plant's Title V permit to incorporate the new, agreed-upon limit. If FDEP and FPL do not agree on any new nitrogen oxides emissions limit for Manatee Units 1 and 2, the limit established in Paragraph 6 shall remain applicable.

8. In the event state or federal law changes to require a change in nitrogen oxides emissions or the Tampa Bay Airshed is declared non-attainment for ozone, any reduction requirements would be in accordance with all applicable state and federal requirements. FDEP concurs that the changes contemplated by this Agreement will not constitute "modifications" that trigger New Source Review. In addition, although Florida currently has no state statute providing for nitrogen oxides trading or credits, FPL shall be entitled to retain all nitrogen oxides reduction credits and trading rights that may be authorized by Florida law in the future.

9. FDEP concurs that the steps and changes described in paragraphs 3 through 7, above, are prudent for purposes of (a) ensuring that FPL's Manatee Plant located within the Tampa Bay Airshed supports the area's compliance with the 8-hour ozone ambient air quality standard and (b) authorizing related cost recovery pursuant to Section 366.8255(1)(d), Florida Statutes, as amended by the Florida Legislature in its 2002 session and signed into law by the Governor of the State of Florida.

10. FDEP shall process in a timely manner any permit applications or requests for approvals necessary to implement this Agreement.

11. This Agreement is not and shall not be construed to be a permit issued or required pursuant to any federal, state or local law, rule or regulation including those of FDEP and Manatee County.

12. FPL shall be entitled to relief from the time requirements of this Agreement in the event of a *force majeur*, which includes, but is not limited to, delays in regulatory approvals, construction, labor, material, or equipment delays, fuel supply delays, acts of God or other similar events that are beyond the control of FPL and do not result from its own actions, for the length of time necessarily imposed by any such delay.

13. There shall be no modifications or amendments of this Agreement without the written agreement of all parties to this Agreement.

14. This Agreement shall apply to and be binding upon FDEP and FPL and their successors and assigns. Each person signing this Agreement certifies that he or she is authorized to execute this Agreement and to legally bind the party on whose behalf he or she signs this Agreement.

By their signatures affixed below, the parties agree to be bound by the terms and conditions of this Agreement.

DEPARTMENT OF ENVIRONMENTAL PROTECTION

9-19-02
Date

BY: _____
Allan Bedwell, Deputy Secretary

FLORIDA POWER & LIGHT COMPANY

9-19-02
Date

BY: _____
Randall LaBauve, Vice President
Environmental Services