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December 13, 2024

VIA ELECTRONIC FILING

Mr. Adam J. Teitzman
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Docket No. 20240155-EI
Florida Power & Light Company's Petition for Approval of Accounting Treatment for the Transfer of its Proportional Share of Plant Daniel Units 1 & 2 – Response to Staff's First Data Request (Nos. 1-10)

Dear Mr. Teitzman:

I enclose for filing in the above referenced docket Florida Power & Light Company's responses to the Staff of the Florida Public Service Commission's First Data Request (Nos. 1-10).

If you or your staff have any questions regarding this filing, please contact me at (561) 691-7255.

Respectfully submitted,

/s/ Joel T. Baker
Joel T. Baker
Fla. Bar No. 0108202

Enclosures

Cc: Certificate of Service
Greg Davis, Engineering Specialist, Florida PSC Staff (gdavis@psc.state.fl.us)

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copies of the foregoing have been furnished by Electronic Mail to the following party of record this 13th day of December 2024:

Jennifer Crawford Shaw Stiller Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, FL 32399 jcrawfor@psc.state.fl.us sstiller@psc.state.fl.us discovery-gcl@psc.state.fl.us ***For Commission Staff***

/s/ Joel T. Baker
Joel T. Baker
Fla. Bar No. 0108202

Attorney for Florida Power & Light Company

<u>QUESTION:</u>
Please refer to Appendix B of FPL's Petition, the Summary Cumulative Present Value Revenue Requirements (CPVRR) Analysis for Plant Daniel.

a. Provide a version of this chart for both the Base Case (excluding the proposed Purchase and Sale Agreement (PSA)), the PSA Case (with the PSA implemented), and the Differential. Provide an electronic version of these charts in Excel format with formulas intact.

b. Explain how each category's values were calculated and what assumptions were utilized in those calculations. For Common Facilities Expense and Capital, provide historic values for the period 2019 through 2024.

c. Provide the annual net output of the Plant Daniel Coal Units for the period 2019 through 2024, for FPL's share and the units as a whole.

<u>RESPONSE</u>:

a. See Attachment 1 to this response, which provides the requested charts in Excel format. The charts for the Base Case (excluding the proposed Purchase and Sale Agreement (PSA)), the PSA Case (with the PSA implemented), and the Differential are included in the tab labeled "Staffs 1st DR No. 1a" and are also attached in PDF format as Attachment 2.

b. Common Facilities Expense includes FPL's 50% allocation of the non-CCR (avoidable) portion of (1) Common Facilities O&M, (2) Jackson County Port Authority – Black Creek Cooling Facility ("JCPA BCCF") Maintenance Projects, (3) A&G Expense, and (4) Property Insurance.

    1. The Common Facilities O&M forecast provided by Mississippi Power Company ("MPC") is based on the approved budget for 2025 and escalated 2.20% annually for years 2026 and beyond.

    2. The JCPF BCCF budget includes MPC's cost estimates for planned projects through 2027. The 2028 estimate is the average of the annual costs from 2024-2027, and years 2029 and beyond are escalated 2.20% annually off the 2028 base year.

    3. A&G Expense is allocated from MPC in the approved 2025 budget, escalated 2.20% for years for years 2026 and beyond.

    4. Property insurance is the 2024 premium billed to FPL, escalated 2.20% for years 2025 and beyond.

Common Facilities Capital includes the approved budget for 2025; 2026 is the average of the approved 2024 and 2025 budgets, escalated 2.20% in years 2027 and beyond. Property / Ad Valorem Tax assumes the transaction takes place on or before 12/31/2024; if the transaction takes place after 12/31/2024, the Ad Valorem liability for accrual year 2025 would stay with FPL and the transfer payment would be reduced by the same amount. In 2025, the Property / Ad Valorem Tax value reflects that the full $5.9 million Payment in Lieu of Taxes ("PILOT") is due on the 64% of plant value attributed to the scrubber; the remaining 36% of plant value is taxed at the current millage rate per the 2023 tax bill. Years 2026 and beyond, after the PILOT expires, are based on idle plant value through the end of decommissioning in 2033. The historic values for Common Facilities Expense and Capital from 2019 through 2024 are available in Attachment 3 and are also available in the tab labeled "Staffs 1st DR No. 1b" in the Excel file included as Attachment 1 to this response.

c. Plant Daniel's annual net generation for the coal units 1 and 2 is summarized in the table below. FPL does not have knowledge of MPC's generation data other than from publicly available data sources. The MPC portion of net generation were obtained from MPC's FERC Form 1 reports. MPC has not yet filed its FERC Form 1 for calendar year 2024, which is why this portion of the table is not complete.

Plant Daniel Units 1 & 2 Annual Net Generation by Owner 2019-2024 (MWh)

	2019	**2020**	**2021**	**2022**	**2023**	**2024**
FPL	1,175,814	1,138,215	1,391,653	1,054,276	109,765	0
MPC	1,031,400	1,138,216	1,031,400	1,730,951	1,432,077	N/A
Total	2,207,214	2,276,431	2,423,053	2,785,227	1,541,842	N/A

Attachment 1 is an Excel file titled
“20240155 – Staff’s 1st DR No. 1 – Attachment 1.xlsx”

Request No. 1.a

Summary CPVRR Analysis for Plant Daniel
As-Filed Base Case - Plant Daniel Retires End of 2031

$ Millions	CPVRR	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Discount Factor		0.96	0.89	0.82	0.76	0.70	0.65	0.60	0.56	0.51	0.48	0.44	0.41
Revenue Requirements[1]													
Base Case (Excluding PSA)													
Ongoing Costs													
Common Facilities Expense[2][7]	$28.9	$5.3	$5.1	$5.2	$5.4	$5.5	$5.6	$5.7	$0.0	$0.0	$0.0	$0.0	$0.0
Common Facilities Capital (expensed)[2][7]	8.1	1.6	1.4	1.4	1.5	1.5	1.5	1.6	-	-	-	-	-
Property / Ad Valorem Tax[2]	22.0	6.9	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	-	-	-
Subtotal, Ongoing Costs	**59.0**	**13.8**	**9.3**	**9.4**	**9.6**	**9.8**	**9.9**	**10.1**	**2.8**	**2.8**	**-**	**-**	**-**
Regulatory Asset													
Amortization of Reg Asset[3][8]	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest Expense[4]	-	-	-	-	-	-	-	-	-	-	-	-	-
Return on Equity[5]	-	-	-	-	-	-	-	-	-	-	-	-	-
Income Tax[6]	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal, Regulatory Asset	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total RevReqs, Base Case (Excluding PSA)	**$59.0**	**$13.8**	**$9.3**	**$9.4**	**$9.6**	**$9.8**	**$9.9**	**$10.1**	**$2.8**	**$2.8**	**$0.0**	**$0.0**	**$0.0**
PSA Case													
Ongoing Costs													
Common Facilities Expense[2][7]	-	-	-	-	-	-	-	-	-	-	-	-	-
Common Facilities Capital (expensed)[2][7]	-	-	-	-	-	-	-	-	-	-	-	-	-
Property / Ad Valorem Tax[2]	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal, Ongoing Costs	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Regulatory Asset													
Amortization of $45 MM Reg Asset[3][8]	$28.8	$0.0	$4.5	$4.5	$4.5	$4.5	$4.5	$4.5	$4.5	$4.5	$4.5	$4.5	$0.0
Interest Expense[4]	3.5	0.8	0.7	0.7	0.6	0.5	0.4	0.3	0.3	0.2	0.1	0.0	(0.0)
Return on Equity[5]	9.9	2.2	2.1	1.8	1.6	1.4	1.2	1.0	0.8	0.5	0.3	0.1	(0.0)
Income Tax[6]	3.4	0.7	0.7	0.6	0.6	0.5	0.4	0.3	0.3	0.2	0.1	0.0	(0.0)
Subtotal, Regulatory Asset	**45.6**	**3.7**	**8.0**	**7.6**	**7.2**	**6.9**	**6.5**	**6.1**	**5.8**	**5.4**	**5.0**	**4.7**	**(0.0)**
Total RevReqs, PSA Case	**$45.6**	**$3.7**	**$8.0**	**$7.6**	**$7.2**	**$6.9**	**$6.5**	**$6.1**	**$5.8**	**$5.4**	**$5.0**	**$4.7**	**($0.0)**

Request No. 1.a

Summary CPVRR Analysis for Plant Daniel
As-Filed Base Case - Plant Daniel Retires End of 2031

$ Millions	CPVRR	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Discount Factor		0.96	0.89	0.82	0.76	0.70	0.65	0.60	0.56	0.51	0.48	0.44	0.41
Differential of PSA Case - Base Case (Excluding PSA)													
Ongoing Costs													
Common Facilities Expense(2)(7)	($28.9)	($5.3)	($5.1)	($5.2)	($5.4)	($5.5)	($5.6)	($5.7)	$0.0	$0.0	$0.0	$0.0	$0.0
Common Facilities Capital (expensed)(2)(7)	(8.1)	(1.6)	(1.4)	(1.4)	(1.5)	(1.5)	(1.5)	(1.6)	-	-	-	-	-
Property / Ad Valorem Tax(2)	(22.0)	(6.9)	(2.8)	(2.8)	(2.8)	(2.8)	(2.8)	(2.8)	(2.8)	(2.8)	-	-	-
Subtotal, Avoidable Costs	**(59.0)**	**(13.8)**	**(9.3)**	**(9.4)**	**(9.6)**	**(9.8)**	**(9.9)**	**(10.1)**	**(2.8)**	**(2.8)**	**-**	**-**	**-**
Regulatory Asset													
Amortization of $45 MM Reg Asset(3)(8)	$28.8	$0.0	$4.5	$4.5	$4.5	$4.5	$4.5	$4.5	$4.5	$4.5	$4.5	$4.5	$0.0
Interest Expense(4)	3.5	0.8	0.7	0.7	0.6	0.5	0.4	0.3	0.3	0.2	0.1	0.0	(0.0)
Return on Equity(5)	9.9	2.2	2.1	1.8	1.6	1.4	1.2	1.0	0.8	0.5	0.3	0.1	(0.0)
Income Tax(6)	3.4	0.7	0.7	0.6	0.6	0.5	0.4	0.3	0.3	0.2	0.1	0.0	(0.0)
Subtotal, Regulatory Asset	**45.6**	**3.7**	**8.0**	**7.6**	**7.2**	**6.9**	**6.5**	**6.1**	**5.8**	**5.4**	**5.0**	**4.7**	**(0.0)**
Net Customer Costs / (Savings)(9)	**($13.4)**	**($10.2)**	**($1.3)**	**($1.8)**	**($2.4)**	**($2.9)**	**($3.4)**	**($3.9)**	**$3.0**	**$2.6**	**$5.0**	**$4.7**	**($0.0)**

Request No. 1.a

Summary CPVRR Analysis for Plant Daniel
As-Filed Base Case - Plant Daniel Retires End of 2031

$ Millions	CPVRR	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Discount Factor		0.96	0.89	0.82	0.76	0.70	0.65	0.60	0.56	0.51	0.48	0.44	0.41
Base: Incremental Revenue Requirements[1]													
Common Facilities Expense[2]	($22.5)	($3.9)	($4.0)	($4.1)	($4.2)	($4.3)	($4.4)	($4.5)	$0.0	$0.0	$0.0	$0.0	$0.0
Common Facilities Capital (expensed)[2]	(7.0)	(1.6)	(1.2)	(1.2)	(1.2)	(1.3)	(1.3)	(1.3)	-	-	-	-	-
Property / Ad Valorem Tax[2]	(22.0)	(6.9)	(2.8)	(2.8)	(2.8)	(2.8)	(2.8)	(2.8)	(2.8)	(2.8)	-	-	-
Amortization of $39.3 MM Base Reg Asset[3]	25.2	-	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	-
Interest Expense[4]	3.1	0.7	0.6	0.6	0.5	0.4	0.4	0.3	0.2	0.2	0.1	0.0	(0.0)
Return on Equity[5]	8.6	1.9	1.8	1.6	1.4	1.2	1.0	0.8	0.7	0.5	0.3	0.1	(0.0)
Income Tax[6]	2.9	0.6	0.6	0.5	0.5	0.4	0.4	0.3	0.2	0.2	0.1	0.0	(0.0)
Net Base Revenue Requirement	(11.7)	(9.2)	(1.0)	(1.5)	(1.9)	(2.3)	(2.8)	(3.2)	2.3	1.9	4.4	4.1	(0.0)
Clause: Incremental Revenue Requirements[1]													
Common Facilities Expense[7]	($6.4)	($1.3)	($1.1)	($1.1)	($1.2)	($1.2)	($1.2)	($1.3)	$0.0	$0.0	$0.0	$0.0	$0.0
Common Facilities Capital (expensed)[7]	(1.0)	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	-	-	-	-	-
Property / Ad Valorem Tax[7]	-	-	-	-	-	-	-	-	-	-	-	-	-
Amortization of $5.7 MM Clause Reg Asset[8]	3.7	-	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	-
Interest Expense[4]	0.4	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	(0.0)
Return on Equity[5]	1.3	0.3	0.3	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.0	0.0	(0.0)
Income Tax[6]	0.4	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	(0.0)
Net Clause Revenue Requirement	(1.7)	(0.9)	(0.3)	(0.3)	(0.5)	(0.5)	(0.6)	(0.7)	0.7	0.7	0.6	0.6	(0.0)
Net Customer Costs / (Savings)[9]	**($13.4)**	**($10.2)**	**($1.3)**	**($1.8)**	**($2.4)**	**($2.9)**	**($3.4)**	**($3.9)**	**$3.0**	**$2.6**	**$5.0**	**$4.7**	**($0.0)**

1) Revenue Requirement represents the difference between the Revenue Requirement with and without the Transaction
2) Represents cost savings associated with FPL's 50% ownership interest in Plant Daniel that are recovered through base rates
3) Represents the amortization of the base regulatory asset over 10 years
4) Interest expense assumes 5.66% cost of debt and 40.4% debt to investor capital ratio
5) Return on Equity assumes 10.80% cost of equity and 59.6% equity to investor capital ratio
6) Income tax assumes blended state and federal tax rate of 25.345%
7) Represents cost savings associated with FPL's 50% ownership interest in Plant Daniel that are recovered through clause rates
8) Represents the amortization of the clause regulatory asset over 10 years
9) Net Customer Costs / (Savings) reflect the sum of base and clause net revenue requirement

Request No. 1.b

Summary CPVRR Analysis for Plant Daniel
Calculations, Assumptions, and Historical Values

$ Millions	CPVRR	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Discount Factor		0.96	0.89	0.82	0.76	0.70	0.65	0.60	0.56	0.51	0.48	0.44	0.41
Revenue Requirement Calculations													
Avoidable Costs													
Common Facilities Expenses													
Common Facilities O&M[1]	$10.7	$1.9	$1.9	$2.0	$2.0	$2.0	$2.1	$2.1	$0.0	$0.0	$0.0	$0.0	$0.0
JCPA BCCF Maintenance Projects[2]	2.1	0.6	0.3	0.3	0.4	0.4	0.4	0.4	-	-	-	-	-
A&G Expense[3]	10.2	1.8	1.8	1.9	1.9	1.9	2.0	2.0	-	-	-	-	-
Property Insurance[4]	6.0	1.1	1.1	1.1	1.1	1.1	1.2	1.2	-	-	-	-	-
Common Facilities Expenses, Total	**28.9**	**5.3**	**5.1**	**5.2**	**5.4**	**5.5**	**5.6**	**5.7**	**-**	**-**	**-**	**-**	**-**
Common Facilities Capital (expensed)[5]	8.1	1.6	1.4	1.4	1.5	1.5	1.5	1.6	-	-	-	-	-
Property / Ad Valorem Tax[6][7]	22.0	6.9	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	-	-	-
Total, Avoidable Costs	**$59.0**	**$13.8**	**$9.3**	**$9.4**	**$9.6**	**$9.8**	**$9.9**	**$10.1**	**$2.8**	**$2.8**	**$0.0**	**$0.0**	**$0.0**

Expense Escalation 2.20%

1) Budget estimate provided by Mississippi Power Company ("MPC"); 2025 approved budget is escalated 2.20% in 2026 and beyond
2) 50% of the non-CCR (avoidable) portion of Jackson County Port Authority (JCPA) - Black Creek Cooling Facility (BCCF) maintenance projects budgeted by MPC through 2028; escalated for years 2029 and beyond
3) A&G is the non-CCR (avoidable) portion of the A&G allocated from MPC in the approved 2025 budget, escalated for years 2026 and beyond
4) Property insurance is the 2024 premium billed to FPL, escalated for years 2025 and beyond
5) 2025 is approved budget; 2026 is the average of the approved 2024 and 2025 budgets, escalated in 2027 and beyond
6) Ad valorem tax assumes the transaction takes place on or before 12/31/2024; After 12/31/2024 ad valorem liability for accrual year 2025 stays with FPL and transfer payment would be reduced by the same amount
7) Full PILOT payment is due in 2026. 2027 and beyond are based on idle plant value through end of decommissioning in 2033

Historical Common Facility Costs (2019-2024)[1][2]	2019	2020	2021	2022	2023	2024[3]
Common Facilities Expense	12.0	12.1	12.1	15.6	15.7	4.5
Common Facilities Capital	8.6	11.8	13.2	10.8	4.8	2.0
Total, Common Facilities Costs	**$20.6**	**$23.8**	**$25.3**	**$26.5**	**$20.5**	**$6.5**

1) FPL's allocated share of Common Facilities Costs declined significantly after the company retired it's 50% interest in Plant Daniel in January 2024
2) Historical values exclude property insurance and ad valorem taxes
3) 2024 value is year to date through October

QUESTION:
Provide a timeline of the agreements, memorandum, and notices associated with how operating costs would be divided between Gulf or FPL and Mississippi Power Company (MPC) at the Plant Daniel Coal Units or the retirement of Plant Daniel Coal Units.

a. Provide timeline of major decisions with Plant Daniel regarding the sharing of operation and maintenance expenses, retirement of Gulf and/or FPL's share of the Plant Daniel Coal Units, and the PSA.

b. Provide a summary of how operating costs and/or retirement issues were addressed in each of the following documents identified in Plant Schedule 1.1(c). Please also provide a copy of each of the documents.

   i. Letter Agreement dated July 28, 1976.
   ii. Memorandum dated August 24, 2004.
   iii. Second Amended and Restated Plant Daniel Operating Agreement dated July 8, 2022.
   iv. Bill of Sale dated February 15, 2024, regarding the Coal Stockpile.
   v. Bill of Sale dated February 15, 2024, regarding the Oil Inventory.

c. What costs or benefits did FPL incur as a result of the 2024 Bills of Sale for the Coal Stockpile and/or Oil Inventory?

d. Provide a copy of the 2019 Notice provided by Gulf on retiring its share of the Plant Daniel Coal Units.

e. Provide a list of the agreements, amendments, and memos by date that determined the methodology for sharing of operating costs and/or retirement of the Plant Daniel Coal Units.

f. Please explain what agreement(s), amendment(s), and/or memo(s) were in effect prior to the July 8, 2022 Operating Agreement. If not provided in part (b), please provide any related documents.

RESPONSE:
a. The below table provides a summary of major decisions by Gulf and/or FPL regarding Plant Daniel

Year	Decision or Action
1976	Gulf Power commits to becoming a 50% owner in Plant Daniel, sharing in 50% of the construction, book costs, and operating expenses of the plant upon the completion of Unit 2's construction.

1981	Plant Daniel Unit 2 is placed in-service on June 1, 1981, at which point Gulf Power becomes 50% owner in the plant. MPC and Gulf Power execute an Operating Agreement in August of that year, which provides greater detail on how cost allocation between the owners will be managed. Fixed costs are to be allocated to each owner on a 50%-share basis, while fuel and energy-related costs are to be allocated based on each owner's share of generation.
2004	With MPC's natural-gas fired combined cycle Units 3 and 4 being placed into service in 2001 at the same Plant Daniel site, it became necessary to clarify the cost-share allocation of certain common plant costs for the owners of Units 1 & 2. The framework for adjusting the common cost allocation is outlined in an August 24, 2004 memo between MPC and Gulf Power.
2018	FPL initiates the acquisition of Gulf Power from Southern Company. Acquisition is completed by January 1, 2019.
2019	After an analysis of the resource planning requirements for the combined FPL and Gulf system, from both a capacity reserve margin and cost-effectiveness perspective, FPL determines that it would be optimal to retire its share of Plant Daniel in the 2024 timeframe. FPL sends a notice to MPC stating that its intended retirement date for its share of the units is January of 2024.
2022	With FPL's announced retirement date of January 1, 2024 approaching, MPC and FPL negotiate an amendment to the 1981 Operating Agreement defining how Daniel Unit 1 & 2 operating, common plant, and decommissioning costs will be allocated between the owners post-retirement of FPL's share.
2023	In its efforts to continually optimize its generation fleet and reduce operating costs, FPL increases its focus on alleviating the common plant cost-share that FPL will continue to bear for its retired ownership share in Plant Daniel 1 & 2. FPL evaluates several options to eliminate or reduce these costs.
2024	FPL engages in discussions with Southern Company regarding options to reduce or eliminate costs associated with its share of Daniel 1 & 2. Discussions and negotiations culminate with an agreement to transfer FPL's share in Daniel 1 & 2 to MPC as outlined in the purchase and sale agreement.

b. The requested documents are included in Attachments 1-5. A summary of each document is provided below:

<u>*Letter Agreement dated July 28, 1976 (Attachment No. 1)*</u>
This letter agreement outlines Gulf Power's commitment to become a 50% owner in Plant Daniel Units 1 & 2 once Unit 2 is placed into service, including how initial construction costs and the proportional Net Book Value of Unit 1 will be paid by Gulf Power to MPC. Key elements of the letter agreement regarding cost allocation and/or retirement include the following:

- Construction and Initial Operation - MPC has nearly completed Unit 1 and will continue to operate it until Unit 2 is ready.
- Joint Ownership - Once Unit 2 is operational, both MPC and Gulf will each have a 50% undivided ownership in both Units 1 and 2.
- Equal Investment - Both companies will end up with equal financial investments in the plant.
- Shared Costs - With the operation of Unit 2, all costs related to construction, operation, and maintenance will be shared equally between MPC and Gulf Power. This includes costs for water service provided by Jackson County.

The document ensures that both MPC and Gulf Power will share ownership, investments, and operating costs equally for Plant Daniel, starting from the time both units are operational.

<u>*Memorandum dated August 24, 2004 (Attachment No. 2)*</u>
This memorandum relates to an additional two generation units that were added to Plant Daniel (Units 3 & 4, natural gas-fired combined cycle units) and outlines the results of a review of cost allocation methods of common expenses associated with all four generation units at Plant Daniel so as to keep the cost responsibility for MPC and Gulf Power equivalent to the original 50/50 cost split when the plant only contained the two coal units. The memo confirms the validity of an original cost allocation method that was as agreed upon previously in a March 30, 2001 agreement that was executed after Units 3 & 4 were placed in-service. Key aspects of the memo include:

- Water Usage Costs - A study conducted by Plant Daniel personnel confirmed that the allocation split of 40% to coal units and 60% to combined cycle units was supported by actual water usage.
- Maintenance of Common Equipment, Facilities, and Services - A study of labor dollars from 2001 through 2003 confirmed that the allocation split of 75% to coal units and 25% to combined cycle units was appropriate.

Based on these findings, the memorandum recommended no adjustment to the allocation methods as outlined in the March 30, 2001 cost allocation agreement (*see* Attachment No. 8) and suggests a re-evaluation in 24 months (2006).

Second Amended and Restated Plant Daniel Operating Agreement dated July 8, 2022 (Attachment No. 3)
This amendment adjusted the cost allocation outlined in the original 1981 Operating Agreement in light of FPL's announced retirement of its share in the plant. Key elements of the amendment regarding cost allocation and retirement included the following:

- Each owner must continue to directly bear ad valorem, franchise, or other property-related taxes related to its ownership individually.
- After its retirement, FPL will no longer be responsible for unit-related maintenance and operating costs, but will continue to be responsible for 50% operating and maintenance costs and ordinary course capital costs related to Common Site Facilities associated with Units 1 & 2; these costs also include relevant administrative costs by MPC as agent and operator for the plant.
- FPL remains responsible for 50% of the Decommissioning Costs of plant associated with Units 1 & 2 even after retirement of its share. However, FPL would be exempt from covering any Decommissioning Cost increases that may result *solely* from MPC's continued operation of the plant after FPL's retirement.
- If MPC continues to operate Units 1 and/or 2 beyond December 31, 2041, FPL will have no continuing obligation for any costs associated with the plant except for the 50% share of Decommissioning Costs.

Bill of Sale dated February 15, 2024, regarding the Coal Stockpile (Attachment No. 4)
This Bill of Sale relates to a close-out of all remaining FPL fuel inventory at Plant Daniel after FPL retired its share of Units 1 & 2. It does not contain any relevant information related to allocation of on-going operating costs or retirement issues.

Bill of Sale dated February 15, 2024, regarding the Oil Inventory (Attachment No. 5)
This Bill of Sale relates to a close-out of all remaining FPL fuel inventory at Plant Daniel after FPL retired its share of Units 1 & 2. It does not contain any relevant information related to allocation of on-going operating costs or retirement issues.

c. The sale of coal and oil to MPC was done at the delivered weighted-average cost of inventory. Therefore, there was no net gain or loss resulting from the sales.

d. Please see Attachment No. 6.

e. The list of the agreements, amendments, and memos that determined the methodology for sharing of operating costs and/or retirement of the Plant Daniel Coal Units are as follows:

August 8, 1976	Letter Agreement between MPC and Gulf Power regarding 50/50 ownership share in Plant Daniel Units 1&2 (Attachment No. 1)
August 19, 1981	Victor J. Daniel, Jr. Electric Generating Plant Operating Agreement between MPC and Gulf Power (Attachment No. 7)

March 30, 2001	Agreement regarding Common Facilities Buy-Back and adjusted Allocation of Operation & Maintenance and Capital Expense as a result of the construction of Daniel Units 3 and 4 (Attachment No. 8)
August 24, 2004	Memorandum with the Subject "Victor J. Daniel, Jr., Electric Generating Operating Agreement Allocation of Common Operations and Maintenance Expense" between MPC and Gulf Power (Attachment No. 2)
July 8, 2022	Second Amended and Restated Plant Daniel Operating Agreement between MPC and Gulf Power (Attachment No. 3)
November 8, 2024	Victor J. Daniel, Jr. Electric Generating Plant Units 1 and 2 Purchase and Sale Agreement between FPL and MPC. (Appendix C to FPL's Petition)

f. Please see the attachments as referenced in part 'e' of this response.

F
Gulf

MISSISSIPPI POWER COMPANY

GULFPORT, MISSISSIPPI

ARLAN E. SCARBROUGH
ASSISTANT SECRETARY
ASSISTANT TREASURER

PLEASE REPLY TO:
P O BOX 4079
(ZIP CODE 39501)

August 8, 1976

Mr. V. J. Daniel, Jr.
Mr. F. M. Turner, Jr.
Mr. H. H. Bell, Jr. ✓
Mr. J. P. Stephens
Mr. K. M. Ezell
Mr. W. L. Wilson
Mr. Roger F. Boudet
Mr. Steve Waite
Mr. Hugh Dougan
Mr. A. W. Vogtle, Jr.
Mr. C. A. Lilly, Jr.
Mr. W. B. Reed
Mr. G. B. Campbell
Mr. W. A. Maner
Mr. Dean Hudson
Mr. W. O. Reece
Mr. Al Wright
Mr. E. Ray Perry

Gentlemen:

Enclosed is a copy of the signed letter agreement between Mississippi and Gulf relative to the joint ownership of the Jackson County Steam Plant. All previous drafts should be destroyed and the enclosed agreement should be the basis for all future action in budgets, regulatory filings, etc.

A separate agreement concerning transmission facilities, in connection with the plant, as well as an operating agreement, are presently being worked on by the parties and are expected to be completed and signed no later than September 15, 1976. The tax ruling with the IRS and the U-1 filing with the SEC are presently being prepared for submission to the respective regulatory agencies for approval.

A petition for approval of the sale of one-half of the plant by Mississippi to Gulf has been filed with the Mississippi Public Service Commission. Several parties have intervened in the matter and a hearing is scheduled before the Commission on August 27, 1976.

If you have any questions, please let me know.

Sincerely,

AEScarbrough

cc: Mr. Elmer Unruh

MISSISSIPPI POWER COMPANY

GULFPORT, MISSISSIPPI

V. J. DANIEL, JR.
PRESIDENT

PLEASE REPLY TO:
P. O. BOX 4079
ZIP CODE 39501

(Revised)
July 28, 1976

Mr. Robert F. Ellis, Jr., President
Gulf Power Company
P. O. Box 1151
Pensacola, Florida 32520

Dear Mr. Ellis:

Mississippi Power Company (MPCo) is engaged in construction of a steam electric generating plant in Jackson County, Mississippi (the Plant) at a location adjacent to the Pascagoula River about ten miles north of the City of Pascagoula, Mississippi. The Plant is scheduled to consist initially of two 500 MW units, the first to be operational in 1977 and the second in 1980. MPCo has acquired the plant site, and construction of Unit 1 has been substantially effected, as have facilities which will be common to both units. Common facilities include those listed on Exhibit 1 hereto. Cooling water for Units 1 and 2 will be supplied from a reservoir and canal facilities being built and to be operated by Jackson County, with MPCo being obligated to pay to Jackson County for water service (in addition to operating expenses and funds for an operating margin) amounts necessary to amortize the principal and interest on pollution control bonds, the proceeds of which were used for construction of such facilities. MPCo has already spent substantial funds for acquisition of the site and construction of the Plant.

Gulf Power Company (GULF) has expressed a desire to obtain a 50 percent undivided interest in Units 1 and 2 of the Plant.

This letter is to set forth the mutual understandings of MPCo and Gulf as to their respective intentions and commitments in connection with the foregoing.

1. MPCo will build and finance Unit 1 and will operate it solely for MPCo's account until Unit 2 is placed in commercial operation.

2. (a) As promptly as possible after necessary regulatory approval, Gulf will pay MPCo for all book costs, including the allowance for funds used during construction (AFUDC), which MPCo has incurred with respect to Unit 2 to the date of such payment. MPCo will deliver to Gulf an appropriate instrument conveying to Gulf all MPCo's right, title and interest in Unit 2 free and clear of all liens and encumbrances other than excepted encumbrances as defined in the first mortgage indenture between Gulf and The Chase Manhattan Bank (National Association), Trustee, dated September 1, 1941, as amended and supplemented.

(b) From and after the date of the payment referred to in 2.(a), Gulf will reimburse MPCo with respect to all costs, excluding AFUDC, thereafter incurred for acquisition and construction of Unit 2, as hereinafter provided.

(c) Until commercial operation of Unit 2, MPCo will retain title to the land on which Unit 1 is situated. Concurrently with the conveyance referred to in paragraph 2.(a), MPCo will deliver to Gulf an appropriate instrument conveying to Gulf fee simple title to the land on which Unit 2 is to be constructed, and an undivided one-half interest in and to the remainder of the Plant site free and clear of all liens and encumbrances other than excepted encumbrances as defined in the first mortgage indenture between Gulf and The Chase Manhattan Bank (National Association), Trustee, dated September 1, 1941, as amended and supplemented, for which Gulf will pay MPCo all its book costs, approximating $1,541,000 for the land so conveyed.

3. (a) Certain other facilities constructed will be common to both Unit 1 and Unit 2, for which Gulf will also pay MPCo all its book costs, approximating $19,776,000, for one-half of such common facilities. Also, concurrently with the conveyance referred to in paragraph 2.(a), MPCo shall convey to Gulf, free and clear of all liens and encumbrances other than excepted encumbrances as defined in the first mortgage indenture between Gulf and The Chase Manhattan Bank (National Association), Trustee, dated September 1, 1941, as amended and supplemented, a 50% undivided interest in and to items of such common facilities, subject, however, to the reservation by MPCo of a non-interest bearing vendor's lien, to secure the payment of $19,776,000 by Gulf to MPCo. The vendor's lien will be subordinate to the lien of the first mortgage indenture between Gulf and The Chase Manhattan Bank (National Association), Trustee, dated September 1, 1941, as amended and supplemented.

(b) Southern Company Services, Inc., has prepared a schedule (Exhibit 1) reflecting the amounts and schedule of expenditures which would have been made for common plant had Gulf undertaken construction of a one-unit 500-MW plant for initial commercial operation in 1980. Gulf will pay to MPCo the sums referred to in paragraphs 2.(c) and 3.(a), totaling $21,317,000, on the basis of such schedule as detailed in Exhibit 2. The parties recognize that approved budget revisions and actual cost experience may have the effect of revising such amounts and that payments by Gulf will be revised in the event such values do change. The initial payment will be the accumulated payments due under the schedule shown in Exhibit 2 through the date of initial payment for Unit 2 as provided in paragraph 2.(a) hereof. Such payments will be completed upon commercial operation of Unit 2 or June, 1980, whichever is the earliest.

(c) MPCo will have charged depreciation charges on Unit 1 for a period of three years from the commercial operation date of Unit 1 (June, 1977) to the commercial operation date of Unit 2 (June, 1980), at which time MPCo will convey to Gulf an undivided half interest in Unit 1, net of accumulated depreciation, and Gulf will convey an undivided half interest in Unit 2 to MPCo. At the time of such exchange, MPCo or Gulf, as appropriate, will make any payment to the other party necessary to insure an equal investment in the plant by each of the parties. Present estimates show that MPCo would, at such time of exchange, pay Gulf $15,752,000, as detailed in Exhibit 3. In accordance with regulations of the Federal Power Commission (Electric Plant Instruction No. 5), Gulf will enter on its accounting records all book costs associated with its ownership of an undivided half interest. Such book costs will include 50 percent of the accumulated provision for depreciation applicable to Unit 1 and common plant, currently estimated to be approximately $7,005,000, as shown in the calculations in Exhibits 2 and 3.

(d) The parties recognize that MPCo will require the use of the common facilities for the testing and operation of Unit 1 prior to Gulf's use for the testing and operation of Unit 2. MPCo will lease the common facilities owned by Gulf from the date Unit 1 is placed in commercial operation until the date Unit 2 is placed in commercial operation. The payments for the lease will be the depreciation charges on Gulf's investment in depreciable common facilities, approximating $1,570,000, as shown in Exhibit 2. MPCo will pay all taxes, insurance and other direct costs associated with the operation of common facilities prior to the testing of Unit 2.

(e) The parties also recognize that due to the complex and changing provisions of the income tax laws, the tax benefits, related to the initial joint ownership of the plant, earned by each of the parties may not be equal, even though each party shall have made an equal investment in the plant before consideration of income taxes. In such event, Gulf and MPCo will settle accounts between themselves so that each shall receive equal credit for income tax benefits related to the initial joint ownership of the plant.

4. It is recognized that MPCo is obligated under an agreement dated April 5, 1973, as subsequently amended (the "Agreement"), to purchase cooling water service from Jackson County, Mississippi, and the Jackson County Port Authority. Specifically, MPCo is obligated to make payments equivalent to: (1) the principal of and interest on $17,250,000 principal amount of pollution control bonds issued by Jackson County, Mississippi; (2) the operating costs of certain cooling water facilities as described in the Agreement; (3) an additional margin of 3 percent of such operating costs; and (4) amounts required to create and maintain a reserve fund as provided in the Agreement. MPCo will also pay any excess of the actual cost of the cooling water facilities over the $17,250,000 principal amount of pollution control bonds issued to finance the facilities. It is further recognized that MPCo, under a Guaranty Agreement

dated December 6, 1973, has guaranteed to the trustee, for the benefit of bondholders, the payment of the principal of, premium, if any, and interest on the pollution control bonds.

5. (a) On the date cooling water will be necessary for testing of components of Unit 2, estimated to be approximately nine months prior to the commercial operation date of Unit 2, Gulf shall become obligated to pay or reimburse 50 percent of MPCo's book cost of cooling water facilities, including accumulated depreciation and the financial liability attached to the facilities. The initial payment by Gulf to MPCo will be 50 percent of previous payments made by MPCo for principal as required by the Agreement, plus 50 percent of any payments made by MPCo for the cost of the facilities in excess of $17,250,000, less 50 percent of applicable accumulated depreciation. Gulf will thereafter pay MPCo for 50 percent of all further book costs expended for acquisition and construction of the cooling water facilities including payments to Jackson County for principal of, premium, if any, and interest on the pollution control bonds including sums, if any, paid by MPCo pursuant to the Guaranty Agreement with respect to such bonds. All costs and benefits of operation of the cooling water facility will be shared equally by the parties.

(b) In the event MPCo shall receive indemnity payments for water service, as provided for in the Agreement, from parties other than Gulf, or in the event MPCo shall lawfully recover any amounts paid by it under the Agreement or the Guaranty Agreement, Gulf shall be entitled to credit of an amount equal to 50 percent of all indemnity payments by such other parties and 50 percent of all such lawful recoveries. MPCo will agree to exercise its rights under the Agreement to the end that the full water requirements of Units 1 and 2 will be supplied at all times. MPCo will use its best efforts to secure an amendment to the water service agreement to the effect that if, for any reason, MPCo does not or cannot operate the Plant, Gulf shall have the right to secure from Jackson County water service in quantity sufficient for operation of the Plant.

6. (a) Gulf will designate MPCo as its agent to supervise and administer construction of Unit 2 and all contracts with respect thereto. Gulf reserves the right to monitor, audit and review all construction and associated activity. Gulf, by the execution of this letter of intent, hereby agrees to the existing contracts between MPCo and all other parties with respect to acquisition and construction of the Plant. All further contracts and agreements or modification thereof must be mutually agreed upon in advance by MPCo and Gulf.

(b) Gulf will execute and deliver to MPCo its general power of attorney to do such things as will be necessary to enable MPCo to act as agent for Gulf.

7. Gulf will establish a construction agency account in a bank mutually satisfactory to both parties and deposit in such account funds to the extent necessary for the payment of all day-to-day construction costs and expenditures made by MPCo for Gulf's account. Gulf will also pay such costs and expenses as MPCo will incur in providing administration and supervision with respect to acquisition and construction of Unit 2.

8. It is recognized that MPCo has in effect "wrap-up" insurance with respect to workmen's compensation liability for employees of contractors on the job. Gulf will reimburse MPCo for all its costs and expenditures for such insurance with respect to acquisition and construction of the Plant pursuant to the procedures provided above. MPCo will also procure and maintain all mutually agreed upon insurance.

9. MPCo shall furnish to Gulf monthly progress reports showing approximate percentage of completion of the Plant.

10. Purchase orders for construction components of Unit 2 issued after payment pursuant to paragraph 2 shall be in the name of MPCo as agent for Gulf.

11. MPCo shall furnish to Gulf, with advice and assistance of Southern Company Services, Inc., a classification of accounts to record construction costs relating to the Plant.

12. (a) Commencing with initial commercial operation of Unit 2, MPCo will operate the Plant for the account of itself and Gulf. Gulf will pay MPCo 50 percent of the costs of such operation and maintenance, including labor, supervision, taxes, insurance and overhead. Gulf will advance to MPCo funds to the extent necessary for payment of all day-to-day operating charges, costs and expenditures. Funds for major items of operation and maintenance expense, such as fuel purchases and maintenance contract payments, will be provided by Gulf on the date required by MPCo for payment. The fuel supply for both Units 1 and 2 will be jointly owned.

(b) MPCo will provide Gulf with an estimate each month showing the cash requirements by calendar months for the next three succeeding months. After receipt of such estimate, the advance by Gulf in the hands of MPCo will be adjusted upward or downward as necessary to cover the estimated expenditures for the next succeeding calendar month. MPCo will also provide Gulf a statement of the amounts and due dates of major expense items stipulated in paragraph 12.(a) which will be due in the next succeeding calendar month. Gulf will establish an operating agency account in a bank mutually satisfactory to both parties and deposit in such account funds to the extent necessary for payment of approved expense items. Gulf will also deposit in such agency account funds for payment of 50 percent of all expenditures made, following initial operation of Unit 2, for authorized capital additions to the Plant with respect to Units 1 and 2.

(c) Prior to commercial operation of Unit 2, MPCo and Gulf will execute an appropriate operating agreement and will develop and adopt procedural manuals as necessary.

13. (a) An additional unit or units may be added to the Plant in the future in which Gulf may elect not to participate. In such event, MPCo will obtain and deliver to Gulf a survey showing what portion of the Plant site is required to accomodate such additional unit or units, together with a legal perimeter description of such parcel or parcels of the site. Upon payment by MPCo to Gulf of the value (based upon the initial acquisition cost) of Gulf's undivided half interest in said parcel, Gulf will execute and deliver an appropriate instrument to convey to MPCo such undivided interest free and clear of all liens and encumbrances other than excepted encumbrances as defined in the first mortgage indenture between MPCo and Morgan Guaranty Trust Company of New York (formerly Guaranty Bank and Trust Co.) of New York, Trustee, dated September 1, 1941, as amended and supplemented.

(b) After such additional unit or units shall have been completed and commenced commercial operation, Gulf's obligation to pay MPCo for a portion of the operating costs of the Plant during periods when such additional unit or units are operating shall be mutually determined and agreed upon based on the characteristics of the units and all other pertinent available data, provided, however, that Gulf's obligation for 50 percent of payments due Jackson County for water service and principal and interest on the revenue bonds remains unchanged.

(c) If such additional units are added, MPCo shall pay Gulf such amount of the depreciated book value of such items of common plant necessary for operation of additional unit or units as will thereafter make Gulf's undivided interest therein the proportion which 500 MW bears to the total nameplate capacity of the Plant, and MPCo shall have such access to the use of such common plant as is necessary for operation of the additional unit or units.

14. Gulf and MPCo will undertake to effect all actions which may be necessary for the issuance by Jackson County, Mississippi, of pollution control revenue bonds for the purpose of financing the acquisition and construction of qualifying pollution control facilities for the Plant.

15. Consideration will be given to the fact that MPCo will own and operate Unit 1 for approximately three years prior to the in-service date of Unit 2 and the effective tenancy-in-common of the entire project. The respective obligations of Gulf and MPCo set forth herein are subject to the obtaining of tax rulings from the Internal Revenue Service that are satisfactory to both parties.

16. It is contemplated that, at the appropriate time and by appropriate documents, MPCo and Gulf will waive the right of partition of the entire property for a period of time equal to the useful life of the Plant. Concurrently, with payments of sums provided in paragraph 2 hereof, each party shall execute and deliver to the other such easements, cross-easements and rights-of-way as may be necessary to afford to each party the right of ingress and egress from the Plant as necessary during the period of construction and as may be necessary for the right of each party for ingress and egress, for operation and maintenance of the Plant, and for the delivery to each party of its respective electric output of the Plant.

17. Upon commercial operation of Unit 2, Gulf and MPCo will settle accounts between themselves, so that each has an equal investment in the Plant, net of accumulated depreciation and related tax benefits, and exchange such documents as are required to give each 50 percent undivided interest in the Plant.

18. This letter of agreement is subject to the securing by both parties of such approval from governmental bodies as may be required, and each will cooperate in a mutual undertaking promptly to prepare, file and process applications for governmental approval.

If the foregoing appears to be a presently acceptable working arrangement between us, subject to such changes and additions as may be mutually agreed upon and subject to receipt of any necessary approval of regulatory agencies, please indicate by noting acceptance on the duplicate original enclosed and returning it to me.

Sincerely,

MISSISSIPPI POWER COMPANY

By V. J. Daniel, Jr.
V. J. Daniel, Jr., President

ACCEPTED:

GULF POWER COMPANY

By R. F. Ellis, Jr.
R. F. Ellis, Jr., President

JACKSON COUNTY STEAM PLANT

COMMON PLANT ITEMS
SCHEDULED AS IF UNIT #2 WERE A ONE-UNIT PLANT
THOUSANDS OF DOLLARS

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOT
Land													
1975	255.0	255.0	257.0	257.0	257.0	257.0	257.0	257.0	257.0	257.0	258.0	258.0	3,082
Common Facilities													
1976	50.0	51.0	51.0	50.0	1,379.0	1,580.0	1,714.0	1,546.0	1,546.0	1,301.0	452.0	452.0	10,172
1977	580.0	580.0	580.0	580.0	580.0	580.0	1,272.0	1,272.0	1,274.0	1,419.0	1,699.0	1,700.0	12,116
1978	1,234.0	1,459.0	1,265.0	710.0	603.0	397.0	488.0	391.0	505.0	702.0	411.0	411.0	8,576
1979	769.0	769.0	1,047.0	926.0	925.0	938.0	953.0	543.0	559.0	543.0	374.0	130.0	8,476
1980	54.0	54.0	52.0	52.0									212
TOTAL													39,552
Total All													42,634

NOTE: Schedule of Expenditures includes Construction Clearing Accounts.

JJS:mg
1-8-76

JJS:mg
1-8-76

JACKSON COUNTY STEAM PLANT

COMMON PLANT ITEMS
SCHEDULED AS IF UNIT #2 WERE A ONE-UNIT PLANT
THOUSANDS OF DOLLARS

DETAIL SHEET

	ACCOUNT NUMBER	DESCRIPTION	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
1974	310.0000	Land	190.0	190.0	192.0	192.0	192.0	192.0	192.0	192.0	192.0	192.0	192.0	192.0	2,300.0
	304 - 309	Construction Clearing Accounts	65.0	65.0	65.0	65.0	65.0	65.0	65.0	65.0	65.0	65.0	66.0	66.0	782.0
		TOTAL 1974	255.0	255.0	257.0	257.0	257.0	257.0	257.0	257.0	257.0	257.0	258.0	258.0	3,082.0
1975	311.2020	Initial Site Preparation					238.0	238.0	238.0	238.0	237.0	237.0	237.0	237.0	1,900.0
	.2120	Site Fire Protection					158.0	158.0	158.0						474.0
	.2860	Fire Protection Building								33.0	33.0				66.0
	.3400	Waste Water Treatment System							100.0	100.0	100.0	100.0	100.0	100.0	600.0
	312.3620	Coal Handling Railroad (+ Access)					633.0	633.0	633.0	633.0	634.0	634.0			3,800.0
	.5720	Deep Water Well & Pipe	37.0	38.0	38.0	37.0									150.0
	314.7740	Intake & Discharge Structures						150.0	150.0	150.0	150.0				600.0
	304 - 309	Construction Clearing Accounts	13.0	13.0	13.0	13.0	350.0	401.0	435.0	392.0	392.0	330.0	115.0	115.0	2,582.0
		TOTAL 1975	50.0	51.0	51.0	50.0	1,379.0	1,580.0	1,714.0	1,546.0	1,546.0	1,301.0	452.0	452.0	10,172.0
1976	311.2700	Water Treatment Building										108.0	108.0	109.0	325.0
	.3400	Waste Water Treatment System	83.0	83.0	83.0	83.0	83.0	83.0	83.0	83.0	84.0	84.0	84.0	84.0	1,000.0
	312.3080	Stack	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0			1,000.0
	.5740	Coal Unloader Trestle	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	3,000.0
	.5300	Coal Unloading Control House											9.0	9.0	18.0
	.5620	Coal Handling Railroad							516.0	516.0	517.0	517.0	517.0	517.0	3,100.0
	314.7740	Earthen Cooling Canals											300.0	300.0	600.0
	304 - 309	Construction Clearing Accounts	147.0	147.0	147.0	147.0	147.0	147.0	323.0	323.0	323.0	360.0	431.0	431.0	3,073.0
		TOTAL 1976	580.0	580.0	580.0	580.0	580.0	580.0	1,272.0	1,272.0	1,274.0	1,419.0	1,699.0	1,700.0	12,116.0
1977	311.2060	Ash Disposal Pond	25.0	25.0											50.0
	.2340	HVAC-Control Room		35.0	35.0	36.0	36.0	36.0	36.0						214.0
	.2340	Control Room -- Wall Panels & Ceiling		48.0	48.0										96.0
	.2340	Elevator									85.0	15.0			100.0
	.2840	Precipitator Control House			80.0	80.0									160.0
	New	Air Compressor House								64.0	64.0	65.0			193.0
	.3400	Waste Water Treatment System	100.0	100.0	100.0	100.0	100.0	100.0	100.0						700.0
	.5740	Coal Unloader Trestle	220.0	220.0	220.0	220.0	220.0								1,100.0
	.5280	Coal Handling Service Building		84.0	84.0	84.0	84.0								336.0
	.5380	Coal Handling Crusher House						86.0	86.0	86.0	86.0	86.0			430.0
	.5440	Coal Handling Transfer House						52.0	52.0	52.0	52.0	52.0			260.0
	.5620	Coal Handling Railroad	366.0	367.0	367.0										1,100.0
	.5720	Treated Water System							80.0	80.0	80.0	80.0	80.0	80.0	480.0
	314.7740	Earthen Cooling Canals	200.0	200.0											400.0
	316.1520	Intrasite Communication System	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0				90.0
	.1560	Central Vacuum System						12.0							12.0
	352 & 353	Substation										226.0	227.0	227.0	680.0
	304 - 309	Construction Clearing Accounts	313.0	370.0	321.0	180.0	153.0	121.0	124.0	99.0	128.0	178.0	104.0	104.0	2,175.0
		TOTAL 1977	1,234.0	1,459.0	1,265.0	710.0	603.0	397.0	488.0	391.0	505.0	702.0	411.0	411.0	8,576.0
1978	311.2040	Site Improvements							33.0	33.0	33.0	33.0	34.0	34.0	200.0
	.2600	Service Building	110.0	110.0	110.0	110.0	110.0	110.0	110.0	110.0	110.0	110.0			1,100.0
	.2800	Emergency Generator Building									12.0				12.0
	.2820	Hydrogen House								17.0	17.0	17.0			51.0
	.3300	Sewage Treatment Facility			7.0	8.0	7.0								22.0
	.3310	Environmental Monitoring Facility						16.0							16.0
	312.4920	Oil Handling & Firing System				117.0	117.0	118.0	118.0						470.0
	.5000	Auxiliary Boiler System	208.0	208.0	209.0										625.0
	.5720	Treated Water System	75.0	75.0	75.0	75.0	75.0	75.0							450.0
	.6660	Water Sampling & Analysis System			58.0	59.0	59.0	59.0							235.0
	.6740	Nitrogen System							65.0						65.0
	316.1580	Plant Support Equipment							63.0	63.0	63.0	63.0	63.0	63.0	378.0
	315.0000	Accessory Electrical Equipment			140.0	140.0	140.0	140.0	140.0						700.0
	352 & 353	Substation	181.0	181.0	182.0	182.0	182.0	182.0	182.0	182.0	182.0	182.0	182.0		2,000.0
	304 - 309	Construction Clearing Accounts	195.0	195.0	266.0	235.0	235.0	230.0	242.0	138.0	142.0	138.0	95.0	33.0	2,152.0
		TOTAL 1978	769.0	769.0	1,047.0	926.0	925.0	930.0	953.0	543.0	559.0	543.0	374.0	130.0	8,476.0
1979	311.2040	Site Improvements	40.0	40.0	39.0	39.0									158.0
	304 - 309	Construction Clearing Accounts	14.0	14.0	13.0	13.0									54.0
		TOTAL 1979	54.0	54.0	52.0	52.0									212.0
		TOTAL COMMON PLANT ITEMS													42,634.0

Jackson County (Miss.) Steam Plant
Estimated Schedules of Net Payments by
Gulf to MPCo

Thousands of Dollars

Summary

One-half of Common Facilities (Exhibit 1)	21 317
Lease Payments - Depreciation on one-half of Common Facilities (See Note 1)	(1 570)
Excess Cost - Unit 2 Over Unit 1 (Exhibit 3)	(15 752)
Net Payments by Gulf to MPCo	3 995

Schedule by Months

	Common Facilities (50% of Exhibit 1 Amounts) Payments by Gulf to MPCo to Satisfy Non-interest Bearing Vendor's Lien (1)	Depreciation Lease Payments by MPCo to Gulf (See Note 1) (2)	Net (3)
Prior to 1976	1,541.0		1,541.0
1976 January	25.0		25.0
February	25.5		25.5
March	25.5		25.5
April	25.0		25.0
May	689.5		689.5
June	790.0		790.0
July	857.0		857.0
August	773.0		773.0
September	773.0		773.0
October	650.5		650.5
November	226.0		226.0
December	226.0		226.0
1977 January	290.0		290.0
February	290.0		290.0
March	290.0		290.0
April	290.0		290.0
May	290.0		290.0
June	290.0	(34.5)	255.5
July	636.0	(34.5)	601.5
August	636.0	(34.5)	601.5
September	637.0	(34.5)	602.5
October	709.5	(34.5)	675.0
November	849.5	(34.6)	814.9
December	850.0	(34.6)	815.4
1978 January	617.0	(34.6)	582.4
February	729.5	(34.6)	694.9
March	632.5	(34.6)	597.9
April	355.0	(34.6)	320.4
May	301.5	(34.6)	266.9
June	198.5	(34.6)	163.9
July	244.0	(34.6)	209.4
August	195.5	(34.6)	160.9

Jackson County (Miss.) Steam Plant
Estimated Schedules of Net Payments by
Gulf to MPCo

Thousands of Dollars

	Schedule by Months		
	Common Facilities (50% of Exhibit 1 Amounts) Payments by Gulf to MPCo to Satisfy Non-interest Bearing Vendor's Lien (1)	Depreciation Lease Payments By MPCo to Gulf (See Note 1) (2)	Net (3)
1978 (Continued)			
September	252.5	(34.6)	217.9
October	351.0	(34.6)	316.4
November	205.5	(51.7)	153.8
December	205.5	(51.7)	153.8
1979 January	384.5	(51.7)	332.8
February	384.5	(51.7)	332.8
March	523.5	(51.7)	471.8
April	463.0	(51.7)	411.3
May	462.5	(51.7)	410.8
June	469.0	(51.7)	417.3
July	476.5	(51.7)	424.8
August	271.5	(51.7)	219.8
September	279.5	(51.7)	227.8
October	271.5	(51.7)	219.8
November	187.0	(51.7)	135.3
December	65.0	(51.7)	13.3
1980 January	27.0	(51.7)	(24.7)
February	27.0	(51.7)	(24.7)
March	26.0	(51.7)	(25.7)
April	26.0	(51.7)	(25.7)
May	-	(51.7)	(51.7)
	21,317.0	(1,570.0)	19,747.0

Less Excess Cost - Unit 2 Over Unit 1 Paid by MPCo to Gulf Upon Commercial Operation of Unit 2 and Exchange of 50 Percent Undivided Interest in Unit 1 and Unit 2 (Exhibit 3)	15,752.0
Net Payment by Gulf to MPCo	3,995.0
Cost of Unit 2 Paid by Gulf	136,000.0
Total Costs Paid Each by Gulf and by MPCo for one-half Undivided Interest in Jackson County Plant (Exhibit 3)	139,995.0

Note 1: Depreciation on one-half of Common Facilities:

Land	3,082
Coal Handling	13,100
Other	26,452
Total Common Facilities	42,634

Note 1: (Continued)

MPCo composite depreciation rate for production facilities per "Gilbert's Depreciation Study, related to electric plant in service at December 31, 1974" and adopted in 1976: 3.14%

Unit 1 coal burning scheduled to start 11/1/78

$13{,}100 \times 3.14\% \times \frac{19}{12}$	(11/1/78 to 6/1/80 = 19 mos.)	=	650
$26{,}452 \times 3.14\% \times \frac{36}{12}$	(6/1/77 to 6/1/80 = 36 mos.)	=	2,490
Total Depreciation			3,140
			X 50%
Depreciation of one-half Common Facilities			1,570

Jackson County (Miss.) Steam Plant
Estimated Excess Costs of Unit 2 Over Unit 1
and Computation of Cash Flow

	MPCo Unit 1	Gulf Unit 2	Total Plant
Cost of Unit	$115 366 000	$136 000 000	$251 366 000
Land (Exhibit 1)	1 541 000	1 541 000	3 082 000
Other Common Facilities (Exhibit 1)	19 776 000	19 776 000	39 552 000
Total Estimated Costs (7/12/76)	$136 683 000	$157 317 000	$294 000 000
Less Depreciation: Unit 1 (See Below)	10 870 000	-	10 870 000
Common Facilities (Exhibit 2)	1 570 000	1 570 000	3 140 000
Net Plant Upon Commercial Operation of Unit 2 (6/1/80)	$124 243 000	$155 747 000	$279 990 000
Less Unit 1 Cost		124 243 000	
Excess Cost of Unit 2 over Unit 1		$ 31 504 000	
		X 50%	
Payment by MPCo to Gulf of one-half of Excess Cost of Unit 2 over Unit 1		$ 15 752 000	

Cash Flow

Cost of Unit (Estimated 7/12/76)	$158 000 000	$136 000 000	$294 000 000
Payment by Gulf to MPCo of one-half of Common Facilities	(21 317 000)	21 317 000	-
Depreciation	(14 010 000)	-	(14 010 000)
	$122 673 000	$157 317 000	$279 990 000
Payments by MPCo to Gulf:			
Unit 2 Over Unit 1	15 752 000	(15 752 000)	-
Depreciation on Common Facilities	1 570 000	(1 570 000)	-
Basis for Depreciation and Investment Credit (6/1/80)	$139 995 000	$139 995 000	$279 990 000
Tax Benefits: Depreciation (50%) *	(69 997 000)	(69 997 000)	(139 994 000)
Investment Credit (10%)**	(14 000 000)	(14 000 000)	(28 000 000)
Net Cash Flow (Ultimate Cost to Customers)	$ 55 998 000	$ 55 998 000	$111 996 000

Depreciation on Unit 1

Cost	$115,366,000
36/12 X 3.14% (See Note 1, Exhibit 2) (6/1/77 to 6/1/80 = 36 months)	9.42%
	$ 10,870,000

* Recovered over life of project.
** Recovered immediately.

Gene L. Ussery, Jr.
Vice President
Power Generation and
Delivery

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Post Office Box 4079
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Tel 228.865.5964
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MISSISSIPPI POWER
A SOUTHERN COMPANY

Date: August 24, 2004

To: Michael W. Southern, Mississippi Power Company
Ronnie R. Laborato, Gulf Power Company

From: Gene L. Ussery

Subject: Victor J. Daniel, Jr., Electric Generating Operating Agreement
Allocation of Common Operations and Maintenance Expenses

On March 30, 2001, the Gulf Power and Mississippi Power Senior Production Officers signed an agreement for the allocation of common expenses associated with all four generation units at Plant Daniel. In order to determine the validity of the allocation methods I asked Plant Daniel personnel and Accounting Services Supervisors for Gulf and Mississippi Power to review the current allocation methodology and make recommendations for any changes. Based on the review outlined below, the recommendation is to continue with the current allocation method and make no adjustments. I concur with their recommendation and will request this same team to review these allocation percentages in 2006 (24 months) to determine if any revisions are needed.

The March 30th agreement provided that costs associated with demineralized water would be split 40% to coal units and 60% to Combined Cycle Unit. Plant personnel conducted a study to determine if the agreed allocation was supported by actual water usage. Although for the period 2001 through 2003 the actual water usage higher for the coal units due to lower than projected run times for Daniel 3 & 4, it is our opinion that no adjustment is necessary. We anticipate the run times in the future to increase to the levels used to develop these allocation percentages.

The second allocation method was developed for maintenance of other common equipment, facilities and services. This allocation was based on labor dollars and resulted in an allocation of 75% coal and 25% combined Cycle Units. A study of the labor dollars for 2001 through 2003 indicated the actual labor dollars did support the 75%/25% allocation. As a result, no adjustments are needed.

If you agree with the method of allocating O&M expenses from common facilities/equipment/services associated with Plant Daniel units 1–4, please sign below and return to me.

Approved by: ______________________
Michael W. Southern, Chief Financial Officer
Mississippi Power Company

Approved by: ______________________
Ronnie R. Labrato, Chief Financial Officer
Gulf Power Company

EKM:ml

cc: Frances V. Turnage
Cindy F. Shaw
Joe W. Gentile
Richard J. McMillan
Ray W. Grove

SECOND AMENDED AND RESTATED

PLANT DANIEL
OPERATING AGREEMENT

between

MISSISSIPPI POWER COMPANY

and

FLORIDA POWER & LIGHT COMPANY

Dated as of July 8, 2022

THIS SECOND AMENDED AND RESTATED PLANT DANIEL OPERATING AGREEMENT (the "Operating Agreement" or "Agreement"), dated as of **07/08/2022** (the "Effective Date"), is by and between Mississippi Power Company, a Mississippi corporation ("MPC"), and Florida Power & Light Company, a Florida corporation ("FPL"). Each of MPC and FPL may be referred to herein as a "Party" and collectively the "Parties".

WITNESSETH:

WHEREAS, MPC and FPL each own a fifty percent (50%) undivided interest, as tenants in common in a coal-fired electric generating facility comprised of two 500 MW generating units, a step-up transmission substation, other associated facilities, and all of the real and personal property comprising the Plant Daniel coal-fired generating plant, including the generating units (or "Units") and the Common Facilities (collectively the "PLANT"); and

WHEREAS, on June 1, 1981, MPC and Gulf Power Company ("Gulf") entered into that certain Plant Daniel Operating Agreement, pursuant to which MPC had operated and maintained the PLANT, for itself and as agent for Gulf; and

WHEREAS, on January 1, 2019, The Southern Company and 700 Universe, LLC, ("700") a wholly owned subsidiary of NextEra Energy, Inc., consummated a transaction in which 700 acquired 100% of the equity interests in Gulf (the "Transaction"); and

WHEREAS, as a condition for 700 to close the Transaction, Gulf and MPC entered into a revised Operating Agreement and certain other agreements that addressed issues specific to the PLANT; and

WHEREAS, among the commitments made in the Transaction was that MPC and Gulf would revise the terms and conditions pursuant to which the PLANT will be operated after the closing of the Transaction; and

WHEREAS, subsequent to the closing of the Transaction, Gulf merged into FPL, which is also a wholly owned subsidiary of NextEra Energy, Inc.

NOW THEREFORE, in consideration of the mutual promises, covenants and agreements set forth herein, and for other good and valuable consideration, the receipt, sufficiency and adequacy of which are hereby acknowledged, the Parties, intending to be legally bound hereby, agree as follows:

The following capitalized terms shall have the respective meanings set forth below:

(a) "700" has the meaning set forth in the recitals hereto.

(b) "Agent" means the entity appointed pursuant to Section 2.02 to fulfill the obligations and responsibilities set forth in that Section and elsewhere in this Operating Agreement.

(c) "Business Day" means any day other than a Saturday, Sunday or any other day that banking institutions in the State of Mississippi are authorized or obligated to close.

(d) "Capital Costs" means any costs classified in the Electric Plant Chart of Accounts defined in the Uniform System of Accounts,

(e) "Capacity (Fixed) Cost" has the meaning set forth in Section 5.03.

(f) "Coal Stockpile" means the physical stockpile of coal located at the PLANT.

(g) "Coal Stockpile Cost" means all costs incurred by MPC, for itself and as Agent for FPL, in connection with the coal in the Common Coal Stockpile or the Separate Coal Stockpiles that are allocable to the acquisition, processing, transporting, delivering, handling storing accounting, analysis, measurement and disposal of such coal, including the portion of administrative and general costs allocable to the foregoing activities and functions.

(h) "Common Coal Stockpile" means the Coal Stockpile as it exists when it is jointly owned by the Parties.

(i) "Common Facilities" means (i) all property, both real and personal, intended to be used in common by, or in connection with, both Units, including the switchyard facilities and the equipment and other facilities listed in Schedule III, (ii) such additional land or rights therein as may be acquired, and such additional facilities and other tangible property as may be acquired, constructed, installed or replaced, which are intended to be used in common by, or in connection with, both Units, provided that (a) the cost of such additional land or rights therein or of such additional facilities or other tangible property shall be properly recordable in accordance with the Uniform System of Accounts, (b) such additional land or rights therein or such additional facilities or other tangible property shall have been acquired, constructed, installed or replaced for the common use of the Parties, and (c) the acquisition of such additional land or rights therein or the acquisition, construction, installation or replacement of such additional facilities or other tangible property shall be necessary in order to keep both Units in good operating condition or to satisfy the requirements of any governmental authority having jurisdiction over the PLANT, and (iii) existing intangible property rights, and such additional intangible property rights as may hereafter be acquired, associated with the planning, licensing, design, construction, acquisition, completion, operation, renewal, addition, replacement, modification and disposal of any of the items described in clauses (i) through (iii) above.

(j) "Common Site Facilities" means the Common Facilities listed in Schedule IV.

(k) "Cost Recovery Categories" has the meaning set forth in Section 2.07(g).

(l) "Decommissioning" means all acts associated with permanently retiring the PLANT; including dismantling, demolishing and removal of equipment, facilities and structures, security, maintenance, required regulatory filings and proceedings (if any), disposing of debris, removal and disposal of materials and by-products, costs of remediation, including remediation required by contract, law or regulation, and defending and/or resolution of claims associated with any of the foregoing activities.

(m) "Decommissioning Cost Budget" has the meaning set forth in Section 12.02(b).

(n) "Dispatch Procedures" means the procedures for the dispatch, scheduling and allocation of energy produced by the PLANT set forth in Schedule V.

(o) "Energy (Variable) Cost" has the meaning set forth in Section 5.04.

(p) "Environmental Costs" means costs related to the operation of pollution control equipment and any and all costs (including reasonable attorneys' fees, engineering fees, penalties, fines, and other costs) relating to any cleanup, remedial or corrective action reasonably necessary in order to comply with, or reasonably necessary in order to avoid liability under, any applicable law, settlement, judgment, or claim relating to or arising in connection with (a) contaminated groundwater in, at, under or emanating from the PLANT, or (b) contaminated soil in, at, on, or under the PLANT, less any insurance proceeds received therefor. For the avoidance of doubt, Environmental Costs shall be Operating Costs or costs of Decommissioning depending upon the timing of and circumstances surrounding the incurrence of such costs.

(q) "FPL" has the meaning set forth in the preamble hereto.

(r) "Gulf" has the meaning set forth in the preamble hereto.

(s) "IIC" means that certain Intercompany Interchange Contract dated as of May 1, 2007, by and between Alabama Power Company, Georgia Power Company, Florida Power & Light Company (as successor in interest to Gulf Power Company), Mississippi Power Company, Southern Power Company and Southern Company Services, Inc., as amended through the date hereof.

(t) "IIC Exit Date" means the date on which FPL exits the IIC.

(u) "IIC Exit Notice" means the written notice from FPL to the other IIC parties pursuant to the terms of the IIC, identifying the expected IIC Exit Date.

(v) "MPC" has the meaning set forth in the preamble hereto.

(w) "MPC Provisions" has the meaning set forth in Section 5.06.

(x) "O&M Budget" has the meaning set forth in Section 2.07.

(y) "Offer" has the meaning set forth in Section 2.05(b).

(z) "Operating Agreement" has the meaning set forth in the preamble hereto.

(aa) "Operating Costs" means all costs and expenses (other than Coal Stockpile Costs, and Start-up Fuel Costs) incurred by Agent in connection with the management, control, operation, maintenance, repair, scheduling and dispatch of the PLANT including the portion of administrative and general costs allocable to the foregoing activities and functions.

(bb) "Ordinary Course Capital Costs" means costs to repair, replace and refurbish existing facilities and equipment to the extent such repair, replacement or refurbishment is consistent with Prudent Utility Practice. Ordinary Course Capital Costs do not include capital expenditures for new structures, facilities, or equipment to materially change the operations of the PLANT or facilities or equipment that would extend the useful life of the PLANT beyond 2042.

(cc) "Ordinary Course Capital Budget" has the meaning set forth in Section 2.07

(dd) "PLANT" has the meaning set forth in the recitals hereto.

(ee) "Proprietary Information" has the meaning set forth in Section 14.16.

(ff) "Prudent Utility Practice" means, at a particular time, any of the practices, methods and acts, which in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at reasonable cost consistent with good business practices, reliability, safety, expedition, and compliance with all applicable environmental permits, licenses, regulations and laws.

(gg) "Retirement Date" shall mean January 15, 2024.

(hh) "SCS" has the meaning set forth in Section 2.08(a)(i).

(ii) "Senior Officers" has the meaning set forth in Section 2.01(a).

(jj) "Separate Coal Stockpile" means the portion of the Coal Stockpile allocated to a Party once the ownership of the coal stockpile has been divided between the Parties pursuant to section 2.05 of this Operating Agreement.

(kk) "Site Representative" shall have the meaning set forth in Section 14.14.

(ll) "Spot Coal" means all coal purchased for the Common Coal Stockpile or any Separate Coal Stockpile under a contract for a period of less than one year.

(mm) "Start-up Fuel" means all oil used to bring the unit online from initial firing to release of a unit to fleet operations.

(nn) "Supervisory Committee" has the meaning set forth in Section 2.01(a).

(oo) "Transaction" has the meaning set forth in the recitals hereto.

(pp) "Uniform System of Accounts" has the meaning set forth in Section 2.02.

ARTICLE I.

TERM

1.01 Term. This Operating Agreement shall remain in full force and effect until the earliest of: (1) the complete retirement and subsequent Decommissioning of the entire PLANT; (2) MPC's purchase of FPL's ownership interest pursuant to Section 12.01(b); (3) termination of this Operating Agreement pursuant to Article 13 (Default); provided, however, that notwithstanding any other provisions hereof, this Operating Agreement shall be cancelled to the extent and from the time that performance hereunder may be rendered unlawful because of any valid rule, regulation or order of any governmental agency having jurisdiction in the premises; or (4) January 1, 2042.

1.02 In addition to the provisions of Section 1.01, if the PLANT continues commercial operation beyond calendar year 2033 and this Agreement has not been earlier terminated or cancelled pursuant to and in accordance with Section 1.01, then FPL may terminate this Agreement anytime thereafter on one hundred eighty day's advance written notice.

1.03 Special Survival Provisions. Notwithstanding the provisions of Section 1.01 and Section 1.02, the Parties agree that this Section 1.03, Section 2.07, Section 2.08, Section 3.01, Section 3.02, Section 6.01, Section 6.02, Section 8.01, Section 12.01, Section 12.02 and Schedules III, IV, V and VI, and the Parties' respective rights and obligations thereunder shall survive cancellation of this Operating Agreement pursuant to Sections 1.01(1) or (3) and Section 1.02. For the avoidance of doubt, to the extent there are portions of the aforementioned provisions that can no longer be implemented after termination of this Agreement because the Supervisory Committee no longer exists, the parties shall nevertheless implement the principles and concepts set forth in those provisions to the greatest extent possible.

ARTICLE II.
OPERATION

2.01 Supervisory Committee.

(a) The Vice President - Senior Production Officer for MPC and the Vice President PGD – Fossil Operations for FPL (together the "Senior Officers") (or the officers succeeding to the responsibilities of those offices) shall appoint a Supervisory Committee (the "Supervisory Committee"), consisting of two (2) members. One (1) member shall be designated by MPC and one (1) member shall be designated by FPL. Each Supervisory Committee member shall designate, in writing, one or more alternates, with full power to act as and in his place. Successors to Supervisory Committee members, and alternates, shall be designated and appointed in the same manner. Any Supervisory Committee member, or alternate, may at any time be removed from its appointment, by the designating Party. The Supervisory Committee shall review and approve all matters relating to the operation and maintenance of the PLANT and related additions and retirements and all other matters or questions pertinent to any of the foregoing. All such matters and questions brought before the Supervisory Committee shall be resolved by unanimous vote of the Supervisory Committee members, or alternates, with or without a meeting, and shall be controlling on the Parties. A Supervisory Committee meeting shall require the attendance of a member (or alternate) representing each Party.

(b) The Supervisory Committee shall:

(i) serve as liaison between the Parties with respect to the operation of the PLANT;

(ii) administer this Operating Agreement;

(iii) cause to be conducted or undertaken such studies, investigations or audits that the Supervisory Committee determines are appropriate or useful in carrying out its responsibilities. The Supervisory Committee may, by unanimous vote, employ independent consultants or utilize personnel or other resources of either Party for such studies, investigations or audits, with the costs of such studies, investigations or audits being paid by the Parties as approved operating costs;

(iv) review, approve, disapprove and/or otherwise take action in accordance with all other applicable provisions of this Operating Agreement including the following matters:

A. for each calendar year, establishing goals for the following metrics: annual equivalent forced outage rate and annual equivalent availability factor (as those metrics are defined by the North American Reliability Counsel, or a successor organization) and annual net heat rate, in each case, for each Unit; and

B. the type and form of written statistical and administrative reports and information and other similar records to be furnished to the Parties by the Agent.

(v) Direct and authorize the Agent to:

A. pursue claims against, and settle disputes with (1) contractors, subcontractors and/or other suppliers (other than affiliates of MPC) arising out of the operation and maintenance of and any improvements to, or Decommissioning of, the PLANT, provided, that the approval of the Supervisory Committee shall be obtained before any such settlement, or multiple settlements with respect to a single occurrence or transaction in excess of $250,000, is entered into, or such other amount as may from time to time be established by the Supervisory Committee; or (2) affiliates of MPC providing support services to MPC, as Agent, arising out of the operation and maintenance of the PLANT upon the prior approval of the Supervisory Committee;

B. investigate, adjust and settle claims for losses and damages arising out of or in connection with the operation or maintenance of the PLANT, provided that the approval of the Supervisory Committee shall be obtained before any uninsured claim or the uninsured portion (including deductibles) of a combination of insured and uninsured claims with respect to the PLANT arising out of the same transaction, occurrence or incident is settled for more than $250,000 (or such other amount as may from time to time be established) with respect to: (1) personal injury or damage to property; or (2) damage to the PLANT; and

C. conduct all other activities necessary for the Supervisory Committee to meet its responsibilities under this Operating Agreement, as the Supervisory Committee may agree, and for the Agent to fulfill its duties set forth in Section 2.02, which such responsibilities shall include notifying FPL when it becomes aware of any claim or dispute described above. Following the Retirement Date, MPC shall only be obligated to notify FPL of any such claim or dispute if the result or settlement of such claim or dispute could reasonably result in FPL being required to pay more than amounts in the agreed to budget for such year or if the claims or dispute involves safety concerns, environmental matters, or third parties (including any MPC affiliates), other than those providing services to the PLANT.

(c) The MPC Supervisory Committee member shall have the following duties:

(i) schedule meetings of the Supervisory Committee at such time and place as the MPC member of the Committee may determine, but not less frequently than once every three (3) months unless all members of the Supervisory Committee shall otherwise agree. With the consent of all members, any meeting of the Supervisory Committee may be conducted by telephone conference and any member of the Supervisory Committee may participate in any meeting by telephone;

(ii) provide notice to all members of the Supervisory Committee of each scheduled Supervisory Committee meeting at least thirty (30) days in advance of such meeting except in emergencies or unless all members consent to any shorter notice;

(iii) provide all members of the Supervisory Committee with a copy of each resolution or motion that any other member proposes to submit to the Supervisory Committee for action at any meeting of the Supervisory Committee at least five (5) Business Days prior to such meeting, provided such time requirement may be waived by the unanimous vote of all Supervisory Committee members at such meeting;

(iv) preside at each meeting of the Supervisory Committee and conduct all meetings in accordance with the procedures and rules established in accordance with Section 2.01(d), hereof;

(v) establish the agenda for each Supervisory Committee meeting, including, such items or matters as shall deem appropriate or as may be requested by any other member of the Supervisory Committee;

(vi) notify members of the Supervisory Committee of the agenda for each meeting as much in advance of such meeting as may be possible, but in any event not less than five (5) Business Days before such meeting;

(vii) appoint a secretary (who need not be a member of the Supervisory Committee) for the Supervisory Committee who shall (A) prepare a draft of the minutes of each meeting of the Supervisory Committee and deliver or mail a copy of such draft minutes of the Supervisory Committee meeting to the members of the committee within five (5) Business Days after the close of each meeting, and (B) take custody and maintain the records of all Supervisory Committee meetings. The minutes of each Supervisory Committee meeting shall record the following:

A. the date, time and place of the meeting;

B. the agenda of the meeting and the items or matters discussed;

C. the resolutions and motions approved, actions approved, agreements reached, and decisions made by the Supervisory Committee, including, the votes of the members of the Supervisory Committee on each such resolution;

D. all future “action items,” including, the responsible individual(s) for fulfilling the items and the "due date;"

E. the date, time and place of the next meeting of the Supervisory Committee to be scheduled; and

F. the resolutions and proposals considered and actions taken at the Supervisory Committee meeting. The Secretary shall send a draft of the minutes to each Supervisory Committee member within five (5) Business Days following the meeting and the draft shall be deemed approved unless a member provides a written objection to the draft minutes to the other member within five (5) Business Days of the receipt of the draft, in which case the minutes shall be finalized at the next Supervisory Committee Meeting. Notwithstanding the foregoing, unless otherwise agreed to by the Supervisory Committee members, the effectiveness of any decision of the Supervisory Committee including approvals of budgets and authorizations for the Agent to take certain actions shall be immediate upon such decision being made and shall not be deferred until approval of the minutes reflecting such decision.

(d) Supervisory Committee – Procedures. The Supervisory Committee may develop and adopt and, from time to time, modify procedures as may be appropriate for the conduct of its meetings and the performance of its functions. Attendance at meetings of the Supervisory Committee shall not be limited to members, but the Parties recognize the practical necessity of generally limiting the participation of attendees at any Supervisory Committee meeting who are not members to those who are expected to take an active part on the agenda for the meeting.

(e) Supervisory Committee Costs. Costs incurred for providing a Supervisory Committee member, including the member's salary and other compensation provided by FPL or MPC (as applicable), shall be borne solely by the Party represented by the member. All costs and expenses of: (1) all third parties retained by the Supervisory Committee, or (2) Party employees to the extent that they are doing work for or on behalf of the Supervisory Committee shall be paid by the Parties as Operating Costs. For the avoidance of doubt, salaries and expenses of employees of the Parties and their affiliates serving on, or working at the direction of the Supervisory Committee, to the extent that they are acting as or on behalf of a Party, shall be paid by their respective employer, unless otherwise agreed to by the Supervisory Committee.

(f) Subcommittees. The Supervisory Committee shall have the authority to appoint and charge subcommittees to study and make recommendations on any subject, as the Supervisory Committee may designate. The purpose, charge and duty of each subcommittee so appointed shall not exist for more than one year unless reappointed by the Supervisory Committee

2.02 Agency.

(a) FPL hereby appoints MPC as its Agent, with the right to employ such employees and sub-agents as MPC may reasonably require. MPC agrees, on its own behalf and as agent for FPL, and subject to all of the terms and conditions of this Operating Agreement, to operate, maintain and make additions to and retirements from the PLANT, to obtain materials, including fuel, and services as required therefor. MPC shall make all payments required in connection with any of the foregoing, keep all necessary books of record, books of account and memoranda of all transactions involving the PLANT and make daily, monthly and annual calculations and computations on behalf of the respective Parties on the same basis for each and in such manner as to enable each to conform, where so required, to the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission for Public Utilities and Licensees ("Uniform System of Accounts"), to the rules and regulations of such Commission, and to the valid rules, regulations and requirements of all regulatory bodies having jurisdiction thereof. MPC shall perform all necessary invoicing and other actions on behalf of the Parties as may be required as incidental to any of the foregoing, all in accordance with and subject to the provisions of this Operating Agreement. In the event that FPL terminates this Agreement under Section 1.02 and provided that at the time of such termination MPC is not in default under this Agreement, then MPC shall have the right to continue to operate and maintain the PLANT after such termination and until the PLANT is retired and proceeds to decommissioning.

(b) Further, with regard to any claims or disputes described in Section 2.01(b)(v) or otherwise, that could reasonably be expected to 1) involve an amount in excess of $250,000 for goods and services used at the PLANT, 2) result in FPL incurring Operating Costs in excess of the then-current O&M Budget, or 3) involves safety concerns, environmental matters or third parties (including any MPC affiliates), other than those providing services to the PLANT, MPC, as Agent, shall notify the Supervisory Committee of such disputes and keep the Supervisory Committee apprised of its status.

2.03 <u>Operations and Maintenance</u>.

(a) Subject to the applicable rules and procedures established by, and determinations of, the Supervisory Committee provided for in Section 2.01, and all of the other terms and conditions of this Operating Agreement, the PLANT will be operated and maintained, and related additions (if any, consistent with the terms of this Agreement), and retirements shall be made in accordance with Prudent Utility Practice and in cooperation with the power system coordinators and other duly authorized agents of MPC and FPL, to the end that the PLANT will be operated to the mutual advantage of MPC and FPL in accordance with their respective rights.

(b) Notwithstanding any other provision in this Operating Agreement, MPC, on its behalf and as Agent for FPL, shall be authorized to take any action it reasonably believes is necessary to address a situation or circumstance that threatens the safe or reliable operation of the PLANT, threatens to cause damage to the PLANT or a portion thereof or as required to comply with applicable laws or regulations in all cases, in accordance with Prudent Utility Practice and using best efforts to keep its annual operations and maintenance costs and all Capital Costs within the applicable O&M Budget and Capital Budget set forth in Section 2.07, including deferring activities to later budget years if practicable, provided, however, that FPL's obligations for costs incurred at the PLANT after the Retirement Date, including any costs under this Section 2.03(b), are governed by Sections 12.01 and 12.02 of this Agreement.

2.04 [Reserved].

2.05 <u>Fuel Supply</u>.

(a) For so long as the Parties participate in a Common Coal Stockpile, MPC, for itself and as Agent for FPL, shall have sole authority to and shall arrange for and acquire all fossil fuel and fuel transportation for the PLANT consistent with such policies, procedures and standards with respect thereto as may be adopted from time to time by the Supervisory Committee.

(b) From and after the IIC Exit Date, at such times as MPC deems it appropriate to procure coal or transportation for MPC's Coal Stockpile, MPC shall consult with FPL to determine FPL's procurement requirements for FPL's Coal Stockpile and to determine the procurement strategy desired by FPL. Further, so long as the Parties have Separate Coal Stockpiles, FPL may request that MPC, as Agent, commence coal or transportation procurement for the requirements of FPL's Coal Stockpile to determine its procurement requirements for FPL's Coal Stockpiles and to determine the procurement strategy desired by FPL. MPC, for itself and as Agent for FPL, shall use its reasonable best efforts to develop a procurement strategy to accommodate the requirements and procurement strategies of MPC and FPL for their respective Separate Coal Stockpiles. MPC, for itself and as Agent for FPL, shall then initiate a procurement effort to obtain offers from coal vendors to sell coal, offers from transporters to provide transportation for coal, or both (individually, an "Offer" and collectively, "Offers"). Notwithstanding the foregoing:

(i) MPC, as Agent, shall not be required to accommodate the requirements or procurement strategy of FPL for procurement of coal for FPL's Separate Coal Stockpile if they are incompatible with the guidelines adopted from time to time by the Supervisory Committee; and

(ii) For so long as FPL is a participant in the IIC, the minimum Coal Stockpile requirements to ensure reliable operations for all coal stockpiles will be determined solely by MPC. Notwithstanding the foregoing, following the Effective Date of this Operating Agreement, the Parties shall work in good faith to ramp down coal purchases such that upon separation of the Coal Stockpile each Party's Separate Coal Stockpile will be appropriately sized for such Party's anticipated capacity factor on a going forward basis. Further, as the Retirement Date approaches, the Parties shall work in good faith to ramp down coal purchases such that upon retirement, FPL has no more than a *de minimis* amount of coal at the PLANT.

(c) Fuel Procurement by MPC - After Receipt of Offers.

(i) Until the Parties have Separate Coal Stockpiles, upon receipt of one or more Offers, MPC, for itself and as Agent for FPL, shall decide whether to accept or reject such Offers on behalf of the Parties, after taking into consideration its obligations pursuant to Section 2.05(b)(ii). Subject to section 2.05(b)(ii), each Party's share of the coal procured pursuant to such an Offer shall be equal to the Party's percentage ownership interest in the PLANT.

(ii) After the Parties have Separate Coal Stockpiles, MPC, as Agent, shall offer FPL the opportunity to participate in any Offer that MPC intends to accept. No later than five (5) Business Days after receiving such an offer of participation, FPL will notify Agent, in writing, whether it will participate and the quantity of coal it desires to purchase. If FPL elects to participate in the Offer, FPL will bear full responsibility for the risks and costs if the quantity of coal requested by FPL proves insufficient for it, including for the cost of replacement power. MPC, for itself and as Agent for FPL participating in the procurement, will negotiate with the supplier of such Offer in an effort to develop final contract terms and conditions.

(d) Spot Coal Procurement. MPC shall be the exclusive Agent to act on behalf of the Parties for the procurement, transportation and delivery of Spot Coal for the PLANT. All Offers to sell Spot Coal shall be made available to the Parties, and FPL's participation in such Spot Coal purchases, to the extent it wishes to participate, shall follow the same process described in Sections 2.05(b) and (c).

(e) Common Coal Stockpile and Separate Coal Stockpiles.

(i) Until the IIC Exit Date, the Parties shall participate in the Common Coal Stockpile. While the Parties are participating in the Common Coal Stockpile, MPC, for itself and as Agent for FPL, shall cause an adjustment (if required) to be made to the account of each Party so that the quantity of coal in the Common Coal Stockpile shall be allocated to Parties according to each Party's percentage undivided ownership interest in the PLANT.

(ii) Upon the IIC Exit Date, each Party shall have their own Separate Coal Stockpile. MPC, as Agent, shall cause an adjustment (if required) to be made to the account of each Party so that the average cost per ton of the coal in each of the Separate Coal Stockpiles is equal to the average cost per ton of the coal of the Common Coal Stockpile immediately prior to the separation.

(iii) Upon the IIC Exit Date the procedures for Separate Coal Stockpile accounting set forth in Schedule VI shall govern each Parties rights and obligations with respect to the Separate Coal Stockpile. No later than three (3) months following the date of the establishment of Separate Coal Stockpiles, MPC, for itself and as Agent for FPL, shall cause an adjustment to be made to the Party's accounts so that A) subject to Section 2.05(b)(ii),the quantity of coal remaining in each Party's Separate Coal stockpile equals such Party's undivided ownership interest in the Common Coal Stockpile at the time of the separation, and B) the average cost per ton and average cost per Btu for each Separate Coal Stockpile are the same. MPC shall notify the Parties immediately after such an adjustment has been made of (1) the quantity of coal in each Separate Coal Stockpile and (2) the average cost per ton and average cost per Btu for each Separate Coal Stockpile. Thereafter, each Party shall be entitled only to use coal available in its Separate Coal Stockpile account for the operation of its interest in the PLANT. Neither Party shall be required to sell or otherwise supply coal to the other Party. MPC, for itself and as Agent for FPL, shall account for all coal allocated to each Separate Coal Stockpile and for coal consumed from each Separate Coal Stockpile.

(iv) The division of the Common Coal Stockpile into Separate Coal Stockpiles is for the purposes of accounting, payment and settlement of costs and entitlement to use only. There will be no physical separation of coal at the PLANT and the Separate Coal Stockpiles will remain physically combined and commingled into one coal stockpile at the PLANT; and that future deliveries of coal at the PLANT, while allocated as Separate Coal Stockpiles for accounting purposes, will be physically commingled and may be used for the operation of any Party's interest in the PLANT so long as the account of such Party demonstrates that there is sufficient coal credited to its account for such operation.

(v) All discrepancies between the book inventory and the physical inventory of the coal stockpile at the PLANT shall be charged or credited, as appropriate, as follows: (1) for so long as the Parties participate in the Common Coal Stockpile, the discrepancy will be allocated to each Party in accordance with their respective percentage ownership interest in the PLANT, and (2) after the establishment of Separate Coal Stockpiles, the discrepancy will be allocated between Parties in accordance with the amount of coal actually consumed by each Party during the physical inventory period to which such discrepancy relates.

(vi) While the Parties share a Common Coal Stockpile and recognizing the requirements of Section 2.05(b)(ii), all costs associated with the Common Coal Stockpile will be allocated to the Parties in accordance with their respective ownership interest in the PLANT.

(vii) Upon separation of the Coal Stockpile into Separate Coal Stockpiles, each Party will be solely responsible for the commodity and transportation costs for the coal allocated to their respective Separate Coal Stockpile.

(viii) Except as provided for in Section 2.05(e)(vii), or elsewhere in this Operating Agreement, each Party shall bear 50% of the Coal Stockpile Costs.

2.06 Delivery of Fuel Budgets. Until such time as FPL is no longer participating in the IIC, MPC will furnish FPL with MPC management approved fuel budgets as they become available.

2.07 Plant Budgets and Forecasts.

(a) The operations and maintenance budget ("O&M Budget") for calendar years 2022 and 2023 shall be as follows:

(i) 2022 –$47,750,000

(ii) 2023 -- $32,200,000.

(b) The O&M Budgets set forth in Sections 2.07(a)(i) and (ii) assume that the IIC Exit Date is on or before July 31, 2022, and that the dispatch of FPL's interest is governed by the Dispatch Procedures thereafter. Therefore, the Dispatch Procedures shall become effective and shall govern the dispatch of FPL's interest in the PLANT through the Term of this Agreement beginning on the earlier of 1) the IIC Exit Date or 2) August 1, 2022. The O&M Budget for each future year through the Term of this Agreement shall be determined in accordance with Section 2.07(d).

(c) No later than May 1 of each calendar year, MPC shall develop and provide to the Supervisory Committee, for informational purposes, a Business Plan for the following calendar year. The Business Plan shall include the information set forth below:

(i) all of the budgets, plans, schedules and other information described in Schedule I attached hereto and made a part hereof, as the same may be revised from time to time by agreement of the Supervisory Committee,

(ii) anticipated contract awards for equipment or services in excess of $175,000 (or such other amount as may from time to time be established by the Supervisory Committee) and

(iii) such other information as the Supervisory Committee determines is reasonably necessary, advisable, or appropriate.

(d) During each calendar year (other than calendar years 2022 and 2023, which are covered by Section 2.07(a)), and continuing through the Term of this Agreement, the Agent will submit an O&M Budget for the Common Site Facilities for the following calendar year to the Supervisory Committee by May 31. If any Party objects to such O&M Budget, the Supervisory Committee will endeavor to resolve such objections. If the Supervisory Committee cannot reach agreement on the following year's O&M Budget for the Common Site Facilities by June 30 of each calendar year, it will refer the matter to the Parties' respective Senior Officers. If the Senior Officers cannot reach agreement on a final O&M Budget for the Common Site Facilities for the following year in question by July 15, an objecting Party may submit the matter to arbitration pursuant to the terms of this Operating Agreement, provided that such arbitration regarding the following year's O&M Budget for the Common Site Facilities must be submitted by October 31 of the then-current calendar year. In the event that a dispute regarding the O&M Budget for the Common Site Facilities is not resolved before the year to which it applies, then the Agent's proposed O&M Budget for the Common Site Facilities shall go into effect and the Parties will pay their allocated share of the costs incurred thereunder. However, any such payments made by an objecting Party shall not prejudice the right of that Party to pursue relief in accordance with this Operating Agreement, including potential refunds of payments made, and any such payments made by an objecting party shall be reconciled following the subsequent resolution of the dispute in accordance with an arbitration award issued pursuant to Section 14.02. Any payments or refunds ordered under any such arbitration award shall be paid to the prevailing party within 60 calendar days. Additionally, the Agent will notify FPL of any expected or proposed variances to the total amount of an approved O&M Budget that are in excess of $175,000 (or such other amount as may from time to time be established by the Supervisory Committee) so as to allow FPL a reasonable opportunity to determine whether or not it wishes to have such a variance submitted to the Supervisory Committee for review and/or to pursue relief in accordance with this Operating Agreement, if necessary.

(e) During each calendar year starting with 2024 and thereafter, and continuing through the Term of this Agreement, the Agent will submit an Ordinary Course Capital Budget for the Common Site Facilities for the following calendar year to the Supervisory Committee by May 31. If any Party objects to such Ordinary Course Capital Budget, the Supervisory Committee will endeavor to resolve such objections. If the Supervisory Committee cannot reach agreement on the following year's Ordinary Course Capital Budget for the Common Site Facilities by June 30 of each calendar year, it will refer the matter to the Parties' respective Senior Officers. If the Senior Officers cannot reach agreement on a final Ordinary Course Capital Budget for the Common Site Facilities for the following year in question by July 15, an objecting Party may submit the matter to arbitration pursuant to the terms of this Operating Agreement, provided that such arbitration regarding the following year's Ordinary Course Capital Budget for the Common Site Facilities must be submitted by October 31 of the then-current calendar year. In the event that a dispute regarding the Ordinary Course Capital Budget for the Common Site Facilities is not resolved before the year to which it applies, then the Agent's proposed Ordinary Course Capital Budget for the Common Site Facilities shall go into effect and the Parties will pay their allocated share of the costs incurred thereunder. However, any such payments made by an objecting Party shall not prejudice the right of that Party to pursue relief in accordance with this Operating Agreement, including potential refunds of payments made, and any such payments made by an objecting party shall be reconciled following the subsequent resolution of the dispute in accordance with an arbitration award issued pursuant to Section 14.02. Any payments or refunds ordered under any such arbitration award shall be paid to the prevailing party within 60 calendar days. Additionally, the Agent will notify FPL of any expected or proposed variances to the total amount of an approved Ordinary Course Capital Budget that are in excess of $175,000 (or such other amount as may from time to time be established by the Supervisory Committee) so as to allow FPL a reasonable opportunity to determine whether or not it wishes to have such a variance submitted to the Supervisory Committee for review and/or to pursue relief in accordance with this Operating Agreement, if necessary.

(f) Except as otherwise provided by Section 2.03(b) or Section 2.07(e), no capital improvements (as distinguished from Ordinary Course Capital) to the PLANT shall be undertaken without the prior consent of each of the Parties. Notwithstanding the foregoing, a Party's consent to such capital improvement will be required only if the Party would be obligated to fund a portion of it pursuant to the terms of this Agreement.

(g) The Parties recover costs incurred by the Agent to operate and maintain the PLANT (including capital costs) through various regulatory rate mechanisms, including base rates and various cost recovery clauses (generally "<u>Cost Recovery Categories</u>"). Without prior approval of the Supervisory Committee, the Agent shall not address a cost overrun by shifting budgeted dollars for an activity or project that is subject to one Cost Recovery Category to the budget for a different project or activity that is subject to a different Cost Recovery Category. Further, in the event that the Agent reasonably believes that it is likely it will exceed the budget for a Cost Recovery Category, it will provide as much advance notice of such potential overrun to the Supervisory Committee as reasonably possible and the reasons for the overage with the goal of allowing the Supervisory Committee to understand and discuss the anticipated overage prior to its occurrence and to afford FPL its rights under Section 2.07. Nothing in this Section 2.07(g) shall diminish or expand the Agent's authority under Section 2.03(b).

(h) The Agent shall furnish or cause to be furnished, in addition to the Business Plan, information to the Supervisory Committee and access to the PLANT and management employees of the Agent as follows:

(i) By the 25th calendar day following the close of each calendar month (or earlier if practicable), an Operating Report containing the information described in Schedule II attached hereto and made a part hereof and as the same may be revised from time to time by the Supervisory Committee.

(ii) By the 10th Business Day following the close of each calendar month (or earlier if practicable), a data file in the format described in Schedule I, Section III.H comparing budget to actuals. The Parties acknowledge that the information provided pursuant to this Section 2.07(h)(ii) is based on cost estimates, which are expected to deviate from actual costs. Accordingly, this data is for informational purposes only and will not be used for billing or any other purpose. By the 8th Business Day following the close of each calendar month a data file in the format described in Schedule I, Section III.H comparing budget to actuals.

(iii) A management employee of MPC, responsible for the operation of the PLANT shall meet at least every third month with the Supervisory Committee, or as otherwise requested by the Supervisory Committee. At such meetings, MPC shall present information concerning unit performance and the status and condition of the PLANT, including review of any problems, status reports, and approved and contemplated new capital projects, to convey an overview of the PLANT and its operations and to address items on the agenda for members of the Supervisory Committee. The Agent will immediately inform the Supervisory Committee of significant events which are affecting or may affect the operation of the PLANT, and of any changes in the management for the PLANT.

(iv) The Agent shall also provide the Supervisory Committee with copies of all written notices from any third party of any claims or litigation (or the explicit threat of litigation) pertaining to the PLANT when such claims or litigation are for an amount in excess of $50,000 or such other amount as may, from time to time, be established by the Supervisory Committee.

(v) The Agent shall respond to reasonable written requests from any Party for information not otherwise provided pursuant to this Operating Agreement regarding the PLANT. Within five (5) days of the execution of this Operating Agreement, the Agent shall designate a person to be responsible for being responsive and providing reasonably adequate and complete information to inquiries from the Parties and shall inform the Parties of the identity of such person.

(vi) The Agent shall promptly provide the Parties with information about outages of a unit at the PLANT, unit trips and capacity reductions, safety OSHA recordables, environmental reportable events, work disruptions or stoppages and any notices of unusual events, alerts, or emergencies. Additionally, the Agent shall promptly notify the Parties of other events that the Agent believes are reasonably likely to lead to enquiries by a governmental body or the press.

(vii) Beginning with the Effective Date:

A. MPC, for itself and as Agent for FPL, shall use its best efforts (subject to Prudent Utility Practice) to cause the actual O&M Expense for each year to be less than the O&M Expense reflected in the O&M Budget for such year;

B. MPC, for itself and as Agent for FPL, shall not increase the scope or budget of planned outages beyond the scope of and budget set forth in the O&M Budget without the written consent of FPL, which consent shall not be unreasonably withheld; and

C. MPC, for itself and as Agent for FPL, shall use its best efforts (subject to Prudent Utility Practice) to minimize the scope and cost unplanned outages at the PLANT.

2.08 <u>Maintenance Schedule</u>.

(a) For so long as FPL is a participant under the IIC, the following provisions shall apply to scheduling of maintenance for the units:

(i) maintenance schedules shall be subject to review and approval of Southern Company Services. Inc. ("<u>SCS</u>"), as the agent for implementation of the IIC; and

(ii) MPC, for itself and as Agent for FPL, shall coordinate with SCS to schedule the maintenance of the units.

(b) Beginning with the IIC Exit Date and continuing until the Retirement Date, the Parties shall work in good faith to coordinate the scheduling of maintenance for the Units.

2.09 <u>Property Taxes</u>.

(a) Except as set forth in Section 2.09(b), property tax liability shall be apportioned to each owner in accordance with the owners' respective ownership interest in the PLANT.

(b) In addition to any property tax reductions for the PLANT that accrue to both FPL and MPC jointly, each owner will be afforded the benefit of 100% of any property tax reductions that are solely attributable to such owner's retirement of its interests in the PLANT.

ARTICLE III.
APPORTIONMENT OF CAPACITY AND ENERGY

3.01 Apportionment of Capacity and Energy.

(a) Until the effective date of the Dispatch Procedures, MPC and FPL shall each be entitled to 50% of the total available capacity of and 50% of the energy produced by the PLANT, as such capacity shall exist from time to time.

(b) From the effective date of the Dispatch Procedures to the Retirement Date, FPL's entitlement to and allocation of the energy produced by the PLANT shall be governed by the Dispatch Procedures. MPC shall be entitled to use both Units and may dispatch capacity in excess of 50% of the PLANT's capacity to the extent necessary to address system reliability or to address a PLANT condition, provided that such use does not interfere with FPL's use of the PLANT in accordance with the Dispatch Procedures.

(c) Upon the Retirement Date, and consistent with the terms of this Agreement that allocate cost responsibilities, FPL shall no longer be entitled to capacity of or energy from the PLANT and MPC shall be allocated 100% of the energy produced by the PLANT. MPC also shall be entitled to use both units and may dispatch capacity in excess of 50% of the PLANT's capacity to the extent necessary to address a system reliability issues or to address a PLANT condition

3.02 Plant Dispatch. Until the IIC Exit Date, the dispatching of generation provided for herein shall be performed on behalf of each of the Parties by SCS as its agent through the Bulk Power Operations and Fleet Operations. Beginning with the earlier of August 1, 2022 or the IIC Exit Date, until the PLANT capacity is retired in its entirety, SCS shall continue to physically dispatch the PLANT, but dispatch of FPL's interest in the PLANT shall be governed by the Dispatch Procedures.

ARTICLE IV.
WORKING CAPITAL

4.01 Working Capital. Subject to the provisions of this Agreement, the Parties shall provide the funds required for use as Working Capital so as to make possible that, MPC, for itself and as Agent for FPL, shall make payments therefrom in the proportions provided in Article VI. FPL shall provide its share of such funds, by making cash available to MPC for expenditures made or expense incurred by MPC as FPL's Agent in accordance with the provisions of this Operating Agreement. On the termination of this Operating Agreement, any funds so provided by FPL to MPC shall be returned by MPC to FPL except to the extent that they shall have been expended or obligated in accordance with the provisions of this Operating Agreement or shall be represented by investment made in accordance with the provisions of this Operating Agreement in existing materials and supplies, including fuel, in which FPL has a proportionate ownership interest.

ARTICLE V.
MONTHLY COST STATEMENT AND CHARGES

5.01 Administrative Expenses. As soon as practicable, after the end of each calendar month beginning with the month in which this Operating Agreement is executed, FPL shall furnish to MPC a statement of any administrative or other expense (of the character referred to in Section 5.03 as apportionable under and pursuant to this Operating Agreement) incurred or paid by FPL, other than through MPC as its agent and properly chargeable to operation, maintenance or additions to or retirements of the PLANT, including any costs referred to in Section 10.02. Such expense and cost shall be included, as appropriate, in the cost statements provided for in this Article V.

5.02 Other Monthly Statements. As soon as practicable, after the end of each calendar month beginning with the month in which this Operating Agreement is executed, MPC shall render to FPL a statement of account showing the amounts recorded for the preceding month reflecting:

(a) Any payment received by FPL or MPC referred to in Section 11.02;

(b) The net cost of any additions to or retirements of the PLANT, classified in conformity with said Uniform System of Accounts, including for information the cost of property thus replaced, its salvage value and the cost of removal, and any charges or credits to the cost of any such additions or retirements pursuant to Articles X and XI;

(c) The expense of operation and maintenance of the PLANT classified in accordance with said Uniform System of Accounts and further divided into "Capacity (Fixed) Cost" and "Energy (Variable) Cost" as defined in Section 5.03 and 5.04.

5.03 Capacity Costs Defined. "Capacity (Fixed) Cost" shall be the sum of the following actual operation and maintenance expenses, determined on a monthly basis:

(a) Fixed operation, fixed maintenance, administrative and general actual expenses applicable to PLANT as defined by the Supervisory Committee;

(b) Federal and State payroll and employment taxes applicable to the PLANT;

(c) Premiums on employee group insurance applicable to the PLANT;

(d) Pension plan accruals applicable to the PLANT;

(e) Net costs incurred pursuant to Articles X and XI;

(f) Expenses and costs set forth in the statement received from FPL pursuant to Section 5.01; and

(g) Except as set forth in Section 2.09, it is the intent of the Parties that so far as possible all ad valorem, franchise, business or other like taxes arising out of the ownership and operation of the PLANT shall be separately levied and assessed against the Parties severally and that each such Party shall be responsible for and pay to the appropriate taxing authority all such taxes so levied and assessed against it without any responsibility of the other Party with respect thereto and without the amounts thereof being paid and apportioned between the Parties under and pursuant to the provisions hereof. To the extent, however, if any, that taxes may be levied on or assessed against the PLANT, or its operation, or the Parties in such a manner as, in the opinion of the Supervisory Committee, to make impossible or inequitable the carrying out of the foregoing intent, then such taxes shall be paid by MPC, acting on its own behalf and as agent for FPL, as a part of the expense of operating the PLANT to be apportioned between the Parties under and pursuant to this Operating Agreement and, except as provided in Section 5.04(c), shall be included in "Capacity Cost".

5.04 Energy Costs Defined. "Energy (Variable) Cost" shall be the sum of the following actual operation and maintenance expenses, determined on a monthly basis:

(a) total delivered cost of each Party's owned fuel burned at the PLANT;

(b) provision for variable operation and maintenance expenses including Section 14.18 Environmental Costs and in-PLANT fuel handling expenses equal to the actual charges to the PLANT included in specific steam power generation expense accounts (or sub-accounts maintained thereunder) of said Uniform System of Accounts; and

(c) all taxes on or measured by the amount of generation to the extent such taxes are, under the provisions of Section 5.03 (g), to be paid and apportioned between the Parties under and pursuant to this Operating Agreement.

5.05 Consumables. Materials and supplies consumed at the PLANT and services used in connection with the operation, maintenance and additions to and retirement of the PLANT shall be recorded by MPC in the accounts referred to in Section 2.02 and shall be reflected in determinations of Working Capital pursuant to Section 4.01 at the actual cost thereof, including any applicable taxes thereon.

5.06 Administrative and Other Cost Allocation. FPL will be responsible for reimbursing MPC for an allocated share of MPC's administrative and other costs. The Parties acknowledge that the Joint Ownership Accounting Procedures (Attached hereto as Schedule VI) contains both allocation methodologies and internal MPC billing processes and procedures (the "MPC Provisions"). The Parties hereby agree that any MPC Provisions can be removed from the Joint Ownership Accounting Procedures or amended unilaterally by MPC from time to time. It being understood that other provisions of the Joint Ownership Accounting Procedures or any provisions of a successor agreement thereto that governs allocation methodologies may only be changed by written agreement of the Supervisory Committee.

ARTICLE VI.
APPORTIONMENT OF EXPENSES

6.01 Operating and Maintenance Expenses. Until the Retirement Date, except as otherwise provided for in this Operating Agreement, the expenses incurred or accrued during each calendar month for operation, maintenance or capital expenditures or retirements of the PLANT described in Article V, shall be apportioned therein between MPC and FPL as follows:

(a) The net cost of additions to and retirements of the PLANT and Capacity (Fixed) Cost shall be so apportioned between MPC and FPL such that MPC shall bear 50% thereof and FPL 50% (except that, as to the investment in the boiler (Account 312) for Unit 2, FPL has invested an amount slightly in excess of 50% by reason of accounting requirements with respect to costs incurred in testing Unit 2 prior to its commercial operation); and

(b) The Energy (Variable) Cost shall be apportioned between MPC and FPL based upon the net kilowatt-hours generated for the account of each Party from the PLANT as a percentage of the total net kilowatt hours generated from the PLANT in such month.

6.02 Post Retirement Date Operating and Maintenance Expenses. Upon the Retirement Date, FPL's responsibility for operating and maintenance shall be as set forth in Section 12.01.

ARTICLE VII.
PAYMENT AND ADJUSTMENT OF CHARGES

7.01 Establishment of Accounts. FPL shall establish an account for the purpose of providing funds for the payment of FPL's proportionate share of expenditures that are in accordance with the provisions of this Operating Agreement. MPC, as FPL's Agent, shall have power to draw on this account for FPL's proportionate share of said expenditures.

7.02 Initiation of Disputes. In the event either Party disputes or questions; (i) the accuracy of any cost statement furnished pursuant to Article V or (ii) whether any cost statement furnished pursuant to Article V conforms to the provisions hereof, FPL shall nevertheless discharge its obligation under Section 7.01. Such settlement will not be deemed to bar either Party from claiming a readjustment of such statement.

7.03 Settlement of Disputes. In the event any such dispute occurs, it shall be settled by the Parties hereto unless either Party shall refer it to the Supervisory Committee for settlement, in which case the decision of the Supervisory Committee shall be binding upon the Parties. If the Supervisory Committee cannot reach a decision, the dispute will be settled in accordance with the provisions of Section 14.02 of this Operating Agreement.

7.04 Overpayment or Underpayment. If it shall be determined that either Party has paid more or less than its proper portion of the costs and expenses of the PLANT for any month, an appropriate correction shall be made by MPC by proper credit or charge, as the case may be, on the next monthly statement it issues.

7.05 Timing of Payment Reconciliation. All claims for adjustment and correction of any such cost statement must be made by MPC or FPL, as the case may be, within one hundred and twenty (120) days after receipt of such statement, but the failure to request adjustment or correction thereof shall not be deemed to bar either Party from challenging the methods used in preparing such statements insofar as such methods affect subsequent monthly statements.

ARTICLE VIII.
SERVICE AND CONDITIONS

8.01 Joint Operation. For so long as FPL is a participant in the IIC, the PLANT will be operated in parallel with the Mississippi Power Company System and the integrated Southern Company System and the voltage shall be maintained on the high voltage substation buses as required for system conditions on the Mississippi Power Company System and coordinated with the Southern System as a whole.

ARTICLE IX.
METERING

9.01 Metering. The capacity and energy delivered from PLANT to MPC and FPL shall be measured by suitable metering equipment at generator voltage so as to determine the gross output, auxiliary requirements, net output and reactive power of each hour of each unit to the transmission grid.

9.02 Energy Losses. Energy losses in the power transformer stepping up from generator voltage to transmission voltage and energy losses in station service power transformers shall be apportioned between MPC and FPL on a basis to be determined by the Supervisory Committee.

9.03 Cross-System Energy Flows. Power and energy flows between the FPL and MPC systems at the PLANT shall be measured by suitable metering equipment. Since the transmission systems of FPL and MPC are interconnected through the Southern Companies' interconnected system, there may be a flow of electric capacity and energy between the two systems across the point of interconnection on the high voltage bus of the PLANT. This flow of electric capacity and energy flows at designated interconnection points, and the allocation of the PLANT generation between FPL and MPC as described in Article III shall be accounted for in a manner consistent with the accounting of power flows at other interconnection points such that each Party is properly credited for all energy generated for his account.

9.04 Approval of Meters. The type and location of the metering equipment referred to in Section 9.01, 9.02 and 9.03 shall be subject to the approval of the Supervisory Committee.

9.05 Metering Frequency. Daily records shall be compiled by MPC with copies being sent to FPL and to the Power Coordination Office of SCS and to any designees thereof, showing by clock-hour intervals for each 24-hour day the load (expressed in both megawatts and megavars) of the PLANT and total loads to MPC and to FPL and, in addition, data as to the gross output of the PLANT by units, station service requirements, and such other related data as may be specified by the Supervisory Committee. This data will be distributed to FPL and SCS on a schedule to be developed and maintained as part of the procedures required by Section 5.06.

9.06 Meter Failure. In case of testing, inaccuracies, stoppage or failure of any primary metering apparatus, the determination of electric energy quantities normally measured thereby shall be made from any duplicate metering equipment in service or by such other means as the Supervisory

Committee may decide upon. Policies and procedures for back up metering shall be determined by the Parties.

9.07 Testing and Calibration. All meters referred to in this Article shall be sealed. Meters shall be tested and calibrated at least once every twelve (12) months by MPC, or at more frequent intervals if deemed advisable by the Supervisory Committee. Notice of each such test shall be given to FPL at least (30) thirty days prior to such testing so that its representative may attend such test.

9.08 Inaccuracies. Any meter tested and found to be inaccurate by one-half of one percent (0.5%) or more on light load or full load tests, either fast or slow, shall be adjusted or replaced. If any meter is found to be inaccurate by one percent (1.0%) or more on full load test, either fast or slow, all readings previously taken by such meter shall be corrected accordingly for the period during which the meter was known to have been inaccurate, but no such correction shall be retroactive to a date more than thirty (30) days prior to the date on which such inaccuracy shall have been discovered, unless the actual date on which the inaccuracy first occurred can be determined and agreed upon by the Supervisory Committee, in which case, the correction shall be retroactive to the actual date. All such corrections are subject to approval of the Supervisory Committee. The energy produced during the time of the meter error shall be calculated in whole megawatt-hours and scheduled for payback either to or from MPC in a time frame agreeable to MPC and FPL. All metering records and tests shall be available to authorized representatives of the Parties.

ARTICLE X.
LIABILITY AND DAMAGE

10.01 Employees. Liability to employees of MPC engaged in the operation and maintenance of PLANT pursuant and applicable hereto under any Federal or State workmen's compensation law will be satisfied by MPC and included in Capacity Cost as provided in Section 5.03. Liabilities of this character arising from additions to or retirements of the PLANT will be satisfied by MPC and included in the statement rendered by MPC to FPL pursuant to Section 5.02.

10.02 Third Party Injury. Any costs incurred by either Party attributable to liability for damages to persons (including employees of FPL) or property arising out of the performance of this Operating Agreement, the cost of which is to be paid and apportioned under this Operating Agreement, will be reflected in Capacity Cost as provided in Section 5.03, to the extent that such work relates to operation or maintenance of the PLANT; otherwise such costs will be reflected in the statements rendered pursuant to Section 5.01 or Section 5.02.

10.03 Property Damages.

(a) At any time before the Retirement Date, damage to property of any nature whatsoever shall be repaired or replaced by MPC pursuant to Prudent Utility Practice, acting on its own behalf and as Agent for FPL, and 50% of the cost of such repairs or replacement will be apportioned to FPL, pursuant to Section 6.01 and paid by FPL under and pursuant to the provisions hereof and 50% shall be so apportioned to and paid by MPC acting on its own behalf. Additionally, subject to Section 2.03(b) but without limiting FPL's rights in Sections 10.03(b) or (c), MPC will notify FPL of any expected or proposed repairs or replacements that are not already in an approved or proposed O&M or capital budget that is expected to exceed an amount of $175,000 (or such other amount as may from time to time be established by the Supervisory Committee) so as to allow FPL a reasonable opportunity to determine whether or not it wishes to have such a variance submitted to the Supervisory Committee for review and/or to pursue relief in accordance with this Operating Agreement, if necessary.

(b) Once the Plant Dispatch Procedures go into effect, MPC will use one of the units at the PLANT as the primary source of output, and MPC shall designate that unit to FPL in writing at the time that the Plant Dispatch Procedures go into effect. The other unit will be used as a secondary source of output and will be expected to run infrequently on an as-needed basis. After the Plant Dispatch Procedures go into effect and until the Retirement Date, FPL can avoid paying for any capital costs to repair unexpected damage to the secondary unit if 1) the repair is not necessary to prevent a safety hazard or comply with a legal requirement and 2) no later than 10 Business Days after being informed of the repair and its estimated capital cost, FPL provides to MPC a written and immediate commitment that FPL will permanently forego its right to schedule and/or dispatch is share of the PLANT's capacity. For the avoidance of doubt, the provisions of this Section 10.03(b) will only affect FPL's obligation to pay for the capital costs of such repair to the secondary unit in question and shall not otherwise alter FPL's obligations to pay for other costs pursuant to the other terms of this Agreement.

(c) On and after the Retirement Date, repair of damage to Common Site Facilities at the PLANT shall be made by MPC as Agent in accordance with Prudent Utility Practice, including consideration of the anticipated retirement date of the PLANT, and 50% of the cost of such repairs to the Common Site Facilities shall be apportioned to and paid by FPL and 50% shall be apportioned to and paid by MPC acting on its own behalf. Repairs to other portions of the PLANT occurring on or after the Retirement Date shall be subject to the approval of MPC in its sole judgment; provided that such costs will be paid entirely by MPC, and further provided that any insurance proceeds obtained by FPL in relation to such damage to such portions of the PLANT shall be assigned to MPC.

ARTICLE XI.
INSURANCE

11.01 Insurance Generally. MPC and FPL shall arrange for property, casualty and surety insurance coverages applicable to PLANT. Such insurance shall be self-provided by each Party under their respective self-insurance program or placed with insurance carriers and through agents appropriate under Prudent Utility Practice. The amounts and types of coverages shall likewise be approved by the Supervisory Committee. Premium payments shall be made with respect to each policy by MPC and/or FPL each in accordance with its interest.

11.02 Any amounts recovered by MPC under the insurance coverage on the PLANT shall reduce FPL's associated obligations proportionately. MPC shall notify FPL promptly upon receipt of any such payment.

11.03 During the period of its operation of the PLANT, MPC shall carry in the name of the Parties, as their interests appear, insurance covering (i) workers' compensation, which shall include employers' liability, (ii) commercial general liability, which shall include so broad form contractual and products/completed operations liability, and (iii) "all risk" property, which shall include coverage for boiler and machinery, in such amounts and with such deductible or self-insurance features as is consistent with MPC's customary practices, provided such insurance shall have the following minimum limits of liability: (a) workers compensation, statutory limits; (b) employer's liability, $1,000,000 per products/completed operations, $50,000,000 combined single limit per occurrence; and (c) "all risk" property insurance, $200,000,000 per occurrence; or such greater limits with respect to the PLANT as may be determined, from time to time, by the Supervisory Committee. The maximum aggregate deductible amount under all insurance policies for any occurrence shall be an amount consistent with industry practice for utilities of similar size and exposure provided that such insurance is obtainable with a deductible amount not exceeding such maximum deductible amount and at commercially reasonable premiums. For any policy obtained by MPC, the Parties shall each be designated as an additional insured (including, for purposes of protecting their interests as owners) and such policy shall be endorsed to be primary to any insurance which may be maintained by either Party.

11.04 MPC shall promptly provide copies of all insurance policies or certificates relating thereto, and make available all notices with respect thereto, and insurance inspection reports with respect the PLANT (and any other insurance inspection reports which would clearly and adversely affect the policies insuring the PLANT), to FPL for insurance carried by MPC pursuant to this Section 11.04. Either Party may also maintain additional or other insurance, at its own cost and expense, which it deems necessary or advisable to protect its respective interest the PLANT, any unit, the Common Facilities, the Coal Stockpile, or any combination thereof, provided that such additional insurance does not reduce or diminish in any way the coverage of the insurance procured and maintained by MPC pursuant to this Section 11.04.

11.05 Notwithstanding the foregoing, FPL shall separately procure and maintain in force, at its own expense, workers' compensation and employer's liability insurance for its Site Representatives and its other employees visiting the PLANT with minimum limits of liability set forth above. The maximum aggregate deductible amount under all insurance policies for any occurrence shall be an amount consistent with industry practice for utilities of similar size and exposure provided that such insurance is obtainable with a deductible amount not exceeding such maximum deductible amount and at commercially reasonable premiums. The aggregate cost of all such insurance shall be considered Operating Costs. For any policy obtained by MPC, the Parties shall each be designated as an additional insured (including, for purposes of protecting their interests as owners) and such policy shall be endorsed to be primary to any insurance which may be maintained by either Party.

ARTICLE XII.
<u>RETIREMENT AND DECOMMISSIONING</u>

12.01 <u>Retirement</u>.

(a) FPL shall retire its interests in the PLANT on January 15, 2024 (the "<u>Retirement Date</u>").

(i) From and after the Retirement Date, and consistent with Section 2.07, FPL will have no obligation or liability for costs to operate or maintain or repair or replace the PLANT or any portion thereof, except for 50% of operations and maintenance costs for Common Site Facilities and 50% of Ordinary Course Capital Costs for Common Site Facilities, and MPC shall have the right to dispatch either unit of the PLANT in its sole discretion.

(b) MPC may, at any time through and including the date that is 120 days prior to the Retirement Date, exercise its option to purchase FPL's ownership interest for one dollar ($1.00) on the Retirement Date. If MPC declines to exercise its option to purchase FPL's interest in the PLANT, then after the Retirement Date, FPL will continue to be responsible for costs as set forth in 12.01(a)(i).; and

(c) Regardless of whether MPC exercises its option to purchase FPL's ownership interest, FPL shall be responsible for 50% of Decommissioning costs for the PLANT. Further, if the Agreement is terminated pursuant to Section 1.02, MPC shall still be authorized to undertake and direct all Decommissioning activities related to the PLANT and FPL shall still be responsible for payment of 50% of Decommissioning costs for the PLANT. For the avoidance of doubt, if there is any increase in Decommissioning costs due to a change in legal or regulatory requirements applicable to the PLANT occurring after the Retirement Date, FPL shall be responsible for 50% of such increased Decommissioning Costs. Notwithstanding the foregoing, in the event that (1) MPC continues to operate the PLANT after the Retirement Date, and (2) there is an increase in Decommissioning costs solely related to such continued operation (including due to increased use of commodities and production of by-products as a result of continued operation), then MPC shall be responsible for 100% of such increased costs.

(d) As described in this Article 12, upon the Retirement Date, FPL's obligations and liabilities become limited or terminate. However, there are provisions in this Agreement that require MPC to provide information and give FPL rights to review and, in some cases, approve matters. This includes provisions regarding Business Plans operational reports and notifications regarding disputes. For the avoidance of doubt and notwithstanding any other provisions in this Agreement, after the Retirement Date, such provisions shall apply only to the information and subjects that reasonably relate to matters for which FPL bears a portion of the financial responsibility.

(e) Notwithstanding anything in this Operating Agreement to the contrary, beginning December 31, 2041 FPL shall have no obligation to pay any costs associated with the PLANT except for Decommissioning costs.

12.02 Decommissioning.

(a) Decommissioning shall take place at the direction of the Supervisory Committee after MPC retires its interest in the PLANT.

(b) During each calendar year after Decommissioning of the PLANT has begun, and continuing through the Term of this Agreement, the Agent will submit a Decommissioning Cost Budget for the following calendar year to the Supervisory Committee by May 31. If any Party objects to such Decommissioning Cost Budget, the Supervisory Committee will endeavor to resolve such objections. If the Supervisory Committee cannot reach agreement on the following year's Decommissioning Cost Budget by June 30 of each calendar year, it will refer the matter to the Parties' respective Senior Officers. If the Senior Officers cannot reach agreement on a final Decommissioning Cost Budget for the following year in question by July 15, an objecting Party may submit the matter to arbitration pursuant to the terms of this Operating Agreement, provided that such arbitration regarding the following year's Decommissioning Cost Budget must be submitted by October 31 of the then-current calendar year. In the event that a dispute regarding the Decommissioning Cost Budget is not resolved before the year to which it applies, then the Agent's proposed Decommissioning Cost Budget shall go into effect and the Parties will pay their allocated share of the costs incurred thereunder. However, any such payments made by an objecting Party shall not prejudice the right of that Party to pursue relief in accordance with this Operating Agreement, including potential refunds of payments made, and any such payments made by an objecting party shall be reconciled following the subsequent resolution of the dispute in accordance with an arbitration award issued pursuant to Section 14.02. Any payments or refunds ordered under any such arbitration award shall be paid to the prevailing party within 60 calendar days. Additionally, the Agent will notify FPL of any expected or proposed variances to the total amount of an approved Decommissioning Cost Budget that are in excess of $175,000 (or such other amount as may from time to time be established by the Supervisory Committee) so as to allow FPL a reasonable opportunity to determine whether or not it wishes to have such a variance submitted to the Supervisory Committee for review and/or to pursue relief in accordance with this Operating Agreement, if necessary.

ARTICLE XIII.
DEFAULT

13.01 Events of Default. The following shall be "Events of Default" under this Operating Agreement:

(a) Failure by either Party to make any payment or provide a credit due to the other Party under this Operating Agreement within thirty (30) days after receiving notice of the from the non-defaulting-Party of such failure to make such payment or provide such credit;

(b) Failure by either Party to perform any material obligation (other than a payment obligation) under this Operating Agreement, that is not cured within sixty (60) days of the receipt of notice from the non-defaulting Party of such failure.

13.02 MPC's Rights on Default by FPL. Whenever any Event of Default by FPL shall have occurred, MPC may take one or more of the following remedial steps described in this Section 13.02. MPC shall have the right to invoke the remedies provided by this Section 13.02 at any time such an Event of Default has occurred and has not been cured in all material respects.

(a) MPC may borrow, or provide itself, sufficient funds, up to an amount equal to the payments owed to it by FPL. MPC shall be entitled to recover from FPL the amount of the funds so borrowed or provided, plus interest thereon at a rate of two and one quarter percent (2.25%) per year. FPL's Event of Default shall be deemed to continue until the total amount due MPC, plus interest, is paid to MPC.

(b) If an Event of Default by FPL has continued for a period of six (6) months, then MPC shall have the right to terminate this Operating Agreement, on thirty (30) days' notice, which right may not be defeated by any offer or tender made in an attempt to cure the Event of Default.

13.03 FPL's Rights on Default of MPC. Whenever any Event of Default of MPC shall have occurred, FPL may take one or more of the following remedial steps in addition to exercising any other rights it may have at law, in equity or otherwise:

(a) FPL may borrow, or provide itself, sufficient funds, up to an amount equal to the payments owned by, and to be due under this Operating Agreement in amounts owed by FPL to MPC. FPL shall be entitled to recover from MPC the amount of the funds so borrowed or provided, plus interest thereon at a rate of two and one quarter percent (2.25%) per year. MPC's Event of Default shall be deemed to continue until the total amount due FPL, plus interest and cure costs by the non-defaulting Party is paid to FPL.

(b) If an Event of Default by MPC has continued for a period of six (6) months, then FPL shall have the right to terminate this Operating Agreement, on thirty (30) days' notice, which right may not be defeated by any offer or tender made in an attempt to cure the Event of Default.

(c) In the event a Party disputes an asserted Event of Default by it, then such Party shall pay the disputed payment or perform the disputed obligation but may do so under protest. The protest shall be in writing, shall precede or accompany the disputed payment or performance of the disputed obligation, and shall specify the reasons upon which the protest is based. In the event it is determined that the protesting Party is entitled to a refund of all or any portion of the disputed payment or payments or is entitled to reimbursement of the cost of performing a disputed obligation therefore made or performed, then the protesting Party shall be reimbursed such amount with interest at plus interest thereon at a rate of two and one quarter percent (2.25%) per year by the non-protesting Party. Notwithstanding the foregoing, if the protesting Party disputes an Event of Default with regard to a disputed obligation and the protesting Party believes in good faith that performing the disputed obligation would be inconsistent with the safe and reliable operation of the PLANT or would violate a law, regulation license or permit related to the operation of the PLANT, then the-protesting Party shall include such belief in its protest and shall not be required to perform the obligation in question.

13.04 Agreement to Pay All Costs to Cure Default. If an Event of Default should occur and a Party not in Default employs outside attorneys or incurs other out-of-pocket expenses for the collection of any payment or the enforcement of performance or observance of any condition or obligation on the part of the defaulting Party, or for the exercise of any other remedy hereunder, the defaulting Party agrees that it will, to the extent the Party not in Default is successful in such collection or enforcement after a final non-appealable judgment, on demand reimburse the Party not in default for its reasonable expenses for such attorneys and for such other reasonable expense incurred. No Event of Default shall be deemed cured until all costs payable under this Section 13.04, including any attorney fees incurred by the Party not in default and payments pursuant to this Operating Agreement, shall have been paid or reimbursed.

ARTICLE XIV.
MISCELLANEOUS

14.01 Actions of Supervisory Committee. To the extent a Party (including any Supervisory Committee member, employee or such agent thereof) causes damages to property of the other Party in connection with the operation or maintenance of the PLANT, the Party causing such damages shall not, at any time or under any circumstances, have or make any claim for damages against the other Party (including any Supervisory Committee member, employee or such agent thereof) in connection with the operation or maintenance of the PLANT or for the non-delivery at any time of all, or any portion, of the electric energy to be made available from the PLANT, or for any reduction or delay in such delivery. All claims for money damages from the aforesaid causes, however and whenever arising, are hereby expressly waived and released by each Party as against the other Party, respectively. Provided, however, that this provision shall not be construed as waiving, impairing or releasing any other remedy of either Party as against the other Party for the enforcement of the provisions of this Operating Agreement according to its intent.

14.02 Arbitration. Subject to Section 14.01, any controversy, claim, counterclaim, defense, dispute, difference or misunderstanding arising out of, or relating to, this Operating Agreement, or the breach therefor, shall be determined by the Supervisory Committee. Any of the above-described situations not ultimately receiving a unanimous decision from the Supervisory Committee or any other matter submitted to the Supervisory Committee in accordance with this Operating Agreement not ultimately receiving a unanimous decision from the Supervisory Committee shall be decided by the Senior Officers. Matters not resolved by the Senior Officers shall be settled by arbitration before an arbitrator named by them or if they are unable to agree upon and name such an arbitrator then before three arbitrators, one of whom shall be named by MPC, one of whom shall be named by FPL, and the third of whom shall be named by the two arbitrators so named by MPC and FPL. The arbitration shall be conducted in accordance with the rules and expedited procedures of the American Arbitration Association then in effect, and judgment upon any award rendered by the arbitrators may be entered in any court having jurisdiction thereof. Additionally, disputes over the budgets established under Sections 2.07(d),(e) or 12.02(b) shall be resolved through "baseball" arbitration. This provision shall survive the termination of this Operating Agreement. The Parties expressly agree that this provision shall constitute a condition precedent to the institution of any proceeding in any court relating to the subject matter thereof.

14.03 Successors & Assigns. This Operating Agreement shall inure to the benefit of and be binding upon the successors and assigns of the respective Parties hereto, but it shall not be assignable by either Party without the written consent of the other Party. Notwithstanding the foregoing, either Party may be permitted to assign this Operating Agreement to an affiliate which is taking title, directly or indirectly, to all or substantially all of the assets of a Party or with which a Party is merging or otherwise being acquired, directly or indirectly.

14.04 Modifications Resulting From One Party's Actions. It is agreed by the Parties hereto that any changes in present MPC operations specifically required as the result of a sale by either Party of any portion of its capacity and/or energy from the PLANT, outside of normal transactions within the Southern System, shall be the sole financial responsibility of the Party making the sale.

14.05 Amendments. This Operating Agreement may only be amended by written agreement of the Parties.

14.06 Incorporation by Reference and Integration. Except for the August 24, 2004 Memorandum executed by Michael W. Southern of MPC and Ronnie R. Labrato of Gulf regarding allocation of Common Operations and Maintenance (which is hereby incorporated by reference), this Operating Agreement sets forth the entire agreement and understandings of the Parties hereto, and this Operating Agreement supersedes and nullifies all other agreements made between the parties hereto with respect to the matters addressed herein.

14.07 No Adverse Distinction. Notwithstanding any other provisions of this Operating Agreement, in discharging its respective responsibilities pursuant to this Operating Agreement, MPC, as Agent, shall not make any adverse distinction or demonstrate preference between the PLANT (or any portion thereof), on the one hand, and any other generating unit or common facilities in which it has an interest, on the other hand, because of its co-ownership of the PLANT.

14.08 Cooperation. The Parties and MPC, as Agent, will cooperate with each other in all activities relating to the PLANT, the Common Facilities, the Coal Stockpile, or any combination thereof, including the execution and filing of applications for authorizations, permits and licenses, fuel procurement and the execution of such other documents as may be reasonably necessary to carry out the provisions of this Operating Agreement.

14.09 Availability of Records.

(a) In furtherance of its duties as Agent, MPC shall also keep and maintain appropriate PLANT records in accordance with applicable legal requirements and MPC's record retention policies. To the extent that the Florida Public Service Commission requires FPL to retain records for longer periods of time than MPC would retain such records, then, upon written request from FPL, MPC shall provide FPL, at FPL's sole expense, with originals or copies as appropriate of such records, on or prior to the date that MPC disposes of such records.

(b) At the request of FPL, MPC, as Agent, will during normal business hours make available to FPL (and its duly authorized agents and representatives) books, materials, and records to allow it to identify the costs and expenditures attributed to the PLANT or any portion thereof, or as needed to satisfy requests from governmental authorities, or otherwise. To the extent that MPC claims privilege over any such books, materials, and records FPL, as applicable, shall be required to enter into a reasonable and customary common interest or joint defense agreement as a condition to receiving such books, materials, and records, provided that FPL and MPC have sufficient commonality of interest to justify a joint defense agreement.

14.10 Environmental Matters.

(a) The Parties acknowledge and agree that MPC, as Agent, shall manage, control, operate and maintain the PLANT, including the units and the Common Facilities, pursuant to this Operating Agreement and in all material respects in compliance with environmental laws, and regulations, and shall have the authority to and shall use reasonable best efforts to obtain and maintain all federal, state and local environmental permits and other approvals necessary to operate the PLANT and shall substantially comply with all conditions, limits, standards and restrictions contained in or associated with such permits or approvals. As part of its responsibilities under this Section 14.10, MPC and/or one of its affiliates shall provide the Designated Representative and Alternate

Designated Representative required by the Clean Air Act. FPL and MPC shall confirm the selection of such Designated representative and Alternate Designated Representative through a separate writing.

(b) Within ten (10) Business Days following receipt by the Agent thereof, the Agent shall provide the Supervisory Committee with copies of any written notice from any governmental authority of competent jurisdiction over environmental laws and regulations regarding violations, noncompliance, claims, enforcement actions, or litigation or the explicit threat thereof, or from any other third party of environmental litigation or the explicit threat thereof, in any case or matter pertaining to the PLANT. In addition, upon the reasonable request of a Party's Site Representative, MPC, for itself and as Agent for FPL shall inform the requesting Site Representative of any communications of which it is aware with the relevant governmental authority or third party that is threatening litigation pertaining to the matters described in this Section 14.10(b), unless the Agent has already provided such information to the Supervisory Committee or the requesting Site Representative of that representative's Party.

(c) The Agent will provide a report to the Supervisory Committee of any negotiations it has with environmental regulators of any environmental matters affecting the PLANT. With regard to consent orders or settlements that will require the Parties to expend an aggregated amount of at least $250,000, the Supervisory Committee shall have the right to and, at the reasonable request of the Agent, shall approve or disapprove such consent orders or settlement agreements necessary to resolve any administrative or judicial action involving matters relating to such environmental compliance. The Agent shall present a recommended course of action relating to the subject matter of any material negotiation, consent order, or settlement to the Supervisory Committee upon the reasonable request of any member of the Supervisory Committee.

(d) MPC, for itself and as Agent for FPL, shall have a continuing obligation to notify the Parties of any plans which, to the Agent's knowledge, may be developed to construct or install additional generation facilities or other significant facilities at the PLANT's site, or of any material changes or modifications to the PLANT, which construction, installation, additions, changes or modifications could reasonably be expected to affect the compliance status of the PLANT (or any portion thereof) in any material respect, or which could reasonably be expected to result in material additional costs, whether capital expenditures, operation and maintenance costs, or regulatory fees, to Parties relating to the installation or modification of environmental control equipment, or to operational changes required to maintain environmental compliance. Plans for any such additional facilities shall be submitted to the Supervisory Committee and each Party shall have the right to dispute whether the addition is consistent with Prudent Utility Practice in accordance with the terms of this Operating Agreement, provided, however, that a Party shall not have the right to raise such a dispute unless that Party will be allocated and responsible for a portion of any costs associated with the addition. Each Party shall have the right, in its sole discretion, to disapprove any new or replacement generation facilities or other significant facilities of any kind, whatsoever, on the PLANT's premises that are proposed under this subsection where the proposing Party expects the other Party to pay for any portion of any costs associated with the addition.

(e) Until the Dispatch Procedures become effective, each Party shall be entitled to and shall hold all right, title and interest in and to a pro rata share (based upon such Party's undivided ownership interest in the PLANT) of any and all Allowances (as hereinafter defined) previously allocated to the PLANT pursuant to the Federal Clean Air Act, as now or hereafter amended, and any regulations now or hereafter promulgated pursuant thereto. Thereafter, each Party shall be entitled to and shall hold all right, title and interest in such future grant of Allowances based upon the basis upon which such Allowances have been granted. "Allowance" shall have the meaning set forth in the Clean Air Act. Each Party shall be solely responsible for providing any Allowances required to operate the PLANT in compliance with the Clean Air Act, as amended, and any regulations and requirements arising thereunder. Each Party's share of the total required Allowances shall be equal to the Party's ownership interest in the PLANT. The Supervisory Committee shall develop an Allowance Agreement for determining the Allowance obligations of each Party for annual Allowance compliance.

(f) The Agent shall not use, treat, store, dispose, or recycle, at the PLANT any Environmental Material (as hereinafter defined) in amounts or under circumstances requiring notification of, or a permit, license, or approval from any Governmental Authority of competent jurisdiction, unless such Environmental Material was generated at the PLANT or is needed for the generation of electric power at the PLANT. For the avoidance of doubt, and consistent with past practice at the PLANT, Environmental Materials that are used at the PLANT or at other generation owned by a Party located either on PLANT property or adjacent property may be stored at the PLANT. For purposes of this Subsection 14.10(f) "Environmental Material" shall mean and include asbestos, radioactive material, petroleum, petroleum products, petroleum fractions, petroleum distillates, and any substance, material, effluent, or waste designate as hazardous under the Comprehensive Environmental Response Compensation, and Liability Act and amendments thereto, or designated as toxic or hazardous or otherwise regulated under the Toxic Substances Control Act and amendments thereto, the Resource Conservation and Recovery Act and amendments thereto, the Clean Water Act and amendments thereto, the Clean Air Act and amendments thereto, the MS Air Quality Act and amendments thereto, the MS Hazardous Waste Management Act and amendments hereto, or the MS Water Quality Control Act and amendments thereto.

(g) MPC, as Agent for FPL, shall have no liability to FPL for any environmental matters except for violations by MPC, as Agent for FPL, of its express obligations under this Article XIV.

14.11 <u>Safety</u>. The Parties acknowledge and agree that in the management, control, operation and maintenance of the PLANT, each Unit, and the Common Facilities pursuant to this Operating Agreement, MPC shall at all times take all reasonable precautions for the safety of employees on the work and of the public, and shall comply with all applicable provisions of federal, state, and municipal safety laws and building and construction, codes, including, all regulations of OSHA.

14.12 <u>Management and Operating Audits</u>. No more frequently than once every twelve (12) months, each Party shall have the right to conduct an audit, at its own cost, of the PLANT's operations, MPC's performance as Agent hereunder, either by its own officers and employees or through its duly authorized agents or representatives. For the avoidance of doubt, requests for access to specific books and records pursuant to Section 14.09 shall not be considered an audit.

14.13 The Agent shall cooperate with any audit and, subject to the applicable regulations of any governmental authority having jurisdiction shall give the auditing Party reasonable access to all contracts, records, and other documents to the extent that they relate to the PLANT or any portion thereof.

14.14 On-site Observation and Inspection.

(a) Each Party, at its own cost, shall be entitled to have a Site Representative ("Site Representative") at the PLANT on a full or part time basis (whether on site or off site), as determined by the Party. Reasonable office space and facilities shall be made available to such Site Representatives. A Party desiring to have a Site Representative shall provide written notice to MPC of the name of such individual. Subject to reasonable safety and operational considerations, a Site Representative shall have the right to review expenditures, and records, inspect equipment, advise on repairs required for equipment, review the progress of outages, attend outage meetings, review maintenance and operating practices and procedures and otherwise observe all activities at the PLANT. In addition, each Site Representative shall, upon request, be provided reasonable access to Agent's PLANT management personnel.

(b) In addition to its designated Site Representative, a Party may have other authorized representatives, including, outside consultants, visit the PLANT site, provided that such visits shall be subject to MPC's consent, which shall not be unreasonably withheld. However, MPC's consent shall not be required if the representative is an employee of a Party or one of its affiliates.

14.15 Right to Copies. Subject to the provisions of 14.09 hereof, any Party shall each be entitled to copy any and all (i) contracts, books, records, reports and other documents and papers to which such Parties, their respective officers, employees, duly authorized agents or representatives and consultants is permitted access, or which MPC has agreed shall be available for audit, under the terms of this or any other agreement with the Parties, and (ii) any and all architectural, engineering and design drawings and specifications that have been or shall hereafter be prepared in connection with the PLANT, the Coal Stockpile, or any combination thereof. The Parties (other than MPC) shall use any such copy, the information contained therein, or both, only in the exercise of their respective rights and obligations under this Operating Agreement; neither Party (other than MPC) may sell or otherwise transfer any such copy or the information contained therein to any person or entity except that, a Party may provide such copies or disclose their contents to its respective mortgagees, security deed holders, potential financing sources and such Party's agents and authorized representatives; and neither Party (other than MPC), their respective officers, employees, agents, representatives, consultants, mortgagees nor security deed holders may use any such copy or the information contained therein in connection with any other generating plant or for the benefit of any other person or entity.

14.16 Confidentiality of Information.

(a) Notwithstanding any other provision of this Operating Agreement, certain contracts, records, drawings, data or other documents or information relating to the duties of the Agent with respect to the PLANT the Coal Stockpile or any combination thereof have been, or in the future may be, designated as proprietary, confidential or privileged ("Proprietary Information") by i) a Party or ii) a third party that has imposed upon the Party receiving such information an obligation not to disclose to any other person or entity without the express approval of such supplier. Neither Party may disclose, provide access to or permit copying of any Proprietary Information without the express approval of the person or entity designating any such material as proprietary, privileged or confidential (it being understood that the disclosing Party shall reasonably cooperate in obtaining such consent or approval) and that any such disclosure to the Parties shall be in accordance with all of the terms of any such approval.

(b) The Parties shall be permitted to produce and disclose Proprietary Information if required by subpoena or other binding process of an administrative agency or other Governmental Authority or otherwise required by law; provided, however, that prior to such production such Party shall use its best reasonable and good faith efforts to resist such subpoena or other process or shall request the party propounding such subpoena or demand to allow the disclosing Party a reasonable delay to seek a protective order. In the event that production of such Proprietary Information is nevertheless required, the Party so producing such Proprietary Information, shall request that such Proprietary Information be accorded confidential treatment to the extent such treatment is available from the forum having propounded the subpoena or other process.

14.17 Notices. Except as expressly required otherwise in this Operating Agreement, all notices, requests and other communications hereunder (each a "Notice", and to provide such Notice, to "Notify") shall be in writing (including e-mail or similar electronic transmission) and shall be sent, delivered, mailed or addressed:

If to MPC, to:

Michael Smith
Mississippi Power Company
Vice President and Senior Production Officer
2992 West Beach Boulevard
Post Office Box 4079
Gulfport, MS 39502-4079
Tel 228-474-3155
mwsmith@southernco.com

with a copy to:

Jim Heilbron
Senior Vice President and Senior Production Officer – West Production Group
600 18th St N P O Box 2641
Birmingham, AL 35203-2206

If to FPL, to:

Scott E. Brown
Florida Power & Light Company
700 Universe Boulevard
Juno Beach, FL 33408
Scott.E.Brown@nexteraenergy.com
Tel: 906-614-2103
with a copy to:

VP PGD Fossil Operations and Pipelines Florida Power & Light Company
700 Universe Boulevard
Juno Beach, FL 33408

Each such Notice shall be given (a) by mail (postage prepaid, registered or certified mail, return receipt requested), (b) by hand delivery, (c) by nationally recognized courier service, or (d) by email, receipt confirmed via reply of the intended recipient (with a confirmation copy to be sent by first class mail, hand delivery or nationally recognized courier service). Each such Notice shall be effective (i) if mailed, if delivered by hand or by internationally recognized courier service, when delivered at the address specified in this Section 14.17 (or in accordance with the latest unrevoked written direction from the receiving Party) and (ii) if given by email, when such email is delivered to the address specified in this Section 14.17 (or in accordance with the latest unrevoked written direction from the receiving Party), and the appropriate confirmation is received; provided, that Notices received on a day that is not a Business Day or after 5:00 p.m. Eastern Time on a Business Day will be deemed to be effective on the next Business Day.

14.18 Environmental Costs.

(a) Until the earlier of the IIC Exit Date or the effective date of the Dispatch Procedures, the Parties shall be responsible, in proportion to their respective ownership interests, for Environmental Costs to the extent that they arise as a result of the operation of the PLANT.

(b) Beginning with the earlier of the IIC Exit Date or the effective date of the Dispatch Procedures, the Parties shall be responsible, in proportion with each Party's generation output, on a monthly basis, for Environmental Costs that are properly classified as Operating Costs and are variable in that the amount of such cost is tied directly to the amount of the PLANT's output. This includes materials and reagents such as limestone. For the avoidance of doubt, the Parties shall be responsible for Environmental Costs that are not covered by this Section 14.18(b) as 1) Operating Costs and/or 2) Decommissioning Costs in accordance with the other terms of this Agreement..

14.19 Project Resources. MPC, as Agent, agrees not to utilize resources of the PLANT for the benefit of any third party without obtaining the prior written approval of the other Parties. This restriction shall apply only to (a) equipment and supplies that MPC, as Agent, purchased for use at the PLANT and the cost of which was charged to the Parties, and (b) professional services of individuals who are listed on the payroll of the PLANT. MPC, as Agent, shall collect the appropriate reimbursement for the benefit of the Parties of an allocated portion of the cost of all PLANT resources sold, leased or otherwise utilized for the benefit of third parties pursuant to this Section 14.19. This provision is not intended to limit the authority of MPC, as Agent, to assign their respective internal resources to the PLANT and to bill the Parties therefor in accordance with the procedures of this Operating Agreement.

14.20 Press Release. If either party is intending to issue a public statement or press release regarding any operational issue, compliance matter or claim related to the PLANT of any part thereof, such Party shall provide the other Party a reasonable opportunity to review and provide comment to such public statement or press release, which such comments will be given good faith consideration for inclusion in such public statement or press release.

14.21 Severability. If any provision of this Operating Agreement is determined to be void, unlawful, or otherwise unenforceable, that provision shall be severed from the remainder of the Operating Agreement, and replaced automatically by a provision containing terms as nearly like the void, unlawful, or unenforceable provision as possible, or otherwise modified in such fashion as to preserve, to the maximum extent possible, the original intent of the Parties, and the Operating Agreement, as so modified, shall continue in full force and effect.

14.22 Interpretation; Certain Terms. The words such as “herein,” “hereinafter,” “hereof,” and “hereunder” refer to this Operating Agreement (including the Exhibits and Schedules to this Operating Agreement) as a whole and not merely to a subdivision in which such words appear unless the context otherwise requires. The word “including” or any variation thereof means “including, without limitation” and does not limit any general statement that it follows to the specific or similar items or matters immediately following it. The words “to the extent” when used in reference to a liability or other matter, means that the liability or other matter referred to is included in part or excluded in part, with the portion included or excluded determined based on the portion of such liability or other matter exclusively related to the subject or period. The word “or” shall be disjunctive but not exclusive. A reference to any Party or to any party to any other agreement or document shall include such Party’s successors and permitted assigns. A reference to any legislation or to any provision of any legislation shall include any amendment to, and any modification or reenactment thereof, any legislative provision substituted therefor and all regulations and statutory instruments issued thereunder or pursuant thereto (provided, that for purposes of any representations and warranties contained in this Operating Agreement that are made as of a specific date, references to any statute shall be deemed to refer to such statute and any rules or regulations promulgated thereunder as amended through such specific date). References to “$” shall mean U.S. dollars and references to “written” or “in writing” include in electronic form. Any reference to “days” shall mean calendar days unless Business Days are expressly specified.

14.23 Governing Law. All matters arising from or relating to this Operating Agreement shall be construed in accordance with and governed by the laws of the State of Mississippi without giving effect to its conflict of laws provisions.

14.24 Counterparts. This Operating Agreement may be executed in multiple counterparts (each of which will be deemed an original, but all of which together will constitute one and the same instrument). Signatures to this Operating Agreement transmitted by facsimile transmission, by electronic mail in “portable document format” (.pdf) form, or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, will have the same effect as physical delivery of the paper document bearing the original signature.

IN WITNESS WHEREOF, the Parties have caused this Second Amended and Restated Operating Agreement to be duly executed and delivered as of the date first set forth above.

MISSISSIPPI POWER COMPANY

By: Michael Smith
Name: Michael Smith
Title: VP & Sr. Production Officer

FLORIDA POWER & LIGHT COMANY

By: ______________________________
Name:
Title:

SCHEDULE I
PLANT DANIEL BUSINESS PLAN OUTLINE

I. Performance Data:

A. Net generation in megawatt-hours.

B. Equivalent availability as defined by NERC-GADS.

C. Unplanned outage rate as defined by NERC-GADS.

D. Predicted annual net heat rate.

E. Peak period continuous rating test.

II. Estimated Staffing Levels (in full-time equivalents):

A. Total number of Plant Daniel personnel.

B. Plant Organizational Chart.

C. Number of personnel by classification assigned to the Daniel units.

D. Number of personnel assigned to major systems or departments supporting Common Facilities.

E. Changes in staffing levels from the previous year with an explanation.

III. Operating Funding Budget Estimate and Capital Budget Estimate:

A. Salary expenses, including, changes from previous year.

B. Percent of overtime anticipated by each Plant Daniel department.

C. Line item cost estimates for recurring operating and maintenance expenses by Funding Category and location.

D. Line item cost estimates for each nonrecurring operating and maintenance expense by Funding Category and location.

E. Detail cost break down of operating and maintenance expenses by the following:

1. Location – Offsite or On-site

2. Unit – Originating allocation location

3. Project Type

4. ECO/ECRC
5. Account 502[Need to get specific citation]
6. Labor Resource Type
7. PRCN
8. PRCN Description
9. RT
10. RT Description
11. Activity
12. Activity Description
13. EWO
14. EWO Description
15. PROJ
16. PROJ Description
17. FERCSUB
18. FERCSUB Description
19. BWO
20. BWO Description
21. AI
22. AI Description
23. Maximo Work Order
24. Maximo Work Order Description

F. Line item cost estimates for capital expenditures not covered in item IV below, including, (i) blanket work orders for such items as furniture, supplies, vehicles, etc., (ii) specific capital purchases of large items including, engineering and labor, and (iii) units of property in a form agreed to by the Parties.

G. Breakdown by Funding Category and location of the previous year's budget.

H. Accrual based and cash-based cash flow of expenditures by month.

I. Overheads, and any administrative and general expenses, as a percentage of the direct support for the applicable facility specified by category.

IV. Overhaul and Planned Outage Description and Schedule

A. Impact on expected annual availability.

B. Rolling five-year scheduled outage plan.

C. Line item cost estimates for overhaul and planned outages.

D. Description of work.

E. Length of outage.

V. Fuel Plan Estimate:

A. Amount of coal to be purchased and its cost.

B. Amount of coal to be burned.

C. Amount of oil to be purchased.

D. Amount of oil to be burned.

E. Railcar maintenance.

F. Fuel handling costs.

G. Inventory level.

H. Dates of coal stockpile survey.

I. Dates of scale calibration and test.

VI. Estimate of Waste/By-products: Volume to be sold, if any, and anticipated resulting revenues.

VII. Materials and Supplies Inventory Estimate

VIII. Unit Improvement and Modifications:

A. Recommendations on any staffing, design or equipment modifications which MPC has identified or which have been given to MPC by either of the Plant Daniel Parties for evaluating as potentially improving performance and/or reducing cost.

B. Description of modifications including, total cost and, for those projects where MPC standard procedures require a cost/benefit study, benefit with the necessary payback period based on financial assumptions obtained from MPC and FPL.

C. Schedule for completion of design modifications.

D. If the modification is for the benefit of the Plant Daniel Common Facilities and a cost/benefit study is furnished, indicate the cost and savings portions that would apply directly to each Party.

IX. Safety and Compliance Goals

X. Major Organization Cultural Initiatives

SCHEDULE II
MONTHLY OPERATING REPORT

Topics for the operating report shall include the following:

I. Bulk Material Effectiveness:

A. Cost per ton to handle coal, to the extent available.

B. Cost per ton to store by-products, if applicable.

II. Financial:

A. Net generation (expected versus actual).

B. Cumulative net generation expected versus actual for the calendar year.

C. Dollars per net megawatt-hours shown separately for O&M and fuel costs (expected versus actual).

D. Auxiliary power megawatt-hours (actual).

E. Overtime (budgeted versus actual).

F. Number of Actual Personnel

G. Plant Personnel by ECCR/NONECCR and assigned location

H. Contractor FTEs

I. Materials (actual).

J. Capital Budget Funding Category line items (budgeted versus actual).

K. Operating Budget Funding Category line items (budgeted versus actual).

III. Availability/Reliability:

A. Monthly availability.

B. 12 Month rolling equivalent availability.

C. Capability.

D. Capacity Factor.

E. 12 month rolling capacity factor.

IV. Performance (Reported as tests are performed--report on most recent test).

A. Average monthly net heat rate.

B. Average monthly net operating heat rate.

V. Outages:

A. Full or partial forced outages during the month, including, reason, megawatt-hour capability curtailed, remedy, if any, and preventative measure taken to prevent reoccurrence, if any. Copies of root cause analysis.

B. Planned outages summary including, overhaul status.

VI. Safety Performance

A. Recordable injuries (current month)

B. Total medical treatment cases

C. Restricted workday cases (current month)

D. Recordable incidence rate (YTD)

E. Year-to-date lost workday cases

F. Lost workday incidence rate

G. Contractor Recordable injuries

H. Vehicle accidents (current month)

I. Vehicle accidents (YTD)

VII.

A. Environmental Reportable events (YTD)

B. Environmental Reportable events (current month)

C. Monthly NOx emissions (lbs./mmbtu).

D. 24 Month rolling NOx emissions (lbs./mmbtu).

E. Monthly SOx emissions (lbs./mmbtu).

F. 24 Month rolling SOx emissions (lbs./mmbtu).

G. 60 Day rolling Hg emissions (lbs./Tbtu)

SCHEDULE III
COMMON FACILITIES

1. Fee Simple Land
2. Site Improvements
3. Cooling Pond
4. Water Storage Pond
5. Retention Pond
6. Ash Disposal Pond
7. Chemical Waste Storage Pond
8. Track System
9. Trestles
10. Site Fire Protection System
11. Turbine Building
12. Steam Generator Building
13. Control Room
14. Control Building
15. Maintenance Equipment Storage House
16. Computer Room
17. Service Building
18. Warehouse
19. Water Treatment Building
20. Training Building
21. Emergency Generator Building
22. Precipitator Control House
23. Fire Protection Building
24. Service Water Chlorination House
25. Security Building
26. Waste Water Treatment Control House
27. Fire Protection Transformer House
28. Air Compressor House
29. Fuel Pump House
30. Sewage Treatment Facility
31. Environmental Monitoring Facilities
32. Fuel Analysis Facilities
33. Utility Trench
34. Waste Water Treatment System
35. Sluice Water Return Pump Building/Structure
36. Lifting System, Pulverized Coal Firing System
37. Oil Handling and Firing System
38. Lighter Oil System

39. Auxiliary Boiler System
40. Blowdown System
41. Stack
42. Coal Handling System
43. Coal Handling Service Building
44. Coal Handling Unloading Control House
45. Coal Handling Garage
46. Coal Handling Switchgear House
47. Coal Handling Crusher House
48. Coal Handling Truck Weighing House
49. Coal Handling Transfer House
50. Coal Preparation Laboratory
51. Fuel Handling Fire Protection System
52. Wet Ash Handling System
53. Dry Ash Handling System
54. Dry Ash Storage Facilities
55. Steam Generator Hoist
56. Control Air System
57. Treated Water System
58. Service Water System
59. Filtered Water System
60. Water Sampling and Analysis System
61. Nitrogen System
62. Chemical Wash System
63. Chemical Waste Treatment System
64. Limestone Handling & Preparation System
65. Flue Gas Desulfurization, Make-up Water System
66. Gypsum Slurry System
67. Flue Gas Desulfurization, Return Water System
68. Flue Gas Chemical Injection System
69. Generator Cooling and Purge System
70. Cooling Water System
71. Turbine Overhead Crane
72. Rotor Pedestal, Lifting System
73. Oil Storage and Transfer Facilities, Lube Oil System
74. Raceway System-Buildings
75. Site Ground System
76. Metering and Relaying, Centralized Plant Control System
77. Steam Generator Control System, Centralized Plant Control System
78. Auxiliary Boiler Control System, Centralized Plant Control System

79. Coal Handling Control System, Centralized Plant Control System
80. Central Plant Control Console, Centralized Plant Control System
81. SO2 Removal Control system, Centralized Plant Control System
82. Computer System
83. Local Racks and Panels
84. Distribution System, D.C. System
85. Battery System, D.C. System
86. D.C. Inverter, D.C. System
87. Generator, Emergency Generator System
88. Generator Drive, Emergency Generator System
89. Fuel Storage and Supply System, Emergency Generator System
90. Distribution System, A.C. System
91. Transformer System, A.C. System
92. Intrasite Communication System
93. Compressed Air System
94. Central Vacuum Cleaning System
95. Plant Support Equipment
96. Plant Welding System
97. Plant Heating, Ventilating, and Air Conditioning System
98. Plant Washdown System

SCHEDULE IV
COMMON SITE FACILITIES

1. Cooling Pond
2. Water Storage
3. Storm Water System
4. Retention Pond
5. Black Creek Facilities
6. Ash Disposal Ponds & Landfills
7. Gypsum Storage Facility
8. Gypsum Waste-Water Ponds (provided, however, that FPL shall only be responsible for Ordinary Course Capital Costs associated with the deep wells and shall not be responsible for O&M costs associated with the deep wells).
9. Chemical Waste Storage Pond
10. Site Fire Protection System
11. Turbine Building
12. Steam Generator Building
13. Service Building and Roads
14. Warehouse
15. Water Treatment Building
16. Emergency Generator Building
17. Fire Protection Building and Equipment
18. Fire Protection Transformer House
19. Service Water Chlorination House
20. Security Infrastructure
21. Waste Water Treatment Control House
22. Fire Protection Transformer House
23. Air Compressor House
24. Fuel Pump House
25. Sewage Treatment Facility
26. Environmental Monitoring Facilities
27. Fuel Analysis Facilities
28. Sluice Water Return Pump Building/Structure
29. Stack, Wet and Dry
30. Coal Handling Service Building
31. Coal Handling Unloading Control House
32. Coal Handling Garage
33. Coal Handling Switchgear House
34. Dry Ash Storage Facilities
35. Site Ground System
36. Distribution System, D.C. System

37. Battery System, D.C. System
38. D.C. Inverter, D.C. System

SCHEDULE V

DANIEL 1&2 FPL DISPATCH PROCEDURES

These procedures are intended as a guide to the dispatch of the jointly owned, Plant Daniel Units 1 and 2 for the period beginning with the earlier of the IIC Exit Date or August 1, 2022 until the Retirement Date. Although the procedures in these procedures will not be effective until the earlier of the IIC Exit Date or August 1, 2022, FPL and MPC agree to cooperate in good faith to take such actions prior to such time as may be required to allow these procedures to be implemented immediately upon the effective date of such withdrawal. These procedures contain system operations procedures covering the commitment, start-up and operation of Units 1 and 2 as well as general information about the operational characteristics of Units 1 and 2 as each relates to systems operation and dispatch. These procedures also contain start-up costs and cost tracking procedures for Units 1 and 2. In the event of a conflict between these procedures and the terms of the Amended and Restated Operating Agreement for Plant Daniel Units 1 and 2, these procedures shall control.

The information contained in these procedures does not purport to cover all possible scenarios that might arise during the operation of Unit 1 and 2, but is intended to provide useful, practical guidelines for the day to day dispatch and control of Unit 1 and 2 as a part of the owners' coordinated power systems. The procedures and guidelines contained herein may only be modified by the written agreement of all Owners of Unit 1 and 2.

List of Joint Owners	Ownership Percentages
Mississippi Power Company (MPC)	50%
Florida Power & Light Company (FPL)	50%

These dispatch procedures and all rights to schedule energy from Daniel Units 1 and 2 shall terminate effective with FPL's retirement of its fifty percent (50%) ownership of Daniel Units 1 and 2 as determined pursuant to the retirement notice letter from Marlene Santos to Anthony Wilson dated January 15, 2019 (i.e., on January 15, 2024 or such earlier time as FPL and MPC mutually agree).

Capitalized terms not otherwise defined in these procedures shall defined as set forth in the Amended and Restated Operating Agreement for Plant Daniel Units 1 and 2. Further, references to FPL in these procedures includes any affiliates designated by FPL to take dispatch and scheduling actions on FPL's behalf and FPL's corporate successors.

FPL Balancing Authority Area (BAA) refers to the combined BAA of the current FPL Power portion of the Southern BAA and the existing FPL BAA which will be combined when FPL exits the Southern BAA.

FPL will schedule energy from Daniel Unit 1 and 2 to the FPL BAA as normal fixed interchange per NERC/NAESB/OATT requirements and the requirements of the Southern BAA and the FPL BAA.

FPL is responsible for procuring all transmission to facilitate delivery of energy from Daniel Unit 1 and 2 to the FPL BAA.

FPL is responsible for any transmission losses resulting from the delivery of Daniel Unit 1 and 2 energy from the facility to the load sink. The losses from the Daniel point of receipt to the SOCO/FPL point of delivery will be governed by the Southern Company Open Access Transmission Tariff (OATT) and subject to the provisions of Attachment V. Under Attachment V loss rates will be calculated every two years. The current Southern Company Transmission loss rate for energy is 2.2 percent.

General Provisions:

Availability

The amount of capacity and energy available to FPL shall be based on the availability of Daniel Unit 1 and 2. If the units are derated FPL will be entitled to schedule their ownership share (50%) of the available capacity. If one unit is unavailable, FPL may schedule Block 1 only. If both units are unavailable, FPL may not schedule Block 1 or Block 2 energy. If one or both units are derated the limits for Block 1 and/or Block 2 will be adjusted accordingly in proportion to the derate.

Station Service

Offline Station Service: When either one or both of Daniel Unit 1 or 2 are not online and not in startup for an owner's commitment, the unit consumes energy to maintain unit operations in an offline state. MPC shall provide its share of the offline station service from other supply resources available to MPC in the Southern BAA. FPL shall supply its share of offline station service through an energy payback schedule or pay MPC for providing FPL's offline station service obligation as described below.

If FPL chooses an energy payback schedule, FPL will be provided its hourly share of offline station service on a daily basis. FPL shall provide an hourly payback schedule equal to its hourly offline station service obligation plus transmission losses as applicable for the day as specified in the offline station service notice. FPL shall provide payback energy from the FFPL BAA by the next calendar day after it is notified of its offline station service obligation.

If FPL chooses to purchase its share of offline station service from MPC, it will be priced at the hourly Associated Interchange Energy Rate (AIER) as defined in the Southern Company Intercompany Interchange Contract (or its successor) on file with the Federal Energy Regulatory Commission and will be billed as part of the joint ownership billing process.

Start-up Station Service: When Daniel Units 1 and 2 are in startup and consuming more than the normal offline station service, the amount of station service above the offline station service will be deemed startup station service. The Supervisory Committee can determine a "normal" level annually for a point of reference, but a manual review process will be used for financial settlement of station service or for determining the amount of payback energy per a payback process agreed to by the parties.

Information will be available to determine if the unit is in a startup process and which owner/s are committing the units. The startup station service shall be allocated to the party or parties committed in the unit for the startup. If both parties are committing in the unit, the startup station service shall be allocated based on each party's ownership share of the unit.

MPC shall provide its share of the startup station service from other supply resources available to MPC in the Southern BAA.

Startup station service will be included with offline station service and provided to FPL. FPL will either include the startup station service in its payback schedule with offline station service or purchase the startup station service from MPC at AIER.

Commitment Cost

When Daniel Units 1 and 2 are started solely to serve only FPL's or MPC's schedule, the party who commits into the unit shall be responsible for 100 percent of the commitment costs for the unit/s physically committed.

If either owner commits into Daniel Unit 1 or 2 after the Units are started to serve the other owner, the owner who joins the commitment of the Units will be responsible for its ownership share of the commitment costs.

Block Schedule Requirements:

The following requirements shall govern Block Schedules of FPL's Daniel Unit 1 and 2 capacity and energy:

Notice and run time parameters:

36-hour notice to commit for each unit (under normal circumstances) and begin block schedules

Under certain circumstances (i.e., experiencing wet coal, staffing delays, or other special circumstances), the actual notice to commit and schedule may be longer than 36 hours; the commitment notice requirement will be communicated to FPL. The communication process will include the plant staff notifying Fleet Operations of any plant conditions that would increase the notice requirement. The commitment notice requirement will be updated in the online scheduling tool contemplated for FPL to submit their block schedules. If the condition impacts an upcoming FPL schedule, this will also be communicated verbally.

For the avoidance of doubt, "commitment" for purposes of these dispatch procedures means the initiation of a new energy schedule for an Energy Block or a part thereof, regardless of whether accommodation of such schedule requires the start-up of a Unit.

With each commitment, FPL will provide a non-binding hourly estimate of the planned dispatch of the committed block for the duration of the expected schedule

In the event that FPL commitment(s) necessitate both Units being started within less than 12 hours of each other, starting the second unit will require an additional 12 hours to start and therefore, Block 2 schedules may not begin until 12 hours after the Block 1 schedule begins.

48-hour minimum run time per start

96-hour maximum run time per start

24-hour de-commit notice if de-commitment desired prior to 96-hour max run time

For the avoidance of doubt, “de-commitment” for purposes of these dispatch procedures means the termination of a new energy schedule, regardless of whether accommodation of such termination requires the shutdown of a Unit.

24-hours’ notice is required to extend a schedule beyond the initial schedule (initial schedule must be at least 48 hours) and schedule must be extended in 24-hour increments

168-hour minimum down time between schedules

The total scheduled hours shall not exceed 528 hours per calendar year (prorated for any partial year) excluding ramp hour schedules. For the avoidance of doubt, any hour where Energy Block 1 or Energy Block 1 and 2 are scheduled count as one hour towards the annual hours limit. Energy Block 1 must be scheduled at maximum to allow a non-zero Energy Block 2 schedule.

Energy Scheduling:

Ramp Energy:

MPC will provide the hourly ramp energy, if any, required to support FPL’s block schedule for the hours prior to the first hour of a new block schedule. FPL shall schedule the ramp energy to the FPL BAA by preparing a NERC/NAESB e-tag for the provided ramp energy profile.

MPC will provide the hourly ramp energy, if any, required to support FPL’s block schedule for the hour/s following the last hour of a block schedule. FPL shall schedule the ramp energy to the FPL BAA by preparing a NERC/NAESB e-tag for the provided ramp energy profile.

FPL will be responsible for all differences between actual generation and the tagged generation under their imbalance service agreement

FPL will commit and schedule energy in two Energy Blocks:

Energy Block 1 shall have a maximum of 250 MWs and a minimum of 150 MWs.

Energy Block 2 shall have a maximum of 165 MWs and a minimum of 50 MWs.

If FPL maintains sufficient high BTU coal to support a submitted schedule, the maximum of Energy Block 2 shall be 250 MWs.

Energy Block 2 can be dispatched during the same time period as Energy Block 1, provided that Energy Block 1 has been scheduled for the maximum of 250 MWs.

The MW amounts for the Energy Blocks are based on the Plant Daniel Units 1 and 2 ratings as of January 1, 2022. If the ratings change, the Parties shall cooperate to agree upon adjustments to the Energy Blocks to accurately reflect FPL's ownership share of Plant Daniel Units 1 and 2.

FPL may change ongoing energy schedules upon a 2-hour intra-day notice. FPL may modify schedules with less than 2-hours' notice under the provisions described in Special Circumstance Scheduling Provisions section below.

If there is insufficient available energy to support FPL's scheduled energy and MPC's utilization of Plant Daniel Units 1 and 2, the owners shall be allocated 50% of the output, provided however, if such allocation would result in allocating more energy to FPL than it scheduled, then FPL will be allocated the amount of energy it scheduled and the balance will be allocated to MPC.

Hourly scheduling shall be in 50 MW Block increments, except that the last tranche of Energy Block 2 may be scheduled in amount other than 50 MWs in order to schedule the maximum available capacity of the block.

Special Circumstance Scheduling Provisions

Special circumstances may occur during a FPL Block schedule period that result in intra-hour schedule changes. The event types that may result in intra-hour schedule changes are detailed below:

Transmission / Reliability Coordinator / Balancing Authority Schedule Adjustments

Curtailments will be managed consistent with Southern Companies' Open Access Transmission Tarif, NERC/NAESB standards and will be implemented as defined in normal congestion management practices. NERC/NAESB e-Tag adjustments made for the operating events defined in this document will be made via market tag adjustment as defined by NAESB Business Practices. Emergency Energy will be managed in accordance with the Balancing Authority Agreement between Southern Company Services and Florida Power & Light Company.

Defined Events

MPC or its agent Initiated Adjustments (Assumes FPL is the tag author)

Unit De-rate or Trip

If a Plant Daniel Unit 1 or Unit 2 trips or is de-rated and FPL has an active energy schedule and NERC/NAESB e-tag, MPC via its agent will notify FPL or provide the real-time limits of the new facility limit(s) based on capability (zero for a unit trip). NEE/FPL shall modify the NERC/NAESB e-tag to reflect the new limit at the next available scheduling window per the Southern Company Transmission General Business Practices (as posted on Southern Company's OASIS site) and FPL BAA business practices to minimize any imbalances between the unit generation and the NERC/NAESB e-tag / schedule. The current Southern Company Transmission General Business Practices allow market tag changes on the ¼ hour with 20 minutes notice, but may, in its discretion, approve an otherwise "late" transaction if circumstances warrant (including whether it can be done in accordance with applicable reliability standards) such action.

FPL Initiated Adjustments

Generally, FPL should schedule energy from Daniel Unit1 and 2 two hours ahead per the Energy Scheduling provision of this agreement. However, under certain operating events, schedule changes with less than two hours' notice including intra-hour changes may be requested by FPL. All adjustments are subject to the Southern Company Transmission General Business Practices for NERC/NAESB tag adjustments. The following are qualifying events for short notice schedule changes:

A qualifying DCS event for the FPL BAA per NERC standards

The loss of the North Florida Resiliency Connection 161 kV transmission line between the former Gulf territory and FPL

FPL BAA declares a NERC EEA 1 or greater

Special Circumstances:

Certain operating scenarios require the co-owners to take their ownership share of the actual generation from the Daniel Unit 1 and 2. Daniel Unit 1 and 2 are on manual control when operating under special circumstances and normal scheduling is suspended. Owners can request that Plant Daniel Unit 1 and 2 personnel consider a postponement of the special circumstance. An owner can request, from the other owner, all energy associated with the special circumstance except for baseload station service. Otherwise, the owners have no control over Daniel Unit 1 and 2. Special circumstances include but are not limited to the following:

Heat Rate test (as required for diagnostic testing).

Unit operation for non-discretionary tests (environmental and performance tests).

Unit operation for freeze protection.

Fuel pile management

After major planned maintenance outage (Units 1 and 2 must be started, tested, and made ready for load dispatch).

FPL will be provided an estimate of its share of generation for special circumstances to facilitate its scheduling its ownership share of generation resulting from Special Circumstances. FPL shall schedule and tag its share of generation and will be updated with any changes to the expected generation.

For clarification, Daniel Unit 1 and 2 must be committed and/or dispatched to provide area and/or system protection for the Southern Company transmission system from time to time. When these events occur all Daniel Unit 1 and 2 generation will be allocated to MPC unless FPL has an active energy schedule during the period Daniel Unit 1 and 2 are providing transmission support.

Fuel Burn Allocation:

Startup Fuel:

Startup fuel shall be allocated to each owner that commits or schedules energy from Daniel Units 1 and 2 during a commitment period.

If only one owner receives energy from the units during a commitment period, that owner shall pay 100 percent of the startup fuel costs for that commitment period.

If both owners receive energy from the units during a commitment period, the owners shall pay their ownership share of the startup fuel expenses.

All Other Fuel Costs:

When only one owner is committed in Daniel Units 1 and 2, all fuel burn and generation shall be allocated to that owner.

If both owners are committed in the units, the fuel burn will be based on FPL's block schedule with the remaining generation and associated fuel burn allocated to MPC.

The fuel burn allocation will be calculated as follows when both owners are committed in one or both units:

The total hourly fuel burn (MMBtus) for Units 1 and 2 will be calculated using each unit's net heat rate curve and each unit's actual net hourly output.

The total hourly fuel burn will be allocated to each party based on their share of the actual net output (FPL's schedule and MPC's remaining generation)

Each owner's allocated, calculated fuel burn for each hour of the month, including hours when only one owner is committed in the units, will be summed for the month

Each owner's fuel burn share shall be calculated for the month as a percent of total fuel burn by ratioing each owner's calculated fuel burn to the total calculated fuel burn

Each owner's share of actual fuel expenses will be calculated by multiplying each owner's fuel burn percentage share to the volume and cost of actual fuel burned at Units 1 and 2.

Special considerations when FPL is the only committed owner:

FPL will receive their scheduled energy from Daniel Units 1 and 2 via a NERC eTag which will determine the interchange between the Southern BAA and the FPL BAA for each hour of the FPL schedule. Although Daniel Units 1 and 2 will be operated to match FPL's schedule as closely as possible, imbalances (differences) will likely occur between the actual net output from Daniel Units 1 and 2 and the FPL NERC eTag.

The sections below provide the process for reconciling any imbalances between actual generation and schedules to ensure FPL is properly assigned cost for all energy received and is properly compensated for Daniel generation FPL is assigned cost for but does not receive:

If Units 1 and 2 do not generate sufficient energy to serve the FPL block schedule/NERC eTag, the difference is a deficit between FPL's Daniel generation and the energy FPL received. Imbalance charges will result under FPL's transmission service agreement since the energy was supplied by other Southern Company generation resources. FPL will only be charged for fuel burn associated with the actual energy generated from Units 1 and 2 and will be charged for the remaining energy to serve their schedule through the imbalance provisions of the transmission service agreement.

If Units 1 and 2 generate more energy than the FPL schedule/NERC eTag, FPL will have excess generation in the Southern BAA from Daniel Units 1 and 2. FPL will be allocated the fuel burn for all generation from the units including the generation above FPL's schedule. FPL will receive revenue for the excess Daniel generation under the imbalance provision of their transmission service agreement to offset that cost.

Other Provisions:

NEE will be provided start costs, availability, indicative unit energy prices and current commit notice in Southern Company's electronic contract scheduling application- Contract Energy Scheduling ("CES") system. CES is the web-based tool to facilitate FPL's use of Daniel Unit 1 and 2 (communicate unit availability, enforce block scheduling constraints, communicate ramp profiles, etc.).

The physical interchange of energy from Daniel Unit 1 and 2 to the FPL BAA will be accomplished via an approved NERC/NAESB e-tag which reflects the Daniel Units 1 and 2 usage documented in CES. FPL shall be responsible for preparing all NERC/NAESB e-tags required to receive Daniel Unit 1 and 2 energy.

SCHEDULE VI
JOINT OWNERSHIP ACCOUNTING PROCEDURES

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Plant Daniel

Joint Ownership Accounting Procedure

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INTRODUCTION

Under the Joint Owner Operating Agreement (JOOA) between MPC and Gulf Power, dated February 1, 1982, MPC operates Plant Daniel Units 1&2 on behalf of MPC and Gulf Power, each owning a 50% interest. Section 7.2 of the JOOA sets forth the general terms of the contract related to billing Gulf Power for Plant Daniel Unit 1&2 costs.

> Section 7.2 of JOOA – *"MPC and Gulf will develop written accounting procedures to affect the billing to Gulf by MPC and the payments by Gulf to MPC for Gulf's proportionate share of the expenditures. These procedures will establish methods to insure that each Company pays its share and does not cause an unfair burden on the other and that Gulf receives proper credit for amounts withdrawn from the account established according to Section 7.1. These procedures may be revised and amended as necessary."*

MPC pays all expenses and books all expenditures and accruals for Plant Daniel Units 1&2 (except that Gulf records its own share of AFUDC, Property Taxes and Depreciation) and then bills Gulf Power in accordance with the terms of the JOOA. The location segment of the account numbers the key to identifying costs associated with Plant Daniel Units 1&2 and the associated common coal facilities.

The purpose of these procedures is to document the methods MPC will use to account for and bill Gulf for their share of Plant Daniel expenses. The procedures will also provide the time frame within which certain tasks are to be accomplished and documentation/information provided to Gulf.

These procedures will be appropriate so long as MPC and Gulf share the energy output of Plant Daniel Units 1 and 2 equally. By such time as the energy from Units 1 and 2 is to be dispatched on an unequal basis, it will be necessary to review and amend at least those procedures relating to Operation and Maintenance Expenses, Fuel and Taxes to provide for the allocation of the expenses between Capacity (fixed) Costs and Energy (variable) Costs per Section V of the apportionment of the energy costs between Gulf in accordance with Section VI of the JOOA.

The following procedure has been reviewed and updated from the original version. This updated accounting procedure will become effective January 1, 2016.

GENERAL INFORMATION

Currently, MPC and Gulf jointly own property (50/50) based on the locations listed below:

51117 Plant Daniel Cooling Lake
51130 Plant Daniel Units 1&2 Cmn
51131 Plant Daniel Unit 1
51132 Plant Daniel Unit 2
51135 Daniel Coal 75/25 Prop Split*
51136 Daniel Coal 40/60 Prop Split*
51230 Plant Daniel Cmn-Fac- ECO
51231 Plant Daniel Unit 1 ECO
51232 Plant Daniel Unit 2 ECO
51235 Plant Daniel 51237 ECO Coal from 75/25 Property Split*
53109 Plant Daniel-AL St Ln 230 KV Ln
53130 Plant Daniel Cmn Fac Trns Substn
53131 Plant Daniel Unit 1 Trns Substn
53132 Plant Daniel Unit 2 Trns Substn
53831 Plant Daniel Unit 1 Gen Step Up
53990 Daniel Subs-Billable to Gulf

Some Common Property Ownership is split as follows:

Locations 51137 and 51237	79% Coal / 21% CC (O&M & Consumables)
Locations 51138 and 51238	40% Coal / 60% CC*

*The Coal/CC split study resulted in no change for these locations for 2016

Note: Coal/CC split studies will be conducted every 5 year or as needed.

Southern Company implemented Enterprise Solution Support (ESS) in 2010. As a result, all affiliates use the following systems:

Oracle GL, Oracle AP, Oracle iExpense, Power Plant (CR and CPR) and Maximo.

Gulf JO Unrecorded Liabilities (URLs)

All Accounts Payable URL journals that are posted by JV1 (normally on the 3rd workday) are coded with a Journal Category of "ACCRUALS-UL"; Reversing Journal of "Yes"; and a Reversal Lag of "1". Then after the next month is opened and before JV1, the previous month's journals coded like above are automatically reversed in the current month prior to JV1 by ESS.

All unrecorded liability accrual and reversal entries related to Plant Daniel that are posted prior to JV1, will be included in either the O&M or capital joint owner allocations through Power Plant.

Accounts Payable creates an excel pivot table with JV1 Daniel URLs based on location from a worksheet that includes only current month accruals and emails this to the MPC General Ledger Joint Ownership Accountant to use when creating invoice for Gulf. This file includes 23200037 (manual URLs) and 23200036 (Received but not invoiced-RBNI URLs).

Also after JV1, Accounts Payable sends the MPC Inventory Accountant the current month RBNI accrual file to use the Daniel Joint Ownership entries related to inventory when creating invoice for Gulf.

For all unrecorded liability entries related to Plant Daniel that are recorded after JV1 (including topsides), the joint owner entries are manually calculated and included on the Accounts Payable journal(s) based on the percentages and account numbers that would have been used if it had gone through the allocations. Once entries like this are made, Accounts Payable notifies Gulf Power via email including copies of the entries. If topsides, MPC AP also lets Gulf know whether the entries were "Passed on" or not in Financial Reporting due to immateriality and timing.

For invoicing to Gulf Power for O&M, Capital and Inventory, current month URLs are removed from the billing amount and prior month URL reversals are added back to the billing amount.

Summary:

URLs (accruals and reversals) are included in the monthly booking/billing. URLs (accruals and reversals) are removed/excluded from the monthly invoice for O&M, Capital and Inventory.

Journal Entries and Topsides

Consistent with URLs, any other adjustments identified after the Joint Owner allocation has run will be considered for a JV3 journal entry or as a topside entry. Depending on scope, the topside could either be booked to that period or "passed on" due to immateriality. Both types of topsides will be communicated to Gulf as they incur.

SECTION I --CAPITAL ACCOUNTING

Mississippi Power Company Property Accounting processes all capital charges related to Plant Daniel that will be recorded in FERC 300 accounts.

1. MONTHLY PROCESSING

The joint ownership calculation occurs automatically each month in Power Plant. The system creates a journal voucher that correctly accounts for the joint owner impact of current charges to both MPC and Gulf's sets of books. Power Plant automatically populates the data base at Gulf for the contra amount booked at MPC. During MPC Property monthly close, the Property Accountant verifies the journal amount for each location jointly owned by MPC and Gulf starting with 100% dollars. Manually apply the appropriate percentages based on the agreement and compare to the billing allocation results to ensure the allocation result is correct.

Once Joint Owner Allocations have been successfully run and approved during the Property monthly close, the MPC Joint Owner Accountant uses information gathered from Power Plant in the following reports: Results from the JO Allocation, JO Unrecorded Liabilities, MPC Daniel JO RBNI, Plant Daniel Pensions, Insurance, and Taxes Reversal to create an invoice.

The invoice (Exhibit I-A and I-B) includes Gulf's portion of CWIP, cost of removal, salvage, changes to capital staged inventory, and URL reversals of the prior month charges less the current month URLs. The invoice is verified by taking the 100% amounts for each type of charge and applying the appropriate percent based on the location.

Reconciliation (Exhibit I-C) is also included with each monthly invoice. MPC reconciles its 146 Accounts Receivable (AR) account after JV3 to Gulf's 234 Accounts Payable (AP) balance provided by email from Gulf's JO Property Accountant. All variances are researched, documented, explained and communicated to Gulf in the current month.

MPC Property Manager approves the invoice and reconciliation before it is sent to Gulf. All information used to prepare the invoice, a copy of MPC Property Manager's email approval, and reconciliation is sent to Gulf JO Property Accountant to review and approve. Gulf's JO Property Accountant approval email is retained for MPC's records. Upon approval of both parties, if MPC is due payment the invoice is submitted by Gulf for payment. Southern AP notifies all parties once payment has been received. The MPC Property Joint Owner Accountant verifies MPC Treasury posts the payment to the account number on the invoice. In the event the reconciliation process shows that MPC owes Gulf, the MPC Property JO Accountant will remit the invoice to Southern AP. After the invoice has been processed, the MPC Property Manager will review and approve the invoice for payment in Oracle.

A monthly reconciliation of Joint Owner CWIP (Exhibit I-D) balances between MPC and Gulf for Plant Daniel capital charges is performed. The MPC Joint Owner Property Accountant gathers the current CWIP balances for each joint owner work order through verification to Power Plant. Actual MPC and Gulf CWIP balances are compared against the balances of what should have been booked. The appropriate percentage is applied based on asset locations. All variances are researched, documented, explained, corrected and communicated to Gulf in the current month. Once the reconciliation is complete, the MPC Property Manager reviews and approves.

2. AFUDC

MPC and Gulf compute AFUDC on their ownership of CWIP based on their respective policies, methods, and rates. MPC does not pass any charges for AFUDC to Gulf.

3. DEPRECIATION

MPC and GULF are responsible for accounting for depreciation relating to their ownership of Plant Daniel.

4. RETIREMENTS

When retirement entries are made in Power Plant at MPC a journal entry is created. These transactions are reported to Gulf as a manual attachment to the monthly invoice. Gulf is responsible for manually retiring their portion of the asset.

Section II – MATERIALS AND SUPPLIES

Inventory

MPC and Gulf share storeroom expense at Plant Daniel. 100% of the inventory is processed on MPC subsidiary ledger in Maximo. A Daniel true-up worksheet is completed monthly by the Materials Accountant to compute the dollar value change in inventory each month. The true-up worksheet (See Exhibit II-A) takes the previous months balance and adds the invoices, returns to the storeroom, and any positive adjustment transactions and then subtracts the issues and any negative transactions to come up with an ending balance.

The following reports are used to determine amounts for the Daniel true-up worksheet:

- Maximo month end report Summary by Site-Store-Account shows the current month dollar amounts for the storeroom transactions by issues, returns, and adjustments.
- Invoice activity is obtained from an Enterprise Solutions Support provided Power Plant extract.
- Export Maximo Accounting Transaction for current month adjustments and filter for non-restricted adjustments for Daniel locations to get inventory adjustment amounts.

Staged Materials

In June 2007 the Southern Company Staging Policy was adopted. Staged inventory is used to calculate a dollar value of activity of inventory at Plant Daniel. Gulf Power is billed or paid for their portion of the staged inventory and MPC inventory values are adjusted on a journal. There is no net effect on overall joint owner billing for staged material.

Material staged from O&M is included in the staged material section of the Daniel True-up worksheet for materials and reviewed monthly. As a matter of practice, Gulf Power will be billed or paid as appropriate from Materials Accounting. The offset will be reflected in O&M billing; see Section III – Operating and Maintenance Expenses. Capital staged items are billed separately as part of the capital process by MPC Property Accounting; see Section 1 – Capital Accounting.

Daniel True-up Unrecorded Liabilities – JV3

Plant Daniel joint ownership related inventory URL/RBNI items are to be included in a monthly journal, recording Gulf's liability in the related 14600410/420 account and the 15400206 account. This is for recording purposes only and will not be billed to Gulf.

Journals

The materials and supplies journals are recorded monthly as recurring entries in Power Plant. Journals are approved by the MPC Property and Inventory Accounting Supervisor and maintained in monthly binder with backup documentation for record retention.

Billing

The Daniel worksheet is sent as an attachment to related Gulf Power, SCS Treasury, and MPC personnel. It includes the amount and the party that should be billed. If Gulf owes MPC, the bill will be attached in the email. If MPC owes Gulf, the materials accountant will complete a Non-PO invoice to process payment to Gulf after MPC Property and Inventory Accounting Supervisor approval.

Reconciliation

By the 3rd work day, the Materials Accountant will perform a reconciliation of the ending billing inventory to the General Ledger and Maximo (See Exhibit II-B). The ending billing inventory balance is pulled from the Daniel True-up Worksheet. The Billing ending balance plus RBNI plus/minus any pending JV's should tie to the General Ledger ending balance and Maximo ending balance for Plant Daniel locations. Any variances will be researched/explained and corrected in the next period as a manual adjustment. These variances will be communicated to Gulf Power personnel as well.

SECTION III - OPERATION AND MAINTENANCE EXPENSES:

MPC captures O&M expense for Plant Daniel Jointly owned property by a combination of locations and FERCS. A list of locations can be found in the General Information section of this document as a reference. MPC records Plant Daniel Steam Production Operation and Maintenance expenses in FERC Accounts 500-508, 510-514; Transmission production in FERC Accounts 560-567, 568-573; PIESP (Pension, Insurance and Employee Savings Plan) in Ferc Account 926; Preliminary Survey and Investigation in Ferc Account 892; and Payroll Taxes in FERC Account 408. MPC will bill Gulf for their share of these expenses. MPC also allocates General Office Production Support (Fercs 500-514 non-plant location) which is based on a ratio of (Daniel's Units 1 & 2 nameplate megawatts/Total MPC steam plants megawatts) – (See Exhibit III-A). This ratio is updated when units are retired or added to MPC's generation fleet.

Gulf's 50% portion of expenses is billed through the Power Plant Allocation (A-MPCTOGULFOM) on the 3rd workday of each month. After the Billing allocation has completed, Gulf's portion of expenses is recorded on their books. Any joint owner amounts booked by MPC after the 3rd workday will be considered during the preparation of the monthly invoice.

First, the Financial Close Coordinator at MPC verifies that the Billing Allocation produces the correct amount prior to posting. On or about the 8th workday of each month, the MPC Joint Owner Accountant will prepare an invoice representing Gulf's share of O&M actual expenses due that month. In preparation of this invoice, the JO Accountant generates amounts from the General Ledger system representing the monthly billing to Gulf by Ferc Account. The results are loaded into a spreadsheet which breaks down charges by cost type and serves as backup to the O&M invoice (See Exhibit III-B). Gulf sends an e-mail subsequent to the allocation running showing the breakdown of amounts they received via the allocation by cost type. The JO Accountant compares this e-mail to the O&M spreadsheet by cost type created and to the totals from the Power Plant Allocation. Any differences are researched and resolved. The JO Accountant also generates amounts from the General Ledger system (100% dollars) for each cost type (by Resource Type, Ferc Sub, and Location) and compares 50% to Gulf's e-mailed cost type amounts as a second check. Any differences are researched and resolved. The face of the invoice summarizes the results by cost type then adjusts current month billings by current month progress payments and Net URLs (See Exhibit III-C). After management approval, the invoice is then e-mailed to Gulf Power for payment or for billing to MPC. The JO accountant also e-mails a scanned copy of the invoice with backup for Gulf's review.

Progress Payments

Prior to Billing on the 8th workday of each month, the Joint Owner Accountant will prepare two invoices representing Gulf's O&M Progress Payments due to MPC on the 1st and 15th of the subsequent month (See Exhibit III-D). This is for Gulf's 50% share of the estimated monthly expenses for Plant Daniel. This estimated amount is the average of the total of (1) prior two month's actual Plant Daniel O&M Expenses per O&M invoices and (2) prior two month's Net URLs per O&M invoices. After management approval, the invoice is then emailed to Gulf Power for payment to MPC. These progress payments, when paid to MPC, will be applied against O&M amounts due same month.

Reconciliations

On the 8th workday of each month, the Joint Owner Accountant will prepare the reconciliation of the Gulf affiliate receivable account 14600410 (See Exhibit III-E). This intercompany account is where the activity from invoices are billed and paid along with other intercompany charges between MPC and Gulf. The JO Accountant generates detail amounts from the General Ledger system for the month and reconciles the activity to the General Ledger balance. Any items not identified/reconciled are researched and corrected if needed. The JO Accountant and the General Ledger & Financial Closeout Supervisor reviews and signs-off on the reconciliation each month. On or about the 14th workday of each month the JO Accountant prepares the Receivables/Payables analysis comparing amounts due between each OpCo's set of books. MPC compares with Gulf and differences are explained or adjusted as needed. Any potential adjustments or discrepancies are discussed and resolved with Gulf.

SECTION IV – FUEL

MPC and Gulf Power jointly own all the fuel purchased for Plant Daniel on a 50/50 basis. MPC records and reports to Gulf all the required accounting transactions. Gulf is billed monthly for 50% of all fuel purchases paid for by MPC and depreciation on railroad tracks. Long-Term Railcar lease payments and Ad Valorem taxes on railcars are paid annually and billed to Gulf after the payments have been made. A reconciliation is prepared monthly to ensure accuracy and control.

Fuel expenditures (100%) are recorded in FERC 151, a unique sub account number based on the type of fuel purchased, and a location number indicating the plant for which the expenditure was made. Plant Daniel fuel purchases are recorded in location 51130.

During the closeout process, 50% of invoices paid are journal vouchered (along with 50% of accruals) to FERC 146-00400, A/R Gulf Power (increase the balance). No accounting entry is made when the invoice is prepared and sent to Gulf Power. Receipt of the invoice payment reduces the balance in FERC 146-00400.

It is the responsibility of the Fuel Accountant to implement these procedures, and it is the responsibility of the Fuel, Tax & Research Supervisor to ensure compliance.

The 50% of fuel inventory and expenses for Plant Daniel that is allocated to Gulf, as well as 50% of the investment in property at Plant Daniel and O & M expenses, is excluded from MPC's rate making process.

Reconciliation of MPC's Receivable to Gulf's Payable

The Fuel Accountant will use the information contained on the Monthly Equalization worksheets and the Monthly Journal Vouchers to prepare the reconciliation:

- Equalization Worksheet - Coal (Daniel Coal Receipt)
- Equalization Worksheet – Oil (Daniel Oil Equalization)
- Journal Vouchers
- Monthly Railcar Lease Voucher (FUE-2244)
- Monthly Ad Valorem Taxes Vouchers (FUE-2022)

The reconciliation spreadsheet (Exhibit_IV-A) makes a comparison between the amount booked to the receivable and what has been calculated as 50% of purchases for Gulf Power, indicating any differences.

The estimates and accruals (not billed) are the actual reconciliation items. It is an accumulation of the miscellaneous adjustments at 50%. These items are removed from the reconciliation once they are invoiced to Gulf. It is also an accumulation of railcar and Ad Valorem accruals and current month's estimate.

The spreadsheet totals these items to be subtracted from the accounts receivable balance.

The in-transit amount comes from the in-transit Journal Voucher. This amount is added or subtracted from the accounts receivable balance.

The billed/no payment last month comes from the prior month's amount billed/no payment received.

The total payments received this month are all the actual receipt of funds from Gulf.

The amount billed/no payment received is the total of invoices sent to Gulf that have not been paid. This is compared to the reconcilable balance to determine the difference.

The ending inventory quantities, dollars and weighted average costs for coal and oil are verified for balancing between MPC and Gulf by comparing data on the Schedule 58s for MPC and Gulf.

Preparation of Monthly Invoices

The Fuel Accountant gathers information from the following sources:

- All coal and oil paid vendor invoices from Consolidated Fuels Accounting in Birmingham.
- Any miscellaneous adjustment items received, as recorded/received by Consolidated Fuels Accounting in Birmingham (example: vendor refunds, damage claims receipts, railcar sub-lease receipts, and etc.)
- Monthly depreciation expense from Plant Accounting, repetitious depreciation journal voucher.
- All railcar lease expense paid.

  (Ad Valorem taxes and railcar lease payments (Expires January 2017) are accrued monthly, but billed to Gulf once a year upon payment by MPC)

The Fuel Accountant compares the information gathered, to General Ledger account balances during the account reconciliation process and identifies and researches any reconciling items.

The billable items from the reconciliation are identified and a copy of the reconciliation is sent to the Consolidated Fuels Department for preparation of the monthly invoice to Gulf Power.

Prior to sending the invoice (Exhibit_IV-B) to Gulf Power, the newly created invoice is sent back to the Fuel Accountant for approval. The Fuel Accountant compares the invoice to the previously completed account reconciliation to ensure accuracy.

Once the invoice check is completed for accuracy, the Fuel Accountant sends an approval to the Consolidated Fuels Department for final processing of the invoice to Gulf Power.

SECTION V – TAXES

Ad Valorem Taxes on Wetlands Property at Plant Daniel – Annually, MPC must bill Gulf Power for 50% of Plant Daniel's ad valorem taxes on wetlands property. The Tax Accountant provides the details for creating the invoice and the journal voucher. The entry is recorded each January on recurring journal voucher GLE-4042, Gulf Power Wetlands Ad Valorem Tax. The entry debits 14600410 A/R-Gulf Power and credits 23608750 Taxes Accrued Real and Personal Property Taxes. The invoice is then prepared with this information and e-mailed to Gulf Power's JO Accountant for payment.

Unless specifically referenced above, each Company is responsible for the accrual and payment, to the property taxing authorities, their appropriate share of Ad Valorem and Corporate Franchise taxes.

SECTION VI - ADMINISTRATIVE AND GENERAL EXPENSES

Allocation Procedure

The A&G rate is calculated in January of each year based on prior year information and communicated to Financial Close Coordinator to update the allocation percentage. The information for both numerator and denominator are generated from the General Ledger. The numerator is calculated as Total Daniel U1 & U2 Salaries and Wages, including General office production support. The denominator is calculated as Total Company Salaries and Wages. The Budget amounts are calculated in the Budget Department based on budgeted dollars. Before finalization of the A&G rate, MPC will consider removing previous year major project(s) cost included in the rate which would skew the billing in the upcoming year without the same major project(s) planned. In turn, MPC will also consider budgeted major project(s) in the upcoming year and include the impact in the A&G rate calculation. These adjustments to the A&G rate should help elevate major swings in rates created from one time material projects not included in consecutive years.

The A&G basis to be allocated consists of the total of:

FERC Accounts 920 through 932
Less: FERC Account 924(A&G Property Insurance)
Less: FERC 928 (Regulatory Expense)
Less: FERC 930-100/110/120/10000/10153/10210 (General Advertising Expense)
Add: FERC 93020910 (Misc General Daniel)
Less: Daniel Coal Unit Locations (51130, 51131, 51132, 51135, 51136, 51137, 51138, 53990)
Less: Plant Ratcliffe Locations (51140-51144, 51147-51149, 51240-51244)
Less: Mine Locations (58021-58029 and 59098)
Less: JG Indicator (Locations 53130, 59080)
Less: SCS Indirects billable to Gulf (Loc 59889)

The A-MPCTOGULFOM allocation will apply the rate to the current year's actual A&G allocation basis and bill Gulf for their share on the O&M bill (See Section III).

A. Allocation Factor -

$$\frac{\text{Preceding Year Plant Daniel S/W}}{\text{Preceding Year Total Company S/W}} = \text{Allocation Factor (Adjusted for PY and/or budgeted major Projects)}$$

B. Gulf's Monthly Billing-

Allocation Factor x Preceding Month's A&G = Monthly Billing

SECTION VII – ANNUAL TRUE-UP

The following JO expenses (O&M related items) are included in the Annual True-up process:

- General Office Production – Labor
- General Office Production – Expenses
- Daniel Directs
- Daniel A&G
- Daniel Direct A&G Charges – PIESP
- Pension, Insurance and ESP
- Payroll Taxes – Federal
- Payroll Taxes – State

True-ups of billings to Gulf Power associated with their ownership in Plant Daniel are completed annually, normally by the end of the 1st Quarter. True-ups are necessary due to the timing of the allocation processes which create the monthly billings to Gulf Power and to actualization of the allocation percentages for PIESP and A&G. In conjunction with this true-up, it is the SCS & Joint Ownership Accountant's responsibility for ensuring that the Power Plant allocation sets are in sync with the contract. Using detail General Ledger data, verified Power Plant allocation sets, and payroll loading true-up information, SCS & Joint Ownership calculates the true-up amounts. Details of the true-up calculation are maintained on file in SCS & Joint Ownership. Entries associated with the true-ups are recorded through Power Plant journal vouchers and communicated to Gulf Power to ensure that corresponding entries are made on their books. The monthly O&M invoice will include the true-up amount booked and will be sent for payment after management approval. The following are simplified examples of calculations to be made in allocating MPC A&G expenses to Gulf:

C. Calculation of A&G rate for the True-up -

1. Allocation Factor-

$$\frac{\text{Plant Daniel S/W for the True-up Year}}{\text{Total Company S/W for the True-up Year}} = \text{Allocation Factor}$$

2. (Allocation Factor x Actual A&G basis for Preceding Year) x 50% = Gulf's Annual A&G

3. Compare this annual A&G amount to the sum of the 12 monthly billings as computed in B above for the preceding year. Any difference will require that a payment be made by the owing company. Any amount due MPC will be billed in conjunction with the normal billing and any amount due Gulf will be remitted through normal invoice processing procedures.

SECTION VIII - BLACK CREEK COOLING WATER FACILITY (COOLING LAKE)

The cooling lake was constructed as a joint effort between MPC and the Jackson County Port Authority. An agreement, dated April 5, 1973, sets forth the rights and duties of the parties for the construction, financing and operation of the lake. In accordance with paragraph 5(a) of the letter agreement between MPC and GULF, dated July 28, 1976, GULF has assumed responsibility for 50 percent of all costs associated with the cooling lake. These procedures will address the handling of GULF's share of the following items:

1. Jackson County Pollution Control Bonds, Series 1973
2. MPC-Jackson County Port Authority Escrow Account
3. Cooling lake operation and maintenance expenses
4. Black Creek Operating Deposit

1. JACKSON COUNTY POLLUTION CONTROL BONDS, SERIES 1973

The cooling lake was financed by the issuance of $17,250,000 of bonds. GULF assumed responsibility for 50 percent of the bonds as part of the Plant Daniel settlement. Interest is due each May 1 and November 1. Principal is retired on November 1 of each year.

2. MPC-JACKSON COUNTY PORT AUTHORITY ESCROW ACCOUNT

A. DEPOSITS

As required by the agreement between MPC and the Jackson County Port Authority MPC has established an interest bearing escrow account at the Pascagoula Moss Point Bank, Pascagoula, MS. MPC makes an annual deposit each December based on a percentage of the total construction cost as specified in the contract. These deposits are to continue until such time as the balance in the account reaches $500,000. The deposits would resume should the balance drop below $500,000. The total construction cost was $12,271,987.68 (Account 311).

For these calculations it was decided to base the deposit on a rounded sum of $12,272,000. Gulf has reimbursed MPC for 50 percent of the balance in the escrow account as of August 1, 1980, and will be responsible for 50 percent of all future deposits. MPC Treasury Department will prepare an invoice to GULF for their share of the annual deposit.

Any interest proceeds will be reinvested in the escrow account and MPC General Ledger Section will notify GULF of any interest earned. Should the balance in the account reach $500,000 any interest earned on the $500,000 will be withdrawn and GULF's share remitted through normal invoice processing procedure

B. WITHDRAWALS

Withdrawals are to be handled in accordance with the Black Creek Cooling Water Facility Operating Procedures.

3. COOLING LAKE OPERATION AND MAINTENANCE EXPENSES

Normal operation and maintenance expenses for the cooling lake will be handled as part of the overall operation and maintenance for Plant Daniel, as discussed in Section III.

The Jackson County Port Authority allocated changes are based on the 75/25 split. This allocation will change due to the Scrubbers increasing the cooling lake water usage for the coal units. Based on the analysis of total water usage completed by the plant, this allocation will be 97% coal and 3% CC. Beginning January 2016, the Jackson County Port Authority charges will be recorded to Location 51117 and Ferc 513 allowing the allocation to record and bill the correct amounts to Gulf Power.

4. BLACK CREEK OPERATING DEPOSIT

An operating deposit is maintained with the Jackson County Port Authority equaling one month of their budgeted operating and maintenance expense for the Cooling Lake. MPC and GULF are each responsible for 50 percent of the deposit. MPC Treasury Department will notify GULF of any change in the deposit and bill or refund the difference as required.

SECTION IX – REIMBURSEMENT PROCEDURES

Payments are processed through the Oracle payment system. Joint owner invoices that are prepared by MPC accountants for Gulf's share of costs are e-mailed to the appropriate counterparts at Gulf for payment. Gulf prepares check requests through the Oracle system and routes to appropriate management for approval. After approval, the Oracle system processes the payment and the appropriate accounts for both Gulf and MPC are credited.

SECTION X – COMMUNICATIONS

MPC's and Gulf's Generation, Budget and Accounting set up a conference call, including MPC's General Ledger and Financial Close personnel, monthly to discuss JO issues that have occurred or that may be anticipated. This call is open for discussion concerning actual amounts (i.e. Daniel true-up, allocation rate adjustments, etc.) and budget issues (i.e. Gulf's Production Non-ECRC and ECRC, Actual to Budget A&G progress, etc.) that may need addressing. Any action items taken away from the discussion are address and communicated back to the group through email or in the subsequent month's conference call. If any other issues arise prior to or subsequent to the monthly communication that need immediate attention, management will discuss accordingly.

SECTION XI – BUDGET

The Plant Daniel Coal Units and Common Budget follow the same process as actuals to complete a Plant Daniel Budget for Gulf Power. The budget process begins in the summer and the final budget is completed in the fall. MPC Generation, Budget and Accounting will schedule a meeting to review the annual budget with Gulf Power personnel.

Approved by:	______________________________ Cindy F. Shaw, Comptroller Mississippi Power Company	Date:	______________
Approved by	______________________________ Janet J. Hodnett, Comptroller Gulf Power Company	Date:	______________

Exhibit I-A

REVENUE ACCOUNTING DEPT.
P. O. BOX 4079
GULFPORT, MISSISSIPPI 39502

MISSISSIPPI POWER
A SOUTHERN COMPANY

INVOICE

Date: 2/10/2016
Invoice No.: 5244
PO Number:

BILL TO:
Gulf Power Company
Elizabeth A. Harrod
Southern Accounts Payable
P.O. Box 830736
Birmingham, AL 35283

EAHARROD@SOUTHERNCO.COM

Remit To:
Mississippi Power Company
Revenue Accounting Dept.
PO Box 4079
Gulfport, Mississippi 39502
Account: 146 00420

Terms: NET AMOUNT DUE 30 DAYS AFTER INVOICE IS RECEIVED

Invoice Description:

ITEM OR SERVICE PROVIDED DESCRIPTION	TOTAL
Plant Daniel Capital Joint Owner Billing	1,689,374.92
Sub Total	1,689,374.92
TOTAL	**$ 1,689,374.92**

Please approve and submit for payment to Mississippi Power Company
Thank you

☑ Attachment included

Prepared by: Tomeka Thedford

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Exhibit I-B

PLEASE REMIT PAYMENT TO:
MISSISSIPPI POWER COMPANY
P O BOX 4079
GULFPORT, MS 39502

INVOICE NO:
5244

CREDIT ACCOUNT 14600420

BILL TO:
GULF POWER COMPANY
Southern Accounts Payable
P.O. BOX 830735
Birmingham, AL 35283

INVOICE DATE:
February 10, 2016

TERMS: NET AMOUNT DUE 30 DAYS AFTER INVOICE IS RECEIVED
WE CHARGE YOUR ACCOUNT WITH

To charge your account for your portion of Plant Expenditures Cost of Removal and Salvage Credit applicable to work at Plant Daniel Steam Plant as follows

	Additions (0)	Cost of Removal (2)	Salvage Cost (3)	Gross Cost
Monthly Billing (Interface)	889,211.75	(1,170.05)	0.00	$888,041.70
Staged Inventory				0.00
				$888,041.70

Adjustments to Billing:

1

Plus Unrecorded Liabilities Reversed in Current Month Booked in Prior Month

Location	JO Split	Charge Type	WO #	100%	Additions Split	Cost of Removal Split	Salvage Cost Split	
51231	50 00%	Additions	C21343	34,561 91	17,280 96	0 00	0 00	17 280 96
51232	50 00%	Additions	C21344	33 283 21	16,641 60	0 00	0 00	16 641 60
51230	50 00%	Additions	C21349	92,032 42	46,016 21	0 00	0 00	46 016 21
51130	50 00%	Additions	C22281	312 966 23	156 483 12	0 00	0 00	156 483 12
51130	50 00%	Additions	C23010	7,796 29	3,898 15	0 00	0 00	3 898 15
51130	50 00%	Additions	C23974	91,548 58	45,774 29	0 00	0 00	45 774 29
51132	50 00%	Additions	C22314	3,103 19	1,551 60	0 00	0 00	1,551 60
51138	20 00%	Additions	C23856	68 586 13	13,717 23	0 00	0 00	13,717 23
51230	50 00%	Additions	C05405	3 323 045 65	1 661 522 83	0 00	0 00	1,661,522 83
51132	50 00%	Additions	C22986	121 500 00	60,750 00	0 00	0 00	60,750 00
51131	50 00%	Additions	C23120	69,682 54	34,841 27	0 00	0 00	34,841 27
51132	50 00%	Additions	C23121	71,835 93	35,917 97	0 00	0 00	35,917 97
51131	50 00%	Additions	C23163	179 981 41	89,990 71	0 00	0 00	89 990 71
51231	50 00%	Additions	C01763	118,205 11	59,102 56	0 00	0 00	59,102 56
51131	50 00%	Additions	C23564	1,752 81	876 41	0 00	0 00	876 41
51131	50 00%	Additions	C23123	1,679 62	839 81	0 00	0 00	839 81
51131	50 00%	Additions	C21671	1,007 78	503 89	0 00	0 00	503 89
51231	50 00%	Additions	C21168	156 983 07	78 491 54	0 00	0 00	78 491 54
51232	50 00%	Additions	C21169	157 494 00	78 747 00	0 00	0 00	78 747 00
51131	50 00%	Additions	C22972	16 400 00	8 200 00	0 00	0 00	8 200 00
51138	20 00%	Additions	C04909	28 001 21	5 600 24	0 00	0 00	5 600 24
51132	50 00%	Additions	C23194	320 468 13	160 234 07	0 00	0 00	160,234 07
51137	37 50%	Additions	C23913	21 105 00	7 914 38	0 00	0 00	7 914 38
51232	50 00%	Additions	C10739	90 133 79	45 066 90	0 00	0 00	45 066 90
51130	50 00%	Additions	C23006	567 522 22	283 761 11	0 00	0 00	283 761 11
51231	50 00%	Cost of Removal	C21343	500 88	0 00	250 44	0 00	250 44
51232	50 00%	Cost of Removal	C21344	479 97	0 00	239 99	0 00	239 99
51132	50 00%	Cost of Removal	C23377	1,540 19	0 00	770 10	0 00	770 10
51138	20 00%	Cost of Removal	C23856	12 391 12	0 00	2 478 22	0 00	2 478 22
51132	50 00%	Cost of Removal	C22986	32 000 00	0 00	16 000 00	0 00	16 000 00
51131	50 00%	Cost of Removal	C22972	519 06	0 00	259 53	0 00	259 53
51130	50 00%	Cost of Removal	C23512	8,690 00	0 00	4 345 00	0 00	4 345 00
51132	50 00%	Additions	C04159	0 00	0 00	0 00	0 00	0 00
51132	50 00%	Additions	C05348	0 00	0 00	0 00	0 00	0 00
51131	50 00%	Additions	C05249	0 00	0 00	0 00	0 00	0 00
51138	20 00%	Additions	C23868	72 690 00	14 538 00	0 00	0 00	14,538 00
			Subtotal	**6,019,487.45**	**2,928,261.78**	**24,343.27**	**0.00**	**2,952,605.05**

-1

Less Current Month Unrecorded Liabilities

Location	JO Split	Charge Type	WO #	100%	Additions Split	Cost of Removal Split	Salvage Cost Split	
51130	50 00%	Additions	C23006	(63,287 92)	(31 643 96)	0 00	0 00	(31 643 96)
51130	50 00%	Additions	C23716	(17,241 11)	(8 620 55)	0 00	0 00	(8,620 55)
51130	50 00%	Additions	C22281	(58 368 90)	(29,184 45)	0 00	0 00	(29 184 45)
51231	50 00%	Additions	C21343	(2 300 00)	(1 150 00)	0 00	0 00	(1 150 00)
51232	50 00%	Additions	C21344	(2,300 00)	(1,150 00)	0 00	0 00	(1 150 00)
51131	50 00%	Additions	C23163	(175 229 27)	(87 614 64)	0 00	0 00	(87,614.64)
51132	50 00%	Additions	C23194	(366 038 85)	(183 019 43)	0 00	0 00	(183 019 43)
51137	37 50%	Additions	C23913	(21 105 00)	(7 914 38)	0 00	0 00	(7,914 38)
51230	50 00%	Additions	C05405	(3 164 107 60)	(1 582 053 80)	0 00	0 00	(1,582 053 80)
51230	50 00%	Additions	C21349	(2,067 00)	(1,033 50)	0 00	0 00	(1,033 50)
51231	50 00%	Additions	C21168	(156 983 07)	(78 491 54)	0 00	0 00	(78 491 54)
51232	50 00%	Additions	C21169	(157,494 00)	(78 747 00)	0 00	0 00	(78,747.00)
51131	50 00%	Additions	C23120	(52,293 35)	(26 146 68)	0 00	0 00	(26,146 68)
51132	50 00%	Additions	C23121	(60,546 79)	(30,273 40)	0 00	0 00	(30,273 40)
51138	20 00%	Additions	C04909	(10 671 34)	(2 134 27)	0 00	0 00	(2,134 27)
51130	50 00%	Additions	C23974	(106 73)	(53 37)	0 00	0 00	(53 37)
51130	50 00%	Additions	C23059	(138 02)	(69 01)	0 00	0 00	(69 01)
51130	50 00%	Cost of Removal	C23716	(3 042 55)	0 00	(1 521 28)	0 00	(1,521 28)
51131	50 00%	Cost of Removal	C24060	(3,113 37)	0 00	(1 556 69)	0 00	(1,556 69)
51131	50 00%	Cost of Removal	C23163	(2,754 49)	0 00	(1 377 25)	0 00	(1,377 25)
51132	50 00%	Cost of Removal	C23194	21 454 63	0 00	10 727 32	0 00	10,727 32
51131	50 00%	Additions	C24060	(14,000 00)	(7 000 00)	0 00	0 00	(7,000 00)
51131	50 00%	Additions	C05249	0 00	0 00	0 00	0 00	0 00
51132	50 00%	Additions	C04159	0 00	0 00	0 00	0 00	0 00
51132	50 00%	Additions	C05348	0 00	0 00	0 00	0 00	0 00
51231	50 00%	Additions	C01763	(2 488 00)	(1 244 00)	0 00	0 00	(1,244 00)
	#N/A				0 00	0 00	0 00	0 00

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Exhibit I-B

#N/A	0.00	0.00	0.00	0.00
#N/A	0.00	0.00	0.00	0.00
#N/A	0.00	0.00	0.00	0.00
#N/A	0.00	0.00	0.00	0.00
#N/A	0.00	0.00	0.00	0.00
#N/A	0.00	0.00	0.00	0.00
#N/A	0.00	0.00	0.00	0.00
#N/A	0.00	0.00	0.00	0.00
#N/A	0.00	0.00	0.00	0.00
#N/A	0.00	0.00	0.00	0.00
#N/A	0.00	0.00	0.00	0.00
#N/A	0.00	0.00	0.00	0.00
#N/A	0.00	0.00	0.00	0.00
#N/A	0.00	0.00	0.00	0.00
#N/A	0.00	0.00	0.00	0.00
#N/A	0.00	0.00	0.00	0.00
#N/A	0.00	0.00	0.00	0.00
#N/A	0.00	0.00	0.00	0.00
#N/A	0.00	0.00	0.00	0.00
#N/A	0.00	0.00	0.00	0.00
#N/A	0.00	0.00	0.00	0.00
#N/A	0.00	0.00	0.00	0.00
#N/A	0.00	0.00	0.00	0.00
#N/A	0.00	0.00	0.00	0.00
#N/A	0.00	0.00	0.00	0.00
#N/A	0.00	0.00	0.00	0.00
#N/A	0.00	0.00	0.00	0.00
#N/A	0.00	0.00	0.00	0.00
#N/A	0.00	0.00	0.00	0.00
#N/A	0.00	0.00	0.00	0.00
#N/A	0.00	0.00	0.00	0.00
#N/A	0.00	0.00	0.00	0.00
#N/A	0.00	0.00	0.00	0.00
#N/A	0.00	0.00	0.00	0.00
#N/A	0.00	0.00	0.00	0.00
Subtotal (4,314,222.73)	(2,157,543.94)	6,272.11	0.00	(2,151,271.83)

TOTAL DUE FROM GULF:	$1,689,374.92

Prepared by: Tomeka Thedford 8-760-5399
MPC Account: 14600420
PLANT DANIEL CONSTRUCTION BILLING

5244

TRANSFERS	SEE "PP Query MPC Gulf JO Billing" Tab
RETIREMENTS	SEE "PP Query MPC Gulf JO Billing" Tab
CLOSED TO 101	SEE "PP Query MPC Gulf JO Billing" Tab
CLOSED TO 106	SEE "PP Query MPC Gulf JO Billing" Tab

OVERHEADS DURING CONSTRUCTION

FED UNEMPLOYMENT	4.85
STATE UNEMPLOYMENT TAX	4.53
FICA	480.20
PENSIONS	963.87
INSURANCE	3,002.52
EMPLOYEE SAVINGS PLAN	846.77
TOTAL	5,302.75

S:\Workgroups\MPC Accounting\Financial Close\Procedures\Plant Daniel Accounting Procedure\[Exhibit I-A thru ID.xls]Exhibit I-B (Invoice)

Mississippi Power Company
Prepared by: Tomeka Thodford Date: 2/10/2016

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Exhibit I-C

Account: 14600420
Account Title: A/R Gulf Power
Desc: This is the A/R account used to bill Gulf for Plant Daniel capital charges.

Reconciliation of MPC's Joint Owner Receivable - 146-00420	MPC
Jan-2016	
MPC 14600420 Beginning Balance (Prior month's ending balance)	10,861,126.81
MPC received payment of November invoice in January	(5,071,328.14)
Additional Unrecored Liability recored in JV3 January	0.00
Reversal of Additional Unrecored Liability recored in JV3 December	(20,091.32)
Staged Material	0.00
	0.00
PP Interface (='s GL also)	888,041.70
Reconciled 14600420	6,657,749.05
SOFIA 14600420 After JV3	6,657,749.05
Variance	0.00
Variance Explanation (if applicable):	
Unexplained Variance	0.00

Reconciliation of MPC's receivable to Gulf's payable	
MPC's 14600420	6,657,749.05
Gulf's 23400501 (According to Gulf's email)	(6,657,749.05)
Variance between MPC's receivable (14600420) & Gulf's payable (23400501)	0.00
Variance Explanation (if applicable):	
Unexplained Variance	0.00

Reconciliation of Invoices:

	MPC	GULP	
Current Month Unrecorded Liabilities (Not Billed to Gulf)	2,151,271.83	(2,151,271.83)	
Additional Unrecored Liability recored in JV3 January	0.00	0.00	
December Invoice	2,817,102.31	(2,817,102.31)	Gulf shows December invoice paid but it is still outstanding on MPC books.
January Invoice	1,689,374.92	(1,689,374.92)	
MPC 14600420 Balance	6,657,749.07	(6,657,749.07)	Gulf 23400501 Balance

Exhibit I-D

Mississippi Power Company
Prepared by: Tomeka Thedford Date: 2/11/2016
Desc: This is to reconcile the [illegible] CWIP balances between Gulf and MPC for Plant Daniel capital charges

Jan-16

Work Order	MPC Asset Location	Gulf's Ownership	Actuals booked: Mississippi Power Company	Actuals booked: Gulf Power Company	Should have booked: Mississippi Power Company	Should have booked: Gulf Power Company	Property Taxes: Variance due to Ad Valorem	Variance Analysis: Remaining Variance for Correction	Variance Analysis: Explanations
C00036	51132 Pit Daniel Unit 2	50.00%	51,156.50	51,156.60	51,156.55	51,156.55	-	(0.05)	Variance due to rounding
C04155	51131 Pit Daniel Unit 1	50.00%	(5,102.75)	(5,102.71)	(5,102.73)	(5,102.73)	-	(0.02)	Variance due to rounding
C04909	51138 Pit Daniel Cmn 40/60 Prop	20.00%	515,447.31	128,861.83	515,447.31	128,861.83	-	(0.00)	
C17003	51230 PLANT DANIEL COMMON FAC ECO	50.00%	241,124.42	241,124.74	241,124.58	241,124.58	-	(0.16)	Variance due to rounding
C21343	51231 Pit Daniel Unit 1 Eco	50.00%	210,791.05	210,791.42	210,791.24	210,791.24	-	(0.19)	Variance due to rounding
C21344	51232 Pit Daniel Unit 2 Eco	50.00%	203,598.01	203,598.31	203,598.16	203,598.16	-	(0.15)	Variance due to rounding
C21873	51131 Pit Daniel Unit 1	50.00%	241,882.52	241,882.70	241,882.61	241,882.61	-	(0.09)	Variance due to rounding
C22077	51131 Pit Daniel Unit 1	50.00%	126,586.65	126,586.85	126,586.75	126,586.75	-	(0.10)	Variance due to rounding
C22078	51132 Pit Daniel Unit 2	50.00%	72,073.55	72,073.69	72,073.62	72,073.62	-	(0.07)	Variance due to rounding
C22211	53130 Pit Daniel Cmn Fac Trns Substn	50.00%	1,256.29	1,256.31	1,256.30	1,256.30	-	(0.01)	Variance due to rounding
C22281	51130 PLANT DANIEL COMMON FACILITIES	50.00%	764,599.97	764,600.41	764,600.19	764,600.19	-	(0.22)	Variance due to rounding
C22316	51132 Pit Daniel Unit 2	50.00%	49,480.71	49,480.89	49,480.80	49,480.80	-	(0.09)	Variance due to rounding
C22409	51230 PLANT DANIEL COMMON FAC-ECO	0.00%							
C23006	51130 PLANT DANIEL COMMON FACILITIES	50.00%	1,316,727.79	1,316,728.27	1,316,728.03	1,316,728.03	-	(0.24)	Variance due to rounding
C23120	51131 Pit Daniel Unit 1	50.00%	238,083.29	238,083.62	238,083.46	238,083.46	-	(0.16)	Variance due to rounding
C23121	51132 Pit Daniel Unit 2	50.00%	241,031.40	241,031.64	241,031.52	241,031.52	-	(0.12)	Variance due to rounding
C23163	51131 Pit Daniel Unit 1	50.00%	1,017,788.46	1,017,788.72	1,017,788.59	1,017,788.59	-	(0.13)	Variance due to rounding
C23134	51132 Pit Daniel Unit 2	50.00%	1,103,001.91	1,103,002.22	1,103,002.07	1,103,002.07	-	(0.15)	Variance due to rounding
C23316	53130 Pit Daniel Cmn Fac Trns Substn	50.00%	928,287.24	934,113.12	931,200.18	931,200.18	2,193.57	(4,012.72)	C23316 - Misc JV's reclassing Ad Valorem Taxes ($2,193.57) correctly [illegible] M1541418 EAB yearly true up. This entry was made after joint owner allocation. It will be corrected in Feb 2016 JV1. Remaining variance due to rounding
C23352	51231 Pit Daniel Unit 1 Eco	50.00%	8,293.59	8,293.64	8,293.62	8,293.62	-	(0.02)	Variance due to rounding
C23503	51230 PLANT DANIEL COMMON FAC-ECO	50.00%	462,094.62	460,246.04	461,170.33	461,170.33	1,849.03	(0.52)	C23503 - Misc JV's reclassing Ad Valorem Taxes ($1,849.03) correctly [illegible] to Gulf. Remaining variance due to rounding
C23661	51137 Daniel 75% Coal CC 25% Prop	37.50%	113,975.16	68,385.15	113,975.19	68,385.12	-	(0.03)	Variance due to rounding
C23743	51130 PLANT DANIEL COMMON FACILITIES	50.00%	59,097.00	59,097.03	59,097.02	59,097.02	-	(0.01)	Variance due to rounding
C23868	51138 Pit Daniel Cmn 40/60 Prop	20.00%	91,889.86	22,972.46	91,889.86	22,972.48	-	0.00	
C23913	51137 Daniel 75% Coal CC 25% Prop	37.50%	13,190.62	7,914.38	13,190.63	7,914.38	-	(0.01)	Variance due to rounding
C23942	51131 Pit Daniel Unit 1	50.00%	2,248.33	2,248.37	2,248.35	2,248.35	-	(0.02)	Variance due to rounding
C23945	51131 Pit Daniel Unit 1	50.00%	19,472.33	19,472.40	19,472.37	19,472.37	-	(0.07)	Variance due to rounding
C23947	51130 PLANT DANIEL COMMON FACILITIES	50.00%	261,745.54	261,745.55	261,745.55	261,745.55	-	(0.01)	Variance due to rounding
C23950	51130 PLANT DANIEL COMMON FACILITIES	50.00%	11,055.19	11,055.20	11,055.20	11,055.20	-	(0.01)	Variance due to rounding
C23961	51137 Daniel 75% Coal CC 25% Prop	37.50%	4,403.65	2,642.20	4,403.66	2,642.19	-	(0.01)	Variance due to rounding
C23974	51130 PLANT DANIEL COMMON FACILITIES	50.00%	165,057.12	165,057.25	165,057.19	165,057.19	-	(0.07)	Variance due to rounding
C24030	51131 Pit Daniel Unit 1	50.00%	38,006.54	38,006.56	38,006.55	38,006.55	-	(0.01)	Variance due to rounding
C24031	51132 Pit Daniel Unit 2	50.00%	37,938.63	37,938.64	37,938.64	37,938.64	-	(0.00)	
C24060	51131 Pit Daniel Unit 1	50.00%	79,872.95	79,872.95	79,872.95	79,872.95	-		
C24061	51132 Pit Daniel Unit 2	50.00%	42,000.46	42,000.47	42,000.47	42,000.47	-	(0.01)	Variance due to rounding
C24063	51132 Pit Daniel Unit 2	50.00%	36,168.01	36,168.02	36,168.02	36,168.02	-	(0.00)	
		0.00%							
		0.00%							
		0.00%							
		0.00%							
		0.00%							
		0.00%							
		0.00%							
		0.00%							
		0.00%							
		0.00%							
		0.00%							
		0.00%							
		0.00%							
			8,764,413.92	8,260,264.94	8,766,404.76	8,258,274.10	4,043.20	(4,015.44)	

		Check Totals
	17,024,678.86	
Pivot Table	17,024,678.86	-
PP Query	34,049,357.72	(17,024,678.86)

Exhibit II-A – M&S true-up worksheet

WORKSHEET
O&M

JV MTA-2414
Nov-2015

MISSISSIPPI POWER COMPANY
TRUE-UP FOR INVENTORY
AT PLANT DANIEL

	(50%) Daniel Acct Loc 51130	(37.5%) 50% of 75% portion Common 75/25 Acct Loc 51137	(20%) 50% of 40% portion Common 40/60 Acct Loc 51138
GL - Beginning Month Inventory	$7,002,085.47	$39,388.64	$71,888.64
Activity			
Invoices (inc. Discounts)	$440,544.30	$0.00	$597.89
Adjustments (+/-) Non-Restricted	$4,360.70	$0.00	$0.00
Inventory Transactions	($59,362.61)	$0.00	($1,811.96)
Misc Journals due Maximo/GL true-up	$110.48	$0.00	($0.05)
Manual adjustment	$0.00	$0.00	$0.00
Ending Monthly Balance	$7,387,738.34	$39,388.64	$70,674.52
Net Change in Parts Inventory +/(-)	$385,652.87	$0.00	($1,214.12)
Net Change Above +/(-) at Billing Percentage	$192,826.44	$0.00	($242.82)

Material & Supplies Activity Total $192,583.62

JV 146-00410	(D)	$192,583.62	
JV 51130-154-00206	(C) Daniel	($192,826.44)	
JV 51135-154-00206	(D) 75/25 Common	$0.00	
JV 51136-154-00206	(D) 60/40 Common	$242.82	

Staging Material (-) Oct-2015	($516,903.62)	$0.00	$0.00
Staging Material (+) Nov-2015	$516,903.62	$0.00	$0.00
Net Staging Change	$0.00	$0.00	$0.00
Net Staging Above +/(-) at Billing Percentage	$0.00	$0.00	$0.00

JV 146-00410	(D)	$0.00
JV 59738-5113X-795-40000-55000	(D) Daniel	$0.00
JV 59738-51137-795-40000-55000	(D) 75/25 Common	$0.00
JV 59738-51138-795-40000-55000	(D) 60/40 Common	$0.00

Total Due to/from Gulf Power by loc *Percentage of M&S plus Staging*	$192,826.44	$0.00	($242.82)

Control Ttl *$192,826.44*

Grand Total $192,583.62

Exhibit II-B – M&S true-up reconciliation

LOC	Mar 2015 Billing End	March GL	Var	RBNI	Var	JV Pending	Var	Maximo 001	vs GL	
51130	$5,199,828.26	$ 5,274,300.99	$ (74,472.73)	$ 74,474.03	$ 1.30	$ -	$ 1.30	$ 5,274,431.19	$ (130.20)	Receipt for 130.20 not posted to Oracle
51137	$16,016.17	$ 16,016.17	$ -		$ -	$ -	$ -	$ 16,016.17	$ -	
51138	$70,696.99	$ 70,696.99	$ -	$ -	$ -	$ -	$ -	$ 70,696.99	$ -	

Exhibit III-A

G.O. Production Rates		
	Operation	
Name Plate Ratings:	**2015 (Jan - June)**	**2015 (July - Dec)**
Plant Sweatt U1	40,000	40,000
Plant Sweatt U2	40,000	40,000
Plant Watson U1	75,000	
Plant Watson U2	75,000	
Plant Watson U3	112,000	112,000
Plant Watson U4	250,000	250,000
Plant Watson U5	500,000	500,000
Plant Daniel U1	500,000	500,000
Plant Daniel U2	500,000	500,000
Plant Daniel U3	535,000	535,212
Plant Daniel U4	535,000	535,212
Chevron U1	18,180	18,180
Chevron U2	18,180	18,180
Chevron U3	18,180	18,180
Chevron U4	18,180	18,180
Chevron U5	70,755	70,755
Plant Watson CT	40,000	39,360
Plant Sweatt CT	39,400	39,400
Greene County U1	-	-
Greene County U2	-	-
Plant Ratcliffe CC	-	-
Plant Ratcliffe	-	-
	-	-
Total KW Name Plate Ratings	**3,384,875**	**3,234,659**
Plant Daniel U1&2 Rate	**29.54%**	**30.92%**

Exhibit III-B

MISSISSIPPI POWER COMPANY
GENERAL ACCOUNTING SECTION
P O BOX 4079
GULFPORT MISSISSIPPI 39501

XXXX
INVOICE NO

BILL TO: GULF POWER COMPANY
ATTENTION XXXXXXX
ACCOUNTS PAYABLE
PENSACOLA FLA

07/31/15
DATE

TERMS: NET AMOUNT DUE IMMEDIATELY

TERMS NET AMOUNT DUE 10 DAYS AFTER INVOICE IS RECEIVED				AMOUNT
WE CHARGE YOUR ACCOUNT FOR DANIEL OPERATIONS AND MAINTENANCE A&G ESP AND EE BENEFITS FOR THE MONTH OF Jul-15				
PowerPlant Control			$1,963,642.18	
Daniel Preliminary Survey (89200000)			15,409.53	
Daniel U1&2 Mercury Capture Study (892-63941)				
Daniel 1SCR (89263970)			-	
Daniel 2SCR (89263971)			-	
Daniel Unit 1 Scrubber (892-63972)				
Daniel Unit 2 Scrubber (892-63973)				
Daniel Unit 1 SNCR (892-63994)				
Daniel Unit 2 SNCR (892-63995)				
Company Job Orders Environmental (815-00000)			-	
DANIEL U2 ECONAMIZER - ECO (815-00010)				
Daniel Land Acquisition - ECO (815-00050)				
Daniel U1 Low NOX Burners - ECO (815-00060)				
Daniel U2 Low NOX Burners - ECO (815-00070)				
Daniel U1 Turbine Rotor and Blades Upgrade (815-00100)				
Daniel U2 Turbine Rotor and Blades Upgrade (815-00110)				
Daniel U2 Condenser Tubes, Beck Drivers, Coal Feeder, Battery			-	
Adjusted Interface O & M Expenses				
Daniel A&G (93020910)			316,800.52	
Professional Dues				
Pension, Insurance, and ESP for Steam Prod (926-994,926-995)			128,107.14	
Pension, Insurance, and ESP for Func. Labor				
FICA/FUI (40811103)			53,748.00	
SUI (40811107)			492.76	
Daniel O&M (5XX Fercs)			1,449,084.23	
Allocation Runtime Error: To be corrected in Dec Business			-	
- LESS PROGRESS PAYMENTS			(2,444,802.00)	
ENVIRONMENTAL EXPENSES @ 100%				
TOTAL AMOUNT DUE MISSISSIPPI POWER COMPANY (GULF POWER) before URL Adjusment			(481,159.82)	
- LESS Adjustment for Current Month Unrecorded Liabilities accrued but not yet paid				
Location 51130 Unit 1 & 2 Common	$	(330 511 96)		
Location 51131 Unit 1	$	(370 044 34)		
Location 51132 Unit 2	$	(58 780 54)		
Location 51137 Daniel 75% coal 25% Prop	$	(105 403 24)		
Location 51138 Plt Daniel Common 40% Coal 60%	$	(4 533 66)		
Location 51230 Unit 1 & 2 Common Eco	$	-		
Location 51231 Unit 1 Eco	$	-		
Location 51232 Unit 2 Eco	$	-	$ (869 273 73)	
- Add: Adjustment for Unrecorded Liabilities from prior month that are paid or rebooked				
Location 51130 Unit 1 & 2 Common	$	389 527 80		
Location 51131 Unit 1	$	737,506 07		
Location 51132 Unit 2	$	54 705 67		
Location 51137 Daniel 75% coal 25% Prop	$	233 154 49		
Location 51138 Plt Daniel Common 40% Coal 60%	$	12 985 37		
Location 51230 Unit 1 & 2 Common Eco	$	-		
Location 51231 Unit 1 Eco	$	-		
Location 51232 Unit 2 Eco	$	-	$ 1 427 879 40	
			0 00	
TOTAL AMOUNT DUE MISSISSIPPI POWER COMPANY (GULF POWER)				77,445 85
MEMO TO MPC TREASURY CREDIT [redacted]				77,445 85
[redacted]				

PREPARED BY: XXXXXXX PHONE: XXX XXX XXXX TOTAL AMT DUE TO MPC 77,445 85

Exhibit III-C

REVENUE ACCOUNTING DEPT.
P. O. BOX 4079
GULFPORT, MISSISSIPPI 39502

MISSISSIPPI POWER
A SOUTHERN COMPANY

INVOICE

Date: 7/31/2015
Invoice No.: XXXX
PO Number:

BILL TO:
Gulf Power Company
Attention XXXXXXX
One Energy Place
Pensacola, FL 32520-0001

Remit To:
Mississippi Power Company
Revenue Accounting Dept.
PO Box 4079
Gulfport, Mississippi 39502
Account: 146 00410

Terms: Net Amount due upon receipt of invoice.

Invoice Description:

ITEM OR SERVICE PROVIDED DESCRIPTION	TOTAL
We charge Gulf's account for Plant Daniel Operations and Maintenance, A&G, and PIESP for the month of July 2015.	
O&M	1,449,084.23
PIESP	128,107.14
A&G	316,800.52
Payroll Taxes	54,240.76
PS&I	15,409.53
Company Job Orders-Environmental	-
Less: Progress Payments	(2,444,802.00)
Less: Current Month URL Adjustment	(869,273.73)
Less: Current Month JV3 Adjustment	
Add: Prior Month URL Adjustment	1,427,879.40
	-
	-
	-
Sub Total	77,445.85
TOTAL	**$ 77,445.85**

Please approve and submit for payment to Mississippi Power Company
Thank you

☑ Attachment included

Prepared by: XXXXXXX

Exhibit III-D

REVENUE ACCOUNTING DEPT.
P. O. BOX 4079
GULFPORT, MISSISSIPPI 39502

MISSISSIPPI POWER
A SOUTHERN COMPANY

INVOICE

Date: 6/1/2015
Invoice No.: XXXX
PO Number:

BILL TO:
Gulf Power Company
XXXXXXX
One Energy Place
Pensacola, FL 32520-0001

Remit To:
Mississippi Power Company
Revenue Accounting Dept.
PO Box 4079
Gulfport, Mississippi 39502
Account: 146 00410

Terms: Net Amount due upon receipt of invoice.

Invoice Description:
July 1, 2015 Plant Daniel Progress Payment

ITEM OR SERVICE PROVIDED DESCRIPTION	TOTAL
To bill Gulf for July 1, 2015 Plant Daniel Progress Payment	1,222,401.00
Sub Total	1,222,401.00
TOTAL	**$ 1,222,401.00**

Please approve and submit for payment to Mississippi Power Company
Thank you

☑ Attachment included

Prepared by: XXXXXXX

Exhibit III-E

INTERCOMPANY ACCOUNT
GULF POWER COMPANY
Jul-15

146-00410

	DATE	REF	DESCRIPTION		AMOUNT
			MISC BILLINGS		
	Jan-14	GLE-4042	Gulf portion of wetland Advalorem	4,180.47	
			Total Miscellaneous Billings		4,180.47
			AFFILIATE BILLINGS		
1	Jul-15		A-MPCTOFPC Allocation	11,750.13	
	Nov-14		A-MATSELFPC Allocation	532.00	
	Dec-14	TRE-2101	Payment Received	(527.50)	
			Total Affiliate Billings		11,754.63
			ACCRUALS		
	Dec-14		PAY-M1258020	2,002.32	
			Total Accruals		2,002.32
			TRUE-UP		
2	Jul-15	MTA-2280	Daniel True Up True-up-URL	33,881.04	
3	Jul-15	MTA-2414	Daniel True Up	63,023.02	
4	Jul-15	MTA-2414	Daniel True Up	(106.80)	
			Total True-Up		96,797.26
5	Jun-15		Adjustment for URL from prior month (per Invoice)	1,427,879.40	
6	Jul-15		Billing for O&M (A-MPCTOGULFOM ALLOCATIONS)	1,963,642.18	
7	Jul-15		Progress Payment	(1,222,401.00)	
8	Jul-15		Progress Payment	(1,222,401.00)	
			Net Daniel O&M Entries (Tie to True-Up Invoice)		946,719.58
	July 2015 Balance				1,061,454.26
	GENERAL LEDGER BALANCE				1,061,454.79
	Topside				
	GENERAL LEDGER BALANCE - ADJUSTED FOR TOPSIDES				1,061,454.79
	Difference				(0.53)

*****Waiting on management approval *****

EXHIBIT_IV-A

Mississippi Power Company
Reconciliation of Gulf Power Receivable
Account 146-400
For the Month of Oct 15

Exhibit IV-A

CURRENT MONTH'S RECEIVABLE (146-400)

COAL EQUALIZATION (151-00100)	JV #2227	4,680,817.84
RAILCAR LOSS EQUALIZATION	JV #2227	
OIL EQUALIZATION	JV #2240	-
RAILCAR SUB-LEASE	JV #FUE-3242	-
GULF's 50% SHARE BOOKED TO 146-400		4,680,817.84

INVENTORY (FERC 151) PURCHASES:

	100 % AMOUNT	50% GULF POWER
MONTHLY FUEL ESTIMATE:		
MINUS: PM ESTIMATES		
Prior month Estimates - Coal	($742,862.67)	
Prior month Estimates - Oil	-	
TOTAL	(742,862.67)	(371,431.34)
PLUS: CM ESTIMATES		
Current month Estimates - Coal	$990,155.11	
Current month Estimates - Oil	-	
TOTAL	990,155.11	495,077.56
PLUS: MONTHLY ACCRUALS		
1994 Railcar Lease	91,094.26	
Ad Valorem Taxes	1,440.00	
TOTAL	92,534.26	46,267.13
PLUS: CM ITEMS NOT YET BILLED		
CM Depreciation	7,448.56	
CM Invoices not billed-coal	$8,936,938.24	
CM Invoices not billed-oil	-	
CM Invoices not billed-oil transportation	-	
CM Railcar Sublease	77,893.70	
CM Misc. Debit	-	
CM Misc. Credit - Railcar Rebate/Union Pacific Refund	(471.52)	
TOTAL	9,021,808.98	4,510,904.49
GULF's 50% SHARE OF PURCHASED INVENTORY (151)		4,680,817.84
DIFFERENCE IN RECEIVABLE AND INVENTORY		-

-

ANALYSIS OF GULF'S RECEIVABLE 146-400

ENDING BALANCE 146-400 13,544,490.83

DATE	MINUS: NON-BILLED ITEMS	GULF'S 50%	
	CM Coal Estimate	495,077.56	
	CM Oil Estimate	-	
	Accrued 1994 Railcar Lease Payment	455,471.30	
	Accrued Ad Valorem Railroad Taxes-2015	7,200.00	
	Under Accrual of Ad Varlorem Railroad Taxes	(16,321.10)	
	Depreciation not billed	3,724.28	
	CM Invoices not billed-coal	4,468,469.12	
	CM Invoices not billed-oil	-	
	CM Invoices not billed-oil transportation	-	
	CM Railcar Sublease	38,946.85	
	CM Misc. Debit	-	
	CM Misc. Credit - Railcar Rebate/Union Pacific Refund	(235.76)	
	CM In Transit Cost (FUER 2418 & 2267)	311,579.69	
	CM Invoices not billed-coal (tugboat sub-lease payment) - March 2015	-	
	CM Invoices not billed-coal (tugboat sub-lease payment) - January 2015	-	
	CM Railcar Payment not Received	-	
	Rounding	0.03	
		-	
	TOTAL		(5,763,911.96)
TOTAL CM BILLINGS			7,780,578.87
	MINUS: TOTAL PMT RECD THIS MONTH		-
RECONCILABLE BALANCE			7,780,578.87
	MINUS: AMT BILLED - NO PMT RECD (February Bill)		(7,780,578.87)
BALANCE			-

-

EXHIBIT_IV-B

MISSISSIPPI POWER COMPANY

Exhibit IV-B

Gulf Power Company
Attn: Jocelyn Peters
P.O. Box 1151
Pensacola, FL

Invoice No: Fuel 50
October 1, 2015

This invoice is rendered for fuel purchases only. Wire transfer in immediately available funds to the following account for credit to Mississippi Power Company [redacted]

[redacted]

For questions on this invoice, please contact Wendy Armstrong 8-257-3930

Vendor	Invoice Number	Description	Quantity	Total Amount Paid By MPC	Gulf Portion 50% of Total
ARCH COAL SALES COMPANY INC.	22033310	MP201502M060	12,312.600	330,962.69	165481.35
ARCH COAL SALES COMPANY INC.	22045710	MP201502M061	12,301.675	330,669.02	165334.51
ARCH COAL SALES COMPANY INC.	22045710	MP201502M062	12,301.200	330,656.26	165328.13
ARCH COAL SALES COMPANY INC.	22081010	MP201502M059		-796.87	-398.44
ARCH COAL SALES COMPANY INC.	22081010	MP201502M060		-806.48	-403.24
ARCH COAL SALES COMPANY INC.	22081010	MP201502M058		-804.64	-402.32
ARCH COAL SALES COMPANY INC.	22081010	MP201502M052		-797.75	-398.88
ARCH COAL SALES COMPANY INC.	22081010	MP201502M062		-805.73	-402.87
ARCH COAL SALES COMPANY INC.	22081010	MP201502M056		-806.77	-403.39
ARCH COAL SALES COMPANY INC.	22081010	MP201502M057		-805.31	-402.66
ARCH COAL SALES COMPANY INC.	22081010	MP201502M053		-806.88	-403.44
ARCH COAL SALES COMPANY INC.	22081010	MP201502M054		-804.66	-402.33
ARCH COAL SALES COMPANY INC.	22081010	MP201502M055		-805.40	-402.70
ARCH COAL SALES COMPANY INC.	22081010	MP201502M061		-805.76	-402.88
ARCH COAL SALES COMPANY INC.	22081110	MP201416M032		473.18	236.59
ARCH COAL SALES COMPANY INC.	22081110	MP201416M033		467.41	233.71
ARCH COAL SALES COMPANY INC.	22081110	MP201416M035		471.49	235.75
ARCH COAL SALES COMPANY INC.	22081110	MP201416M034		466.73	233.37
ARCH COAL SALES COMPANY INC.	22081710	MP201502M063	12,288.025	330,302.11	165151.06
ARCH COAL SALES COMPANY INC.	22104510	MP201416M036		2,204.00	1102.00
ARCH COAL SALES COMPANY INC.	22104510	MP201416M036	13,524.150	170,269.05	85134.53
ARCH COAL SALES COMPANY INC.	22104510	MP201416M036		4,192.49	2096.25
ARCH COAL SALES COMPANY INC.	22130710	MP201502M064	12,327.625	331,366.56	165683.28
ARCH COAL SALES COMPANY INC.	22130810	MP201506M001		2,242.00	1121.00
ARCH COAL SALES COMPANY INC.	22130810	MP201506M001	13,952.450	143,710.24	71855.12
ARCH COAL SALES COMPANY INC.	22130810	MP201506M001		4,325.26	2162.63
ARCH COAL SALES COMPANY INC.	22185610	MP201416M035		6,101.63	3050.82
ARCH COAL SALES COMPANY INC.	22185610	MP201416M033		6,048.86	3024.43
ARCH COAL SALES COMPANY INC.	22185610	MP201416M032		6,123.50	3061.75
ARCH COAL SALES COMPANY INC.	22185610	MP201416M034		6,039.99	3020.00
ARCH COAL SALES COMPANY INC.	22197210	MP201506M002		4,232.62	2116.31
ARCH COAL SALES COMPANY INC.	22197210	MP201506M002		2,204.00	1102.00
ARCH COAL SALES COMPANY INC.	22197210	MP201506M002	13,653.600	140,632.08	70316.04
ARCH COAL SALES COMPANY INC.	22263310	MP201510M001	13,605.100	147,615.34	73807.67
ARCH COAL SALES COMPANY INC.	22263310	MP201510M001		2,223.00	1111.50
ARCH COAL SALES COMPANY INC.	22263310	MP201510M001		4,217.58	2108.79
CLOUD PEAK ENERGY	22185710	MP201507M001		1,017.51	508.76
CLOUD PEAK ENERGY	22196110	MP201507M001		2,188.90	1094.45
CLOUD PEAK ENERGY	22196110	MP201507M001		4,320.91	2160.46
CLOUD PEAK ENERGY	22196110	MP201507M001	13,938.425	142,868.86	71434.43
CLOUD PEAK ENERGY	22196110	MP201507M001		2,188.90	1094.45
CLOUD PEAK ENERGY	22196110	MP201507M001-V2		-4,320.91	-2160.46
CLOUD PEAK ENERGY	22196110	MP201507M001-V2	-13,938.425	-142,868.86	-71434.43
CLOUD PEAK ENERGY	22196110	MP201507M001-V2		-2,188.90	-1094.45
CLOUD PEAK ENERGY	22196110	MP201507M001	13,938.425	142,868.86	71434.43
CLOUD PEAK ENERGY	22196110	MP201507M001		4,320.91	2160.46
CLOUD PEAK ENERGY	22196210	MP201507M001		1,017.51	508.76
CLOUD PEAK ENERGY	22196210	MP201507M001-V2		-1,017.51	-508.76
CLOUD PEAK ENERGY	22263210	MP201507M002		4,316.86	2158.43
CLOUD PEAK ENERGY	22263210	MP201507M002	13,925.350	142,734.84	71367.42
CLOUD PEAK ENERGY	22263210	MP201507M002		2,188.90	1094.45
HAMPTON ROADS TESTING LABORATORIES INC	22086410	SCO0010; 7/14/15; Receipt Adjust- Daniel; coal sample tested		81.00	40.50
HAMPTON ROADS TESTING LABORATORIES INC	22147510	SCO0015; 10/5/15; Receipt adj- Daniel; coal sample tested		81.00	40.50
Total Coal				$ 2,599,169.62	$ 1,299,584.81
Depr-Gulf				$ 3,427.02	$ 1,713.51
Depr-MPC				$ 4,021.54	$ 2,010.77
Railcar Sublease				$ 77,893.70	$ 38,946.85
MSE Expenses Booked to Plant Daniel 151				$ 29,849.44	$ 14,924.72
Misc Credit-Railcar Rebate/Union Pacific Refund				$ (471.52)	$ (235.76)
Total Miscellaneous				$ 114,720.18	$ 57,360.09
BURLINGTON NORTHERN	22045610	MP201507M001		2,142.00	1,071.00
BURLINGTON NORTHERN	22045610	MP201507M001		250,614.00	125,307.00
BURLINGTON NORTHERN	22045610	MP201507M001		7,681.80	3,840.90
BURLINGTON NORTHERN	22056110	Invoice: 090121455. Railcar Lease and Maintenance.		369.15	184.58
BURLINGTON NORTHERN	22086810	209953303; 10/2/15; Frt cost- Daniel; empty car moves wb 549977		50,934.00	25,467.00
BURLINGTON NORTHERN	22086810	209715828; 9/29/15; Frt cost- Daniel; empty car move wb 550003		3,395.60	1,697.80
BURLINGTON NORTHERN	22086810	209715895; 9/29/15; Frt cost- Daniel; empty car move wb 550063		3,395.60	1,697.80
BURLINGTON NORTHERN	22086810	209715726; 9/29/15; Frt cost- Daniel; empty car move wb 550069		3,395.60	1,697.80
BURLINGTON NORTHERN	22104310	MP201416M036		3,069.36	1,534.68
BURLINGTON NORTHERN	22104310	MP201416M036		248,472.00	124,236.00

EXHIBIT_IV-B

Exhibit IV-B

Vendor	Invoice Number	Description	Quantity	Total Amount Paid By MPC	Gulf Portion 50% of Total
INTELLITRANS, LLC.	22135010	INV01747D; 10/7/15; Railcar Maint- car location messages- Sept 2015; NDYX cars		351.85	175.93
INTELLITRANS, LLC.	22135010	INV01747; 10/7/15; Railcar Maint- car location messages- Sept 2015; CEFX cars		7.75	3.88
INTELLITRANS, LLC.	22135010	INV01747B; 10/7/15; Railcar Maint- car location messages- Sept 2015; DEGX cars		747.10	373.55
MISSISSIPPI EXPORT RAILROAD	22033410	MP201502M060		172,830.00	86,415.00
MISSISSIPPI EXPORT RAILROAD	22033410	MP201502M060		4,128.14	2,064.07
MISSISSIPPI EXPORT RAILROAD	22045410	MP201502M062		4,128.14	2,064.07
MISSISSIPPI EXPORT RAILROAD	22045410	MP201507M001		192,582.00	96,291.00
MISSISSIPPI EXPORT RAILROAD	22045410	MP201507M001		1,646.00	823.00
MISSISSIPPI EXPORT RAILROAD	22045410	MP201502M062		172,830.00	86,415.00
MISSISSIPPI EXPORT RAILROAD	22045410	MP201507M001		4,639.24	2,319.62
MISSISSIPPI EXPORT RAILROAD	22045410	MP201502M061		171,184.00	85,592.00
MISSISSIPPI EXPORT RAILROAD	22045410	MP201502M061		1,646.00	823.00
MISSISSIPPI EXPORT RAILROAD	22045410	MP201502M061		4,128.14	2,064.07
MISSISSIPPI EXPORT RAILROAD	22073709	31634; 9/30/15; Railcar Lease- Daniel; Monthly track lease Sch #3- Oct 2015		38,325.00	19,162.50
MISSISSIPPI EXPORT RAILROAD	22081510	MP201502M063		2,427.08	1,213.54
MISSISSIPPI EXPORT RAILROAD	22081510	MP201502M063		172,830.00	86,415.00
MISSISSIPPI EXPORT RAILROAD	22104410	MP201416M036		190,936.00	95,468.00
MISSISSIPPI EXPORT RAILROAD	22104410	MP201416M036		2,681.34	1,340.67
MISSISSIPPI EXPORT RAILROAD	22130510	MP201502M064		172,830.00	86,415.00
MISSISSIPPI EXPORT RAILROAD	22130510	MP201502M064		2,427.08	1,213.54
MISSISSIPPI EXPORT RAILROAD	22130510	MP201506M001		1,646.00	823.00
MISSISSIPPI EXPORT RAILROAD	22130510	MP201506M001		192,582.00	96,291.00
MISSISSIPPI EXPORT RAILROAD	22130510	MP201506M001		2,727.57	1,363.79
MISSISSIPPI EXPORT RAILROAD	22149410	Invoice: MSE6777. Railcar Lease and Maintenance.		179.34	89.67
MISSISSIPPI EXPORT RAILROAD	22149510	Invoice: MSE6775. Railcar Lease and Maintenance.		269.01	134.51
MISSISSIPPI EXPORT RAILROAD	22150510	Invoice: MSE6764. Railcar Lease and Maintenance.		20,240.51	10,120.26
MISSISSIPPI EXPORT RAILROAD	22151110	Invoice: MSE6763. Railcar Lease and Maintenance.		16,929.87	8,464.94
MISSISSIPPI EXPORT RAILROAD	22191410	Invoice: MSE6787. Railcar Lease and Maintenance.		1,028.93	514.47
MISSISSIPPI EXPORT RAILROAD	22192010	Invoice: MSE6783. Railcar Lease and Maintenance.		13,448.41	6,724.21
MISSISSIPPI EXPORT RAILROAD	22192310	Invoice: MSE6786. Railcar Lease and Maintenance.		11,431.23	5,715.62
MISSISSIPPI EXPORT RAILROAD	22192410	Invoice: MSE6780. Railcar Lease and Maintenance.		14,163.92	7,081.96
MISSISSIPPI EXPORT RAILROAD	22197110	MP201507M001-V2		-192,582.00	(96,291.00)
MISSISSIPPI EXPORT RAILROAD	22197110	MP201507M001-V2		-1,646.00	(823.00)
MISSISSIPPI EXPORT RAILROAD	22197110	MP201507M001		4,639.24	2,319.62
MISSISSIPPI EXPORT RAILROAD	22197110	MP201507M001		192,582.00	96,291.00
MISSISSIPPI EXPORT RAILROAD	22197110	MP201507M001		-4,639.24	(2,319.62)
MISSISSIPPI EXPORT RAILROAD	22197110	MP201506M002		2,681.34	1,340.67
MISSISSIPPI EXPORT RAILROAD	22197110	MP201506M002		189,290.00	94,645.00
MISSISSIPPI EXPORT RAILROAD	22197110	MP201506M002		1,646.00	823.00
MISSISSIPPI EXPORT RAILROAD	22197110	MP201507M001		1,646.00	823.00
MISSISSIPPI EXPORT RAILROAD	22242410	31650; 10/20/15; Frt cost- Daniel; additional locomotive rental		287.50	143.75
MISSISSIPPI EXPORT RAILROAD	22263110	MP201507M002		194,228.00	97,114.00
MISSISSIPPI EXPORT RAILROAD	22263110	MP201507M002		2,727.57	1,363.79
MISSISSIPPI EXPORT RAILROAD	22263110	MP201510M001		2,704.46	1,352.23
MISSISSIPPI EXPORT RAILROAD	22263110	MP201510M001		190,936.00	95,468.00
MISSISSIPPI EXPORT RAILROAD	22263110	MP201510M001		1,646.00	823.00
MISSISSIPPI EXPORT RAILROAD	22280710	Invoice: MSE6790. Railcar Lease and Maintenance.		23,582.48	11,791.24
MISSISSIPPI EXPORT RAILROAD	22280810	Invoice: MSE6788. Railcar Lease and Maintenance.		5,377.67	2,688.84
MISSISSIPPI EXPORT RAILROAD	22283410	Invoice: MSE6789. Railcar Lease and Maintenance.		18,064.45	9,032.23
MISSISSIPPI EXPORT RAILROAD	22285010	Invoice: MSE6794. Railcar Lease and Maintenance.		9,133.55	4,566.78
MITSUI RAIL CAPITAL, LLC	22147710	14736; 10/9/15; Railcar Lease- Nov 2015; DEGX cars		5,800.00	2,900.00
MITSUI RAIL CAPITAL, LLC	22147710	14735; 10/9/15; Railcar Lease- Nov 2015; DEGX cars		20,000.00	10,000.00
NORFOLK SOUTHERN RAILROAD	22054510	Invoice: NS1509DEGX. Railcar Lease and Maintenance.		119.84	59.92
O'NEIL TRANSPORTATION	22167010	Invoice: MIL123007. Railcar Lease and Maintenance.		791.63	395.82
O'NEIL TRANSPORTATION SERVICES OF GEORGI	22124610	Invoice: SCH121069. Railcar Lease and Maintenance.		1,548.85	774.43
O'NEIL TRANSPORTATION SERVICES OF GEORGI	22270910	Invoice: SCH121084. Railcar Lease and Maintenance.		7,212.29	3,606.15
O'NEIL TRANSPORTATION SERVICES OF GEORGI	22272110	Invoice: SCH121079. Railcar Lease and Maintenance.		1,925.37	962.69
O'NEIL TRANSPORTATION SERVICES OF GEORGI	22284310	Invoice: SCH121103. Railcar Lease and Maintenance.		106.17	53.09
PROGRESS RAIL LEASING CORP	22222710	89889; 11/1/15; Railcar Lease- Nov 2015; DEGX cars		63,860.00	31,930.00
RAILINC	22222510	244409; 10/13/15; Railcar Maint- car hire transactions- Sept 2015; DEGX cars		639.98	319.99
SOUTHERN RAIL SERVICES, INC.	22047310	Invoice: MAR123040. Railcar Lease and Maintenance.		93.32	46.66
SOUTHERN RAIL SERVICES, INC.	22110710	Invoice: MAR123076. Railcar Lease and Maintenance.		518.09	259.05
SOUTHERN RAIL SERVICES, INC.	22110810	Invoice: MAR123067. Railcar Lease and Maintenance.		908.22	454.11
SOUTHERN RAIL SERVICES, INC.	22123010	Invoice: MAR123085. Railcar Lease and Maintenance.		1,669.57	834.79
SOUTHERN RAIL SERVICES, INC.	22259010	Invoice: MAR123122. Railcar Lease and Maintenance.		69.85	34.93
SOUTHERN RAIL SERVICES, INC.	22273010	Invoice: MAR123104. Railcar Lease and Maintenance.		1,840.59	920.30
SOUTHERN RAIL SERVICES, INC.	22282810	Invoice: MAR123146. Railcar Lease and Maintenance.		12.20	6.10
UNION PACIFIC RAILROAD	22033510	MP201502M060		407,300.81	203,650.41
UNION PACIFIC RAILROAD	22033510	MP201502M060		23,946.30	11,973.15
UNION PACIFIC RAILROAD	22045510	MP201502M061		23,946.30	11,973.15
UNION PACIFIC RAILROAD	22045510	MP201502M061		406,939.41	203,469.71
UNION PACIFIC RAILROAD	22045510	MP201502M062		406,923.70	203,461.85
UNION PACIFIC RAILROAD	22045510	MP201502M062		23,946.30	11,973.15
UNION PACIFIC RAILROAD	22055310	Invoice: UP1509DEGX. Railcar Lease and Maintenance.		4,163.15	2,081.58
UNION PACIFIC RAILROAD	22081610	MP201502M063		406,487.87	203,243.94
UNION PACIFIC RAILROAD	22081610	MP201502M063		17,104.50	8,552.25
UNION PACIFIC RAILROAD	22130610	MP201502M064		407,797.84	203,898.92
UNION PACIFIC RAILROAD	22130610	MP201502M064		17,104.50	8,552.25
Total Transportation				**6,307,919.18**	**3,153,959.59**
Total Coal, Misc and Transportation				**9,021,808.98 $**	**4,510,904.49**
Total Oil				-	-
Total Due MPC				$ 9,021,808.98 $	4,510,904.49

BILL OF SALE

This Bill of Sale and Access Agreement (this "**Agreement**") is entered into as of February 15, 2024 (the "**Effective Date**"), by Florida Power & Light Company, a Florida corporation ("**Seller**"), in favor of Mississippi Power Company, a Mississippi corporation ("**Buyer**").

1. Conveyance. For good and valuable consideration in the amount of $12,540,137.17, the receipt and adequacy of which Seller hereby acknowledges, Seller hereby irrevocably sells, assigns, transfers, conveys, grants, bargains, and delivers to Buyer, all of its right, title, and interest in and to the stockpile of bituminous and sub-bituminous coal, as further described in Exhibit A (*Stockpile Description*) attached to and made a part of this Agreement (the "**Stockpile**"). Buyer shall take possession of the Stockpile at the location as described in Exhibit B and Seller shall have no obligation or duty to otherwise move, transport or deliver the coal contained in the Stockpile. Additionally, for good and valuable consideration in the amount of $121.77, the receipt and adequacy of which Seller hereby acknowledges, Seller hereby irrevocably sells, assigns, transfers, conveys, grants, bargains, and delivers to Buyer, all of its right, title, and interest in and to the limestone ("Associated Limestone") stored at the plant as described in Exhibit A and Seller shall have no obligation or duty to otherwise move, transport or deliver the Associated Limestone stored at the plant.

2. Use of the Stockpile Area. In connection with the conveyance described herein, Seller grants Buyer the right to use the portion of space currently being used by Seller to store the Stockpile (the "**Stockpile Area**") and Associated Limestone, as necessary to utilize, replenish, and maintain the Stockpile, including, without limitation, all rights of unimpeded access, ingress, egress, and no other licenses, conveyances, or approvals, are required to enable Buyer access to and use of the Stockpile Area, as further described in Exhibit B (*Stockpile Area Description)* attached to and made a part of this Agreement.

3. Representations and Warranties. Seller represents and warrants that Seller is conveying good and valid title to the Stockpile and Associated Limestone free and clear of all encumbrances, debts, mortgages, attachments, pledges, charges, claims, and liens of any kind. Seller represents and warrants that Seller holds title to the Stockpile Area; has all requisite corporate power to enter into this Agreement; and all third-party permits, consents, filings, or approvals necessary to make these agreements valid, including, without limitation, the agreements set forth in Section 2 (*Use of the Stockpile Area*) have been obtained.

4. Disclaimer of Warranties. EXCEPT FOR THE WARRANTIES SET FORTH IN SECTION 3 (*Representations and Warranties*) ABOVE, THE SALE OF THE STOCKPILE AND ASSOCIATED LIMESTONE IS "AS-IS" AND SELLER MAKES NO REPRESENTATION OR WARRANTY WHATSOEVER WITH RESPECT TO THE GOODS, INCLUDING ANY (a) WARRANTY OF MERCHANTABILITY; OR (b) WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE; WHETHER ARISING BY LAW, COURSE OF DEALING, COURSE OF PERFORMANCE, USAGE OF TRADE, OR OTHERWISE. BY ACCEPTING THIS BILL OF SALE, BUYER ACKNOWLEDGES THAT IT HAS NOT RELIED ON ANY REPRESENTATION OR WARRANTY MADE BY SELLER, OR ANY OTHER PERSON ON SELLER'S BEHALF, EXCEPT AS SPECIFICALLY PROVIDED IN THIS Agreement.

5. Limitation on Damages. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS AGREEMENT, IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER PARTY FOR ANY CONSEQUENTIAL, EXEMPLARY, PUNITIVE, REMOTE, OR SPECULATIVE DAMAGES OR LOST PROFITS.

6. Further Assurances. Seller, for itself and its successors and assigns, hereby covenants and agrees that, at any time and from time to time on Buyer's written request, Seller will do, execute, acknowledge, and deliver or cause to be done, executed, acknowledged, and delivered, all such further acts, deeds, assignments, transfers, conveyances, powers of attorney, and assurances as may be reasonably required by Buyer in order to (a) assign, transfer, set over, convey, assure, and confirm unto

and vest in Buyer and its successors and assigns title to the Stockpile and Associated Limestone sold, conveyed, and transferred by this Agreement and (b) grant Buyer with the rights of access to the Stockpile Area and Associated Limestone as provided in the Agreement.

7. Billing. Buyer shall make payment within five (5) Business days to the account of Seller designated below:

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

8. Governing Law. This Agreement is governed by, and construed in accordance with, the laws of the state of Mississippi, without regard to the conflict of laws provisions thereof to the extent such principles or rules would require or permit the application of the laws of any jurisdiction other than those of the state of Mississippi.

9. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Agreement delivered by e-mail, or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

[*Remainder of Page Intentionally Left Blank; Signature Page Follows*]

IN WITNESS WHEREOF, Seller and Buyer have each duly executed and delivered this Agreement dated to be effective as of the Effective Date.

FLORIDA POWER & LIGHT COMPANY

By:____________________

Name: Elena Bueno-Gonzalez

Title: Vice President, Energy Marketing and Trading

WSL

MISSISSIPPI POWER COMPANY

By: Michael Smith

Name: Michael Smith

Title: VP & SPO

EXHIBIT A

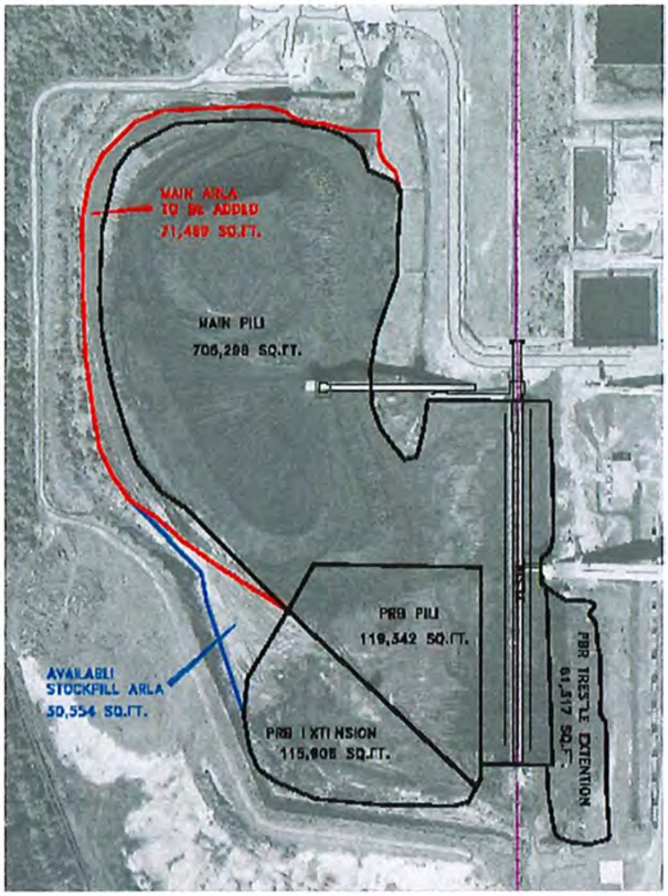
	TONS	RATE	DOLLARS
Beginning Balance (FP&L)	142,109.580	88.223895	12,537,460.63
Purchases (FP&L 0.00% of PRB)	0.000	0.000000	2,676.54
FP&L Adjustment	0.00	0.000000	0.00
Aerial Adjustment (FP&L)	0.000	0.000000	0.00
Total Available	142,109.580	88.242729	12,540,137.17
Issues (FP&L)	0.00	88.242729	0.00
Ending Balance (FP&L)	142,109.58	88.242729	12,540,137.17

FPL Daniel Limestone Usage 2023

	Tons	Value
As of Dec 31, 2023	1	$ 121.77

EXHIBIT B STOCKPILE DESCRITION

Stockpile Area: Approximately 1 Million square feet coal ground storage area.



BILL OF SALE

This Bill of Sale and Access Agreement (this "**Agreement**") is entered into as of February 15, 2024 2024 (the "**Effective Date**"), by Florida Power & Light Company, a Florida corporation ("**Seller**"), in favor of Mississippi Power Company, a Mississippi corporation ("**Buyer**").

1. Conveyance. For good and valuable consideration in the amount of $79,897.32 (the "**Payment Amount**"), the receipt and adequacy of which Seller hereby acknowledges, Seller hereby irrevocably sells, assigns, transfers, conveys, grants, bargains, and delivers to Buyer, all of Seller's right, title, and interest in and to that certain portion of the fuel oil inventory (owned by Seller) in the commingled oil storage tank (the "**Tank**") located at The Daniel Electric Generating Plant, as further described in Exhibit A attached to and made a part of this Agreement (the "**Oil Inventory**"). At the Inventory Transfer Time (defined below), Buyer shall take title and possession of the Oil Inventory via an in-Tank transfer from Seller to Buyer (reflected in the Tank operator's books and records) and Seller shall have no obligation or duty to otherwise move, transport or deliver the Oil Inventory out of the Tank. Buyer hereby assumes any and all liability associated with or otherwise arising from the Oil Inventory from and after the Inventory Transfer Time.

The Parties hereby agree that no additional volumetric measurement of the Oil Inventory shall occur with respect to the purchase and sale of the Oil Inventory, and that the volume of Oil Inventory specified in Exhibit A shall be the deemed to be the final, accurate and binding volume of the Oil Inventory for all purposes hereunder. Buyer also acknowledges that the Oil Inventory is commingled in the Tank with other oil volumes owned by one or more third parties.

"**Inventory Transfer Time**" means 12:00:01 a.m. ET on the Effective Date, or such other date as may be applicable.

2. Representations and Warranties. Seller represents and warrants that Seller is conveying good and valid title to the Oil Inventory free and clear of all encumbrances, debts, mortgages, attachments, pledges, charges, claims, and liens of any kind.

3. Disclaimer of Warranties. EXCEPT FOR THE WARRANTIES SET FORTH IN SECTION 2 (*Representations and Warranties*) ABOVE, THE SALE OF THE OIL INVENTORY IS "AS-IS" AND SELLER MAKES NO REPRESENTATION OR WARRANTY WHATSOEVER WITH RESPECT TO THE OIL INVENTORY, INCLUDING (a) ANY WARRANTY OF MERCHANTABILITY; (b) ANY WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE; WHETHER ARISING BY LAW, COURSE OF DEALING, COURSE OF PERFORMANCE, USAGE OF TRADE, OR OTHERWISE. BY ACCEPTING THIS BILL OF SALE, BUYER ACKNOWLEDGES THAT IT HAS NOT RELIED ON ANY REPRESENTATION OR WARRANTY MADE BY SELLER, OR ANY OTHER PERSON ON SELLER'S BEHALF, EXCEPT AS SPECIFICALLY PROVIDED IN THIS AGREEMENT; OR (c) THAT THE OIL INVENTORY MEETS ANY PARTICULAR SPECIFICATIONS OR QUALITY.

4. Limitation on Damages. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS AGREEMENT, IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER PARTY FOR ANY CONSEQUENTIAL, EXEMPLARY, PUNITIVE, REMOTE, OR SPECULATIVE DAMAGES OR LOST PROFITS.

5. Further Assurances. Seller, for itself and its successors and assigns, hereby covenants and agrees that, at any time and from time to time on Buyer's written request, Seller will do, execute, acknowledge, and deliver or cause to be done, executed, acknowledged, and delivered, all such further acts, deeds, assignments, transfers, conveyances, powers of attorney, and assurances as may be reasonably required by Buyer in order to assign, transfer, set over, convey, assure, and confirm unto and vest in Buyer and its successors and assigns title to the Oil Inventory sold, conveyed, and transferred by this Agreement.

6. Billing. Buyer shall make payment within five (5) Business days of the Payment Amount in full (without any deductions) to the account of Seller designated below:

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

7. Governing Law. This Agreement is governed by, and construed in accordance with, the laws of the state of Mississippi, without regard to the conflict of laws provisions thereof to the extent such principles or rules would require or permit the application of the laws of any jurisdiction other than those of the state of Mississippi.

8. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Agreement delivered by e-mail, or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

[*Remainder of Page Intentionally Left Blank; Signature Page Follows*]

IN WITNESS WHEREOF, Seller and Buyer have each duly executed and delivered this Agreement dated to be effective as of the Effective Date.

FLORIDA POWER & LIGHT COMPANY

By:____________________

Name: Elena Bueno-Gonzalez

Title: Vice President, Energy Marketing and Trading

Legal Review Completed
WSL

MISSISSIPPI POWER COMPANY

By: Michael Smith

Name: Michael Smith

Title: VP & SPO

EXHIBIT A

FUEL OIL INVENTORY AND VALUES

Fuel Oil Inventory (gallons)	Price ($/gallon)
24,948.45	$3.20

Gulf Power®

Marlene Santos
President

BY OVERNIGHT DELIVERY

January 15, 2019

Mr. Anthony Wilson
Chairman, President and CEO
Mississippi Power Company
P. O. Box 3079
Gulfport, MS 39502

Re: Plant Daniel Retirement Notice

Dear Mr. Wilson:

In accordance with Section 12.02(a) of that certain Amended and Restated Plant Daniel Operating Agreement, dated as of January 1, 2019, by and between Mississippi Power Company (MPC) and Gulf Power Company (GPC), we hereby notify you of our intention to retire GPC's fifty percent (50%) undivided interest in Plant Daniel on January 15, 2024 or such earlier time as GPC and MPC mutually agree, it being the desire of GPC to retire its interest as early as practicable.

Please feel free to contact me directly with any questions.

Sincerely,

MSantos

Gulf Power Company
75 North Pace Boulevard
Post Office Box 1151
Pensacola, Florida 32520
Telephone 904-434-8384

Earl V. Lee
Controller

the southern electric system

August 19, 1981

Mr. H. E. Blakeslee
Mississippi Power Company
Post Office Box 4079
Gulfport, MS 39501

Dear Ed:

Re: Plant Daniel Operating Agreement

Attached is a copy of the "Victor J. Daniel, Jr. Electric Generating Plant Operating Agreement" which you sent for signature. It has been properly signed by Mr. Addison and attested by Mr. Unruh.

By copy of this letter I am furnishing Mr. Unruh, our Corporate Secretary, with our copy for filing in the Corporate files.

I appreciate so very much your help in bringing this project to a conclusion. Should you need additional information, please let me know.

Yours truly,

Earl V. Lee

EVL:pl

cc/enc: Messrs. E. R. Unruh
A. E. Scarbrough
bc/enc: Messrs. E. B. Parsons, Jr.
G. O. Layman
M. L. Gilchrist
J. C. Engel, Jr.
W. A. Pugh
G. A. Fell, Jr.
bc: Messrs. R. P. Price
R. P. Gaines

VICTOR J. DANIEL, JR. ELECTRIC GENERATING PLANT

OPERATING AGREEMENT

MISSISSIPPI POWER COMPANY AND GULF POWER COMPANY
OPERATING AGREEMENT
DANIEL ELECTRIC GENERATING PLANT

WHEREAS, as provided for in a letter of agreement dated July 28, 1976, ("Memorandum Agreement"), Gulf Power Company ("Gulf" or "Owner") and Mississippi Power Company ("MPC"or "Owner") are the owners each of a 50% undivided interest each as tenants in common of a steam electric generating plant (except that, as to the investment in the boiler (Account 312) for Unit 2, Gulf has invested an amount slightly in excess of 50% by reason of accounting requirements with respect to costs incurred in testing Unit 2 prior to its commercial operation) at a location adjacent to the Pascagoula River approximately ten miles north of the City of Pascagoula, Jackson County Missisippi; and

WHEREAS, plant consists of two 500 MW generating units, cooling lake, coalcars, and associated step-up transmission substation and related facilities within the substation (all of which, other than the high voltage transmission line, being known as the Daniel Electric Generating Plant, and referred to herein as "PLANT"); and

WHEREAS, the first of the generating units, was placed in commercial operation on September 7, 1977, and the second on June 1, 1981; and

WHEREAS, the completion of Gulf's acquisition of its 50% undivided interest in the entire PLANT occurred at the time of initial commercial operation of Unit 2, as of which date Gulf and MPC desire that the effectiveness of this operating agreement will commence; and

WHEREAS, Gulf and MPC desire to provide for the terms and conditions pursuant to which MPC will, from and after June 1, 1981 operate and maintain the entire plant as agent for Gulf with respect to its interest and for itself;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants hereinafter provided, the parties do hereby agree as follows:

TERM

Section 1.1 This contract shall become effective as of June 1, 1981, and shall remain in full force and effect until cancelled as of the end of any calendar month by either party upon one year's written notice given to the other party; provided however, that notwithstanding any other provisions hereof, this contract shall be cancelled to the extent and from the time that performance hereunder may be rendered unlawful because of any valid rule, regulation or order of any governmental agency having jurisdiction in the premises.

ARTICLE II
OPERATION

Section 2.1 The chief executive officers of MPC and GULF shall appoint a Supervisory Committee, consisting of two members. One member shall be designated by MPC and the other by GULF. Each Supervisory Committee member shall designate one or more alternates, with full power to act as and in his place. Such appointments shall be in writing. Successors to Supervisory Committee members, and alternates, shall be designated and appointed in the same manner. Any Supervisory Committee member, or alternate, may at any time be removed as such, by the designating party. The Supervisory Committee shall review and approve all matters relating to the operation and maintenance of the PLANT and related additions and retirements, in accordance with, and pursuant to this contract. All questions arising between the parties under this contract shall be resolved by unanimous concurrence of the Supervisory Committee members, or alternates, with or without a meeting, and shall be controlling on the parties hereto.

Section 2.2 GULF hereby appoints MPC as its agent, with the right to employ such employees and sub-agents as MPC may require. MPC agrees, on its own behalf and as agent for GULF, to operate, maintain and make additions to and retirements from PLANT, to obtain materials, including fuel, and services as required therefor. MPC shall make all payments required in connection with any of the foregoing, keep all necessary books of record, books of account and memoranda of all transactions involving PLANT and make daily, monthly and annual calculations and computations on behalf of the respective OWNERS on the same basis for each and in such manner as to enable each to conform, where so required, to the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission for Public Utilities and Licensees ("Uniform System of Accounts"), to the rules and regulations of such Commission and of the Securities and Exchange Commision under the Federal Public Utility Holding Company Act (the "ACT"), and to the valid rules, regulations and requirements of all regulatory bodies having jurisdiction thereof. MPC shall perform all necessary invoicing and other actions on behalf of the respective OWNERS as may be required as an incident to any of the foregoing, all in accordance with and subject to the provisions of this contract.

Section 2.3 Subject to the applicable rules, regulations, and procedures established by and determinations of the Supervisory Committee provided for in Section 2.1 hereof, the PLANT will be operated and maintained and related additions and retirements made in accordance with prudent utility practice and in cooperation with the power system coordinators and other duly authorized agents of MPC and GULF to the end that PLANT will be operated to the mutual advantage of MPC and GULF in accordance with their respective rights.

Section 2.4 GULF shall have the right, at such reasonable times as it deems appropriate during the term of this contract, and any extensions thereof, and for as long thereafter as the books, records and memoranda referred to in Section 2.2 hereof shall be preserved, to inspect all such books, records and memoranda and to make such audits thereof as it may deem necessary to protect its interests.

Section 2.5 - MPC will be responsible for obtaining an adequate supply of each type of fuel. MPC and GULF equalized their respective investment in the fuel stock (quantities and dollar amounts) as of June 1, 1981. Fuel procedures will be developed, subject to approval of the Supervisory Committee, that will comply with the fuel management procedures of MPC and GULF. Among the items these procedures will cover, but not to be limted to, are the following:

1. Ownership
2. Allocation of Fuel Burn
3. Allocation of Fuel Purchases
4. Inventory Adjustments

Section 2.6 - MPC will furnish GULF with MPC management approved fuel budgets, operation and maintenance budgets, capital budgets and maintance schedules as they become available.

Section 2.7 - The Supervisory Committee shall adopt rules, regulations and procedures to be observed with respect to the operation of the Plant. The initial rules, regulations, and procedures will be completed by October 1, 1981.

ARTICLE III
APPORTIONMENT OF CAPACITY AND ENERGY

Section 3.1 MPC and GULF shall each be entitled to 50% of the total available capacity of PLANT, as such capacity shall exist from time to time. Each party shall be entitled to dispatch generation within its capacity entitlement, provided, however, that the total dispatched generation of both parties shall not at any time be less than the mimimum generation permissible for safe operation of the generating units, as determined by the Supervisory Committee. Each party will be charged with their proportional share of the energy dispatched from the PLANT. Unless and until otherwise agreed by the OWNERS, the dispatching of generation provided for herein shall be done on behalf of each of the OWNERS by Southern Company Services, Inc. as its agent through the Power Coordination Office thereof.

ARTICLE IV
WORKING CAPITAL

Section 4.1 The OWNERS shall provide the funds required for use as Working Capital so as to make possible that, MPC, acting on its own behalf and as agent of GULF, shall make payments therefrom in the proportions provided in Articles VI. GULF shall provide its share of such funds as provided in Article VII hereof, by making cash available to MPC for expenditures made or expense incurred by MPC as GULF's agent. On the termination of this contract any funds so provided by GULF to MPC shall be returned by MPC to GULF except to the extent that they shall have been expended or obligated for the purposes of this contract or shall be represented by investment in existing materials and supplies including fuel in which Gulf has a proportionate ownership interest.

ARTICLE V
MONTHLY COST STATEMENT AND CHARGES

Section 5.1 As soon as practicable, after the end of each calendar month beginning with the month of June, 1981, GULF shall furnish to MPC a statement of any administrative or other expense (of the character referred to in Section 5.3 as apportionable under and pursuant to this contract) incurred or paid by GULF, other than through MPC as its agent and properly chargeable to operation, maintenance or additions to or retirements of PLANT, including any costs referred to in Section 10.2 hereof. Such expense and cost shall be included, as appropriate, in the cost statements hereinafter provided for in this Article V.

Section 5.2 As soon as practicable, after the end of each calendar month beginning with the month of June, 1981, MPC shall render to GULF a statement of account showing the amounts recorded for the preceding month reflecting:

(a) Any payment received by GULF or MPC referred to in Section 11.2 hereof;

(b) The net cost of any additions to or retirements of PLANT, classified in conformity with said Uniform System of Accounts, including for information the cost of property thus replaced, its salvage value and the cost of removal, and any charges or credits to the cost of any such additions or retirements pursuant to Articles X and XI;

(c) The expense of operation and maintenance of PLANT classified in accordance with said Uniform System of Accounts and further divided into "Capacity Cost" and "Energy Cost" as defined in Section 5.3 and 5.4. Supplemental definitions and explanations will be provided in the procedures required by Section 2.7 hereof.

Section 5.3 "Capacity (Fixed) Cost" shall be the sum of the following actual operation and maintenance expenses, determined on a monthly basis:

(a) Fixed operation, fixed maintenance, administrative and general actual expenses applicable to PLANT as defined by the Supervisory Committee.

(b) Federal and State payroll and employment taxes applicable to PLANT;

(c) Premiums on employee group insurance applicable to PLANT;

(d) Pension plan accruals applicable to PLANT;

(e) Net costs incurred pursuant to Articles X and XI hereof;

(f) Expenses and costs set forth in the statement received from GULF pursuant to Section 5.1 hereof; and

(g) It is the intent of the OWNERS that so far as possible all ad valorem, franchise, business or other like taxes arising out of the ownership and operation of PLANT shall be separately levied and assessed against the OWNERS severally and that each such OWNER shall be responsible for and pay to the appropriate taxing authority all such taxes so levied and assessed against it without any responsibility of the other OWNER with respect thereto and without the amounts thereof being paid and apportioned between the OWNERS under and pursuant to the provisions hereof. To the extent, however, if any, that taxes may be levied on or assessed against PLANT, or its operation, or the OWNERS in such a manner as, in the opinion of the Supervisory Committee, to make impossible or inequitable the carrying out of the foregoing intent, then such taxes shall be considered and paid by MPC, acting on its own behalf and as agent for GULF, as a part of the expense of operating PLANT to be apportioned between the OWNERS under and pursuant to this contract and, except as provided in Section 5.4 (c) hereof, shall be included in "Capacity Cost".

Section 5.4 "Energy (Variable) Cost" shall be the sum of the following actual operation and maintenance expenses, determined on a monthly basis:

(a) Total delivered cost of each party's owned fuel burned at PLANT.

(b) Provision for variable operation and maintenance expenses and in-plant fuel handling expenses equal to the actual charges to PLANT included in specific steam power generation expense accounts (or sub-accounts maintained thereunder) of said Uniform System of Accounts.

(c) All taxes on or measured by the amount of generation to the extent such taxes are, under the provisions of Section 5.3 (g) hereof, to be paid and apportioned between the OWNERS under and pursuant to this contract.

Section 5.5 Materials and supplies consumed at the PLANT and services used in connection with the operation, maintenance and additions to and retirement of PLANT shall be recorded by MPC in the accounts referred to in Section 2.2 hereof and shall be reflected in determinations of Working Capital pursuant to Section 4.1 hereof at the actual cost thereof, including any applicable taxes thereon. Each month MPC shall purchase sufficient fuel for its own account and as agent for GULF such that each will own equal amounts (both tons and gallons) at the beginning and end of each month.

Section 5.6 - GULF will be responsible for reimbursing MPC for an allocated share of MPC's adminstrative costs. The allocation method and billing procedures will be devloped in accordance with Section 7.2 hereof.

ARTICLE VI
APPORTIONMENT OF EXPENSES

Section 6.1 The expenses incurred during or accrued for each calendar month in operating and maintaining PLANT and for additions to and retirements of PLANT, as shown by the cost statements described in Article V hereof, shall be apportioned therein between MPC and GULF as follows:

1. The net cost of additions to and retirements of PLANT and "Capacity Cost", as defined in Section 5.3 hereof, shall be so apportioned between MPC and GULF such that MPC shall bear 50% thereof and GULF 50% (except that, as to the investment in the boiler (Account 312) for Unit 2, GULF has invested an amount slightly in excess of 50% by reason of accounting requirements with respect to costs incurred in testing Unit 2 prior to its commercial operation).

2. The "Energy Cost", as defined in Section 5.4 hereof, shall be apportioned between MPC and GULF in the same proportion as the net kilowatt-hours generated for the account of each OWNER from PLANT in such month bears to the total net kilowatt hours generated in such month as defined in Article III.

ARTICLE VII
PAYMENT AND ADJUSTMENT OF CHARGES

Section 7.1 GULF shall establish an account for the purpose of providing funds for the payment of GULF's proportionate share of expenditures in accordance with the provisions of this agreement. MPC, as Gulf's agent, shall have power to draw on this account for Gulf's proportionate share of said expenditures. The methods and amounts shall be determined in accordance with the accounting procedures as developed pursuant to Section 7.2.

Section 7.2 MPC and GULF will develop written accounting procedures to effect the billing to GULF by MPC and the payments by GULF to MPC for GULF's proportionate share of the expenditures. These procedures will establish methods to insure that each Company pays its share and does not cause an unfair burden on the other and that Gulf receives proper credit for amounts withdrawn from the account established according to Section 7.1 above. These procedures may be revised and amended as necessary.

Section 7.3 In the event either party should dispute or question the accuracy of any cost statement furnished pursuant to Article V hereof or the conformity of same to the provisions hereof, GULF shall nevertheless discharge its obligation under Section 7.1 hereof. Such settlement will not be deemed to bar either party from claiming a readjustment of such statement.

Section 7.4 In the event any such dispute occurs, it shall be settled by the parties hereto unless either party shall refer it to the Supervisory Committee for settlement, in which case the decision of the Supervisory Committee shall be binding upon the parties. If the Supervisory Committee cannot reach a decision, the dispute will be settled in accordance with the provisions of Section 12.3 of this agreement.

Section 7.5 If it shall be determined that either OWNER has paid more or less than its proper portion of the costs and expenses of PLANT for the month covered by any such statement, an appropriate correction shall be made by MPC by proper credit or charge, as the case may be, on or before the monthly statement next succeeding the date on which such determination was made.

Section 7.6 All claims for adjustment and correction of any such cost statement must be made by MPC or GULF, as the case may be, within sixty days after receipt of such statement, but the failure to request adjustment or correction thereof shall not be deemed to bar either party from challenging the methods used in preparing such statements insofar as such methods affect subsequent monthly statements.

ARTICLE VIII
SERVICE AND CONDITIONS

Section 8.1 The PLANT will be operated in parallel with the Mississippi Power Company System and the integrated Southern Company System and the voltage shall be maintained on the high voltage substation buses as required for system conditions on the Mississippi Power Company System and coordinated with the Southern System as a whole.

ARTICLE IX
METERING

Section 9.1 The capacity and energy delivered from PLANT to MPC and GULF shall be measured by suitable metering equipment at generator voltage.

Section 9.2 Energy losses in the power transformer stepping-up from generator voltage to transmission voltage and energy losses in station service power transformers shall be apportioned between MPC and GULF on a basis to be determined by the Supervisory Committee.

Section 9.3 Power and energy flows between the GULF and MPC systems at the PLANT shall be measured by suitable metering equipment. Since the transmission systems of GULF and MPC are interconnected through the Southern interconnected system, there may be a flow of electric capacity and energy between the two systems across the point of interconnection on the high voltage bus of the PLANT. This flow of electric capacity and energy, flows at designated interconnection points, and the allocation of PLANT generation between GULF and MPC as described in Article III shall be accounted for in a manner consistent with the accounting of power flows at other interconnection points such that each OWNER is properly credited for all energy generated for his account.

Section 9.4 The type and location of the metering equipment referred to in Section 9.1, 9.2 and 9.3 hereof shall be subject to the approval of the Supervisory Committee.

Section 9.5 Daily records shall be compiled by MPC with copies being sent to GULF and to the Power Coordination Office of Southern Company Services, Inc. and to any designees thereof, showing by clock-hour intervals for each 24 hour day the load (expressed in both megawatts and megavars) of PLANT and total loads to MPC and to GULF and, in addition, data as to the gross output of PLANT by units, station service requirements, and such other related data as may be specified by the Supervisory Committee. This data will be distributed to GULF and Southern Company Services, Inc. on a schedule to be developed and maintained as part of the procedures required by Section 5.7.

Section 9.6 In case of stoppage or failure of any metering apparatus, the determination of electric energy quantities normally measured thereby shall be made from any duplicate metering equipment in service or by such other means as the Supervisory Committee may decide upon.

Section 9.7 All meters referred to in this Article shall be sealed. Meters shall be tested and calibrated at least once every twelve months by MPC, or at more frequent intervals if deemed advisable by the Supervisory Committee. Notice of each such test shall be given to GULF so that its representative may attend such test.

Section 9.8 Any meter tested and found to be inaccurate by one-half of one percent (0.5%) or more on light load or full load tests, either fast or slow, shall be adjusted or replaced. If any meter is found to be inaccurate by one percent (1.0%) or more on full load test, either fast or slow, all readings previously taken by such meter shall be corrected accordingly for the period during which the meter was known to have been inaccurate, but no such correction shall be retroactive to a date more than thirty (30) days prior to the date on which such inaccuracy shall have been discovered, unless the actual date on which the inaccuracy first occurred can be determined and agreed upon by the Supervisory Committee, in which case, the correction shall be retroactive to the actual date. All such corrections are subject to approval of the Supervisory Committee.

ARTICLE X
LIABILITY AND DAMAGE

Section 10.1 Liability to employees of MPC engaged in the operation and maintenance of PLANT pursuant and applicable hereto under any Federal or State workmen's compensation law will be satisfied by MPC and included in Capacity Cost as provided in Section 5.3 hereof. Liabilities of this character arising from additions to or retirements of PLANT will be satisfied by MPC and included in the statement rendered by MPC to GULF pursuant to Section 5.2 hereof.

Section 10.2 Any costs incurred by either OWNER attributable to liability for damages to persons (including employees of GULF) or property arising out of the performance of the agreement, the cost of which is to be paid and apportioned under this contract, will be reflected in Capacity Cost as provided in Section 5.3, to the extent that such work relates to operation or maintenance of PLANT; otherwise such costs will be reflected in the statements rendered pursuant to Section 5.1 or Section 5.2 hereof.

Section 10.3 Damages to property of any nature whatsoever shall be, subject to approval by the Supervisory Committee, repaired or the damaged facilities replaced by MPC, acting on its own behalf and as agent for GULF, and 50% of the net cost of such repairs or replacement will be apportioned to GULF, pursuant to Section 6.1 hereof and paid by GULF under and pursuant to the provisions hereof and 50% shall be so apportioned to and paid by MPC as principal.

ARTICLE XI
INSURANCE

Section 11.1 MPC and GULF shall arrange for property, casualty and surety insurance coverages applicable to PLANT. Such insurance shall be placed with insurance carriers approved by the Supervisory Committee and through agents similarly approved. The amounts and types of coverages shall likewise be approved by the Supervisory Committee. Premium payments shall be made with respect to each policy by MPC and/or GULF each in accordance with its interest.

Section 11.2 Subject to applicable provisions of the OWNERS mortgages, GULF shall make available to MPC as its agent any amounts recovered by GULF pursuant to such policies, and such amounts, together with any amounts recovered by MPC under the insurance coverage on PLANT, shall be shown as credits to the applicable accounts, as may be appropriate. Each OWNER, promptly upon receipt of any such payment shall forthwith so notify the other.

ARTICLE XII
MISCELLANEOUS

Section 12.1 Notwithstanding anything elsewhere herein contained, the term "PLANT" shall not include high voltage transmission lines or facilities associated therewith (such lines and facilities being sometimes referred to herein as "EXCLUDED FACILITIES"), provided that such EXCLUDED FACILITIES are to be connected with the step-up substation constituting part of PLANT and the positions thereof on PLANT are subject to the approval of the Supervisory Committee. Each OWNER is entitled to use PLANT throughout its useful life for the construction, ownership, maintenance, and operation by such OWNER of such EXCLUDED FACILITIES as are necessary and appropriate for its transmission of power and energy from PLANT as contemplated herein, and such EXCLUDED FACILITIES of each OWNER shall be the separate property of such OWNER free and clear of any claim or interest of the other OWNER whether arising out of the tenancy in common relationship of the OWNERS as to PLANT or otherwise. In furtherance of the foregoing, each OWNER has granted and delivered or will grant and deliver to the other OWNER from time to time an easement, or easements, free and clear of the lien of the indenture of mortgage of the grantor, for the use by such other OWNER of the grantor's interest in PLANT for the construction, ownership, maintenance, and operation by such other OWNER of its EXCLUDED FACILITIES at the positions approved by the Supervisory Committee as aforesaid, the terms of such easements being the useful life of PLANT.

Section 12.2 Inasmuch as MPC and the Supervisory Committee in acting hereunder, are intended simply as instrumentalities of the OWNERS for their operation and maintenance of PLANT, it is expressly understood and agreed that neither OWNER shall at any time, or under any circumstances have, nor make, any claim for damages against the other OWNER or any Supervisory Committee member on account of damages to property, if any, resulting from any act or omission of such OWNER, Supervisory Committee member, or any employee or agent thereof, in connection with the operation and maintenance of PLANT or for the non-delivery at any time of all, or any portion, of the electric energy to be made available from PLANT, or for any reduction or delay in such delivery; all-claims for money damages from the aforesaid causes, however and whenever arising, being hereby expressly waived and released by each OWNER as against the other OWNER, respectively; provided, however, that this provision shall not be construed as waiving, impairing or releasing any other remedy of either OWNER as against the other OWNER for the enforcement of the provisions of this contract according to its intent.

Section 12.3 Any controversy, claim, counter-claim, defense, dispute, difference or misunderstanding arising out of, or relating to, this contract, or the breach therefor, shall be determined by the Supervisory Committee. Any of the above described situations not ultimately receiving a unanimous decision from the Supervisory Committee shall be decided by the Chief Executive Officers of MPC and GULF. Matters not resolved by the Chief Executive Officers shall be settled by arbitration before an arbitrator named by them or if they are unable to agree upon and name such an arbitrator then before three arbitrators, one of whom shall be named by MPC, one of whom shall be named by GULF, and the third of whom shall be named by the two arbitrators so named by MPC and GULF. The arbitration shall be conducted in accordance with the rules of the American Arbitration Association then in effect, and judgment upon any award rendered by the arbitrators may be entered in any court having jurisdiction thereof. This provision shall survive the termination of this contract. The parties expressly agree that this provision shall constitute a condition precedent to the institution of any proceeding in any court relating to the subject matter thereof.

Section 12.4 This contract shall inure to the benefit of and be binding upon the successors and assigns of the respective parties hereto, but it shall not be assignable by either party without the written consent of the other party except to a successor to its interest in PLANT.

Section 12.5 It is agreed by the parties hereto that any changes in present MPC operations specifically required as the result of a sale by either party of any portion of its capacity and/or energy from the plant, outside of normal transactions within the Southern System, shall be the sole financial responsibility of the party making the sale.

Section 12.6 This contract shall be amended from time to time by mutual agreement of the OWNERS. Any such amendments shall require the signatures of the Chief Executive Officers.

IN WITNESS WHEREOF, the parties hereto have respectively caused this contract to be executed by their duly authorized officers as of June 1, 1981.

MISSISSIPPI POWER COMPANY

by: [signature]
Chief Executive Officer

ATTEST:

W. F. Wilson
Secretary

GULF POWER COMPANY

by E. L. Addison
President

ATTEST:

[signature]
Secretary

GULF POWER COMPANY
Plant Daniel Operating Agreement
March 30, 2001

Meeting held at Plant Daniel on March 20, 2001:

Charles Howton, Assistant to the Vice President of Power Generation, Gulf Power (Robert Moore)
Brad Bradford, Assistant to the Vice President of Power Generation, Mississippi Power (Gene Ussery)
Keith Morie, Supervisor SCG Accounting Services Mississippi Power
Raymond Grove, Supervisor SCG Accounting Services Gulf Power
Moses Feagin, SCG Manager of Generation Accounting

The purpose of the meeting was to review the Buy Back proposal (necessary to address the new generation at Plant Daniel) developed by Mississippi Power Company. In addition, the team reviewed the current people plan for new and existing employees responsible for managing the addition of two Combined Cycle units at Daniel. The team also discussed the procedures developed to ensure all future costs associated with Plant Daniel "Common Facilities" are correctly allocated to the joint owners once the new generation construction is completed.

Existing Common Facilities Buy Back:
The team reviewed the Plant Record associated with Plant Daniel and agreed the items identified by Mississippi Power did in fact represent "Common Facilities" that will in the future support both the existing Plant and the new Generating Facilities. This review included all assets in FERC 310, 311, 312, 314, 315, 316, and 397.

Buy Back Percentages:
The team agreed that the current buy-back proposal of 75-25% (75% Coal and 25% CC) for all items except Water Treatment facilities was reasonable. This percentage was developed based on head count and given the facilities considered "Common" headcount is a reasonable allocation method.

Water Treatment facilities considered "Common" are being split 40-60% (40% Coal and 60% CC). Once again, this seems reasonable given the 40-60 split should accurately represent water usage.

Allocation of Cost:
Mississippi Power agreed that although cost (Labor and Materials) on existing common equipment would be split 75-25, they agreed to revisit this allocation percentage at the end of 2002 and to determine if any adjustments are necessary.

In addition, the team agreed the cost on the water systems would be handled differently. The team agreed that all costs associated with the water system would be allocated on a 40% coal and 60% CC split and periodically during the year the O&M cost would be trued-up between coal and CC based on the amount of demineralized water usage. The team agreed to come together at the end of 2002 to finalize the procedures for allocating these expenses.

People Plan:
The team agreed that the current people plan did accurately and fairly reflect the allocation of existing personnel to the Combined Cycle unit except for Operational Supervision. The team agreed that since there was only one operations team leader, additional supervision (or coverage) needed to be allocated from the existing Plant. After reviewing the need for operation supervision, the existing team leader operation classification will allocate 27% of their time to the CC.

We concur with the above method describing Mississippi Power's buy-back of Plant Daniel common facilities from Gulf Power and the allocation of operation & maintenance ~~and~~ capital expense.

Robert G. Moore
R. G. Moore

Date: 5/3/01

G. L. Ussery

Date: 4/18/01

QUESTION:
Please identify the Order(s) approving Gulf's 2019 decision for planned retirement of the Daniel units in 2024. If this has not yet been evaluated by the Commission, explain when FPL would be seeking approval of this decision.

a. When was the anticipated retirement date of MPC's share of the Plant Daniel Coal Units when Gulf provided its 2019 Notice of retirement of its share of the Plant Daniel Coal Units?

RESPONSE:
There is no Commission Order approving Gulf's 2019 decision to retire Plant Daniel Units 1 & 2. FPL first indicated an expected retirement of its share of Plant Daniel Units 1 & 2 by January 2024 in its 2020 Ten Year Site Plan. Also, FPL offered testimony from Keith Ferguson regarding its proposed accounting treatment of Plant Daniel Units 1 & 2 in its 2021 base rate proceeding (Docket No. 20210015-EI). Specifically, Mr. Ferguson's testimony described the following accounting treatment:

> *Daniel Units 1 and 2: Upon retirement, the Company proposes to reflect the estimated remaining investment as a negative amount (debit) in the accumulated reserve for the respective plant accounts. FPL will continue its depreciation for these retirements using current rates as approved in Gulf's 2017 Rate Settlement. The Company will address the establishment and amortization of a regulatory asset during its next base rate proceeding.*

Direct Testimony of FPL witness Keith Ferguson at 21 (March 12, 2021, Docket No. 20210015-EI).

FPL has accounted for Daniel in the manner described in the testimony of Mr. Ferguson, and will address the establishment and amortization of a regulatory asset during its next base rate proceeding.

a. At the time that Gulf provided its 2019 Notice of retirement to MPC, FPL was not aware of an explicitly announced retirement date for MPC's share of Plant Daniel Units 1 & 2 as MPC did not begin publishing Integrated Resource Plans until 2021. However, Gulf Power's 2018 Ten Year Site Plan, which was developed and published under Southern Company ownership, indicated retirement dates for Units 1 & 2 as December 2042 and December 2046, respectively.

QUESTION:
Please refer to Appendix A, Declaration of Scott R. Bores, section 8. When was the anticipated retirement date of MPC's share of the Plant Daniel Coal Units when FPL entered into the 2022 Operating Agreement?

RESPONSE:
At the time of the 2022 Operating Agreement amendment MPC's projected retirement date for its share of Plant Daniel Units 1 & 2 was December 2027 per its April 2021 Integrated Resource Plan update.

QUESTION:
Please refer to MPC's 2021 Integrated Resource Plan (IRP) filing and 2023 IRP Update with the Mississippi Public Service Commission (MPSC).

a. Verify that the retirement date set for the Plant Daniel Coal Units was December 2027 in these documents.

b. Explain whether MPC included the retirement of the Plant Daniel Coal Units in its IRP as a result of an MPSC Order.

   i. If so, provide a copy of that Order and any subsequent Order(s) modifying it.

   ii. If so, discuss whether the Order requires the retirement of the Plant Daniel Coal Units by a certain date.

   iii. If so, explain what relevant steps are needed to modify the relevant MPSC Order(s) to extend the life of the Plant Daniel Coal Units until 2031.

c. Provide a CPVRR analysis and charts, including a Base Case, PSA Case, and Differential using the December 2027 retirement date. Provide an electronic version of these charts in Excel format with formulas intact.

RESPONSE:
a. Confirmed. Both plans, however, indicate that retirement dates are continuously under evaluation based on changing market conditions.

b. Yes. The MPSC ordered MPC to update its 2021 IRP, and it did so. While the Order did not specifically call for the retirement of Plant Daniel Units 1 & 2, it did require MPC to present a plan for retiring 950 MW of capacity by year-end 2027. In its subsequent IRP analyses of the most economic way to satisfy the Order, MPC identified Plant Daniel Units 1 & 2 to be retired by December 2027.

   i. Please see Attachment No. 1 to this response, Order on Mississippi Power Company's Reserve Margin Plan.

   ii. The Order does not require the retirement of Plant Daniel Units 1 & 2 by a certain date. The Order directed that MPC's IRP update filing "should include the schedule of early or anticipated retirement of approximately 950 megawatts of generating capacity by year-end 2027 or show cause with detailed evidence why the continued operation of some or all of MPC's existing fossil steam generation is in the best interest of customers and MPC." *See* Attachment No. 1 at 3.

iii. The IRP documents filed by MPC are informational and non-binding. Moreover, in its Order the MPSC indicated that it would be open to altering its conclusions based on new operational or economic evidence, stating "To be clear, while there may be real and important operational constraints that could convince this Commission to alter its findings in this Order, the economic evidence available to the Commission to date makes a compelling case for early retirement of some portion of MPC's aging fossil steam generating fleet." *See* Attachment No. 1. MPC can update its IRP document with revised retirement dates as it finds they are supported by economic data.

c. Based on the information provided in FPL's response to Staff's First Data Request, No. 7, a 2027 retirement of the units is not a plausible scenario.

Please see the tab labeled "Staffs 1st DR No. 5c" of the Excel file provided in response to Staff's Request No. 1a, as well as Attachment No. 2 to this response. Please note that the CPVRR analysis on tab "Staffs 1st DR No. 5c" assumes no change to the base case Transfer Amount of $45.0 million; however, if the retirement date of the units were expected to be in 2027, FPL would have negotiated for a lower transfer price and would not have entered into the purchase and sale agreement that is before the Commission. As detailed in FPL's response to Staff's First Data Request, No. 7, 2031 is the current retirement date, and if the units are retired after 2031 additional savings will accrue to FPL customers beyond those currently projected.

2020 MISS. PUC LEXIS 268

Mississippi Public Service Commission

December 17, 2020

MISSISSIPPI POWER COMPANY EC-120-0097-00; DOCKET NO. 2018-AD-145

MS Public Service Commission Decisions

Reporter
2020 MISS. PUC LEXIS 268 *

RE: MISSISSIPPI POWER COMPANY'S RESERVE MARGIN PLAN

Core Terms

retirement, cost, scenario, plant, was, transmission, energy, fuel, load, update, has, base year, margin, gulf, customer, natural gas, revise, accelerate, steam, cycle, methodology, upgrade, estimate, summarize, rank, reliability, decrease, forecast, carbon, staff

Panel: DANE MAXWELL, CHAIRMAN; BRENT BAILEY, COMMISSIONER; BRANDON PRESLEY, COMMISSIONER

Opinion

ORDER [*1]

THIS CAUSE came on for consideration by the Mississippi Public Service Commission ("Commission"), *sua sponte*, in the above-styled docket, and, being fully apprised in the premises and having considered the documents and record before it, this Commission renders a decision as follows:

I. Background

1. This docket was prompted by the Commission's Order Approving Second Amended and Restated Stipulation issued on February 6, 2018 in Docket No. 2017-AD-112 ("2018 Order"), which ultimately resolved the outstanding regulatory issues concerning Mississippi Power Company's ("MPC" or "Company") Kemper County IGCC Project. The 2018 Order recognized it would be beneficial to analyze MPC's current reserve margin and alternatives that the Company could identify to address these reserves and to allow a fully informed and transparent review of the matter.

2. This docket was designed to proceed in a two-phased approach requiring, first, the assessment of alternatives from MPC's perspective and second, an opportunity for review by the Mississippi Public Utilities Staff ("Staff) and this Commission, with the aid of consultants. The first phase was accomplished with the filing by MPC of its Reserve Margin Plan. [*2] The second phase is now complete with the submission of the final consultant report from Bates White Economic Consulting, being submitted in connection with this Order.

3. Based upon the documents, analysis and other evidence submitted to date, this Commission finds, as follows herein.

II. Procedural History

4. MPC initiated this docket through the filing of its Reserve Margin Plan on August 6, 2018. As required by the 2018 Order, MPC served a copy of the filed Reserve Margin Plan on all parties of record in Docket No. 2017-AD-l 12. MPC updated its Reserve Margin Plan analysis three times--the first time on April 24, 2019, the second time on September 17, 2019, and the third time on January 29, 2020.

5. Three parties requested and were granted intervener status by order of this Commission: Chevron Products Company, a division of Chevron U.S.A. Inc. ("Chevron") on August 29, 2018; Sierra Club on October 29, 2019; and Cooperative Energy on November 7, 2019.

6. The Commission observes that significant discovery through formal and informal data requests has been conducted by and among various parties, the Staff and outside consultants engaged in this docket.

7. On February 14, 2020, the Sierra [*3] Club filed a Motion for Scheduling Order requesting, among other things, that the Commission set a hearing date and establish a schedule for submission of additional evidence. MPC timely objected to the Sierra Club's Motion. For the reasons expressed herein, the Commission finds the present Order renders Sierra Club's pending motion moot, and, the motion is therefore denied. Nevertheless, the Commission notes this Order does address the focus of the Sierra Club's Motion, which is to establish a definitive timeline for resource decisions concerning MPC's existing generating fleet.

8. Bates White Economic Consulting completed its Review and Assessment of MPC's Reserve Margin Plan Report, a publicly redacted copy of which has been attached to this Order.

III. Discussion

9. The evidence in this docket suggests that MPC's current reserve margin is projected to be higher than targeted reserves and, if MPC's units are left to operate through their remaining projected useful lives, this excess persists for over ten years. Both MPC and Bates White agree that MPC's excess reserves are largely due to decreases in projected load primarily driven by changes in customer usage since the last formal IRP [*4] filed with the Commission in 2010. MPC and Bates White also agree that the older, fossil steam units that represent MPC's current excess capacity have very limited marketability in the wholesale market given their marginal energy value. All agree that accelerating the retirement of some combination of Plant Watson Units 4 and 5, Plant Green County Units 1 and 2, and/or Plant Daniel Units 1 and 2 represents the most attractive option for reducing MPC's excess reserve margin.

10. Retiring a generating unit prior to the end of its useful life is not a decision to be taken likely. The variables and considerations to weigh in evaluating whether and which generating units to retire early are both economic and non-economic in nature. Aside from evaluating the comparable economic value (or cost) of each unit's continued operation to MPC's customers, impacts to customer rates, as well as impacts to the reliability and operation of MPC's electric system, are vital considerations to avoid short- or long-term impacts to MPC's ability to reliably serve customers. Other externalities such as impacts to the state or local economy, employee base, and MPC's overall fuel diversity may also be relevant [*5] depending upon the circumstances.

11. MPC's initial Reserve Margin Plan presented evidence concerning some but not all relevant variables. MPC's three updates refined the analysis to some extent and updated assumptions on key economic and system reliability variables, but still did not provide detailed data concerning variables such as impact to the local economy of early unit retirement. Bates White's report thoroughly analyzed MPC's Reserve Margin Plan assumptions, methods and calculations, and provides this Commission with a valuable third-party perspective on several key issues. Similarly, however, Bates White did not address all the variables, such as local economic impact of the various scenarios. The Commission takes note that some additional evidence concerning these other externalities was presented in the recent certificate proceeding authorizing construction of the Plant Daniel Coal Combustion Residual projects. [1]

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[1] Order Approving Petition for Facility Certificate, Docket No. 2019-UA-l 16, (Oct. 28, 2019).

12. The Commission also recognizes the difficulty that joint ownership with respect to some of MPC's generating units poses to resolving this issue. For example, although the relative economics of the Greene County units highlights their candidacy for early [*6] retirement, the Commission acknowledges that neither it nor the Company controls the future of those units, as they fall under the jurisdiction of the Alabama Public Service Commission.

13. More importantly, at least two significant changes in circumstance have occurred since the initiation of this docket that influence the Commission's decision in the Order. First, on November 27, 2019, this Commission issued its Final Order Amending Rule 29 to Establish Integrated Resource Planning and Annual Energy Delivery Reporting Requirements in Docket No. 2018-AD-064. This Order established for the first time in Mississippi a detailed regulatory procedure and schedule requiring frequent and detailed integrated resource planning filings and proceedings for regulated electric and gas public utilities. Managing capacity reserves is among the types of issues designed to be addressed by this newly established Rule and its resulting procedure. Second, in January 2019, Gulf Power Company, the co-owner with MPC of Plant Daniel Units 1 and 2 notified MPC of Gulf Power's intent to retire their 50% undivided interest in these units on January 15, 2024.

IV. Findings

14. This docket was ultimately born out [*7] of a settlement compromised among over a dozen stakeholders, the Staff and this Commission. As the evidence before this Commission demonstrates, legitimate concerns exist with respect to MPC's excess reserves, but the Commission finds that the present docket is now a less ideal forum for the Commission, Staff, MPC and other interested parties to present evidence and evaluate alternatives in detail, given the existence of the newly established resource planning rule and docket applicable to specifically MPC. Upon review of the record and evidence before the Commission, including the Bates White Report, MPC is hereby ordered and directed to propose a detailed planning scenario in its initial IRP filing to be made in April 2021 consistent with the findings and guidance expressed in this Order.

15. Based upon the evidence already presented, this Commission finds that some measure of capacity reduction would likely be in the best long-term interest of customers. Indeed, no party appears to disagree with this assertion. At the same time, the Commission is cognizant of the impacts to local government and communities, the employee base and broader policy concerns, such as economic development [*8] and fuel diversity. A transition period is important to address these concerns. To this end, MPC's upcoming IRP filing should include the schedule of early or anticipated retirement of approximately 950 megawatts of generating capacity by year-end 2027 or show cause with detailed evidence why the continued operation of some or all of MPC's existing fossil steam generation is in the best interest of customers and MPC. To be clear, while there may be real and important operational constraints that could convince this Commission to alter its findings in this Order, the economic evidence available to the Commission to date makes a compelling case for early retirement of some portion of MPC's aging fossil steam generating fleet.

16. The Commission also wants to make clear that at this stage it is not rendering a finding concerning how many and which combination of generating units can best meet the above directive. In all cases, MPC bears the burden of prudent management, which includes decisions regarding the retirement of generating plants. The Commission expects and anticipates that prudent management will be exercised in the Company's resource planning and that such will be reflected [*9] in MPC's submission in the upcoming IRP docket, including compliance with the findings contained in this Order.

17. A detailed review and discussion of the accounting and rate impacts that unit retirement decisions impose is not contained in this record, but we are generally familiar with the issues presented based upon prior cases before the Commission. [2] Under Generally Accepted Accounting Principles ("GAAP"), if a unit or portions of a unit are designated for retirement, the Company would be required to recognize certain expenses associated with that decision. First, GAAP would require accelerated recognition of the expense related to unrecovered investment cost associated with any such retirement, including the unrecovered plant asset balance and cost associated with

[2] MPSC Order, Docket No. 1992-UN-059, (Dec. 6, 2011).

dismantlement and asset retirement obligations. Second, GAAP would require all retirement related costs, such as the unused fuel and obsolete materials, and supplies, to be immediately expensed. In addition, other cost, such as cost incurred to study alternatives, regulatory cost, and other cost incurred as a result of retirement decisions, would also be expensed immediately under GAAP. This accounting treatment [*10] could result in sudden and significant rate impacts for customers.

18. Therefore, while no retirement decision has been made as of the issuance of this Order, to avoid unintended negative impacts to both MPC and customers, MPC is hereby authorized to defer all plant retirement related cost into one or more regulatory asset accounts for future recovery and place the unamortized balance of these regulatory asset accounts in PEP or ECO rate base, as applicable. MPC will be required to make a filing with the Commission when the ultimate impact is known so that the Commission can review and approve the cost and designate the amortization period as the remaining life of the assets that were deferred as defined prior to retirement, or other appropriate amortization period as required by the Commission. The Commission finds that granting MPC this accounting treatment will assist in the efficient resolution of the issues that are the subject of this Order while also mitigating any undue rate impacts to customers that may otherwise result absent Commission action now.

19. Finally, given the IRP planning scenario required by this Order, the Commission expects that any subsequent budget [*11] filings made by the Company will be developed consistent with the expectations set forth in the accelerated retirement planning scenario, as such costs arise in due course (e.g. dismantlement costs, employee transition costs, job training, etc.).

IT IS THEREFORE, ORDERED, that MPC propose a resource selection scenario in its initial IRP filing to be made in April 2021 in Docket No. 2019-UA-231 consistent with the findings and guidance expressed in this Order.

IT IS FURTHER, ORDERED, that the present Order renders Sierra Club's pending Motion moot, and, the Sierra Club's Motion for Scheduling Order is therefore denied.

IT IS FURTHER, ORDERED, that MPC be authorized to defer all plant retirement related cost into one or more regulatory asset accounts for future recovery and place the unamortized balance of the regulatory asset accounts in PEP or ECO rate base.

IT IS FURTHER, ORDERED, that with the issuance of this Order this docket is deemed completed and shall be closed.

This Order shall be deemed issued on the day it is served upon the parties herein by the Executive Secretary of the Commission who shall note the service date in the file of this docket.

COMMISSION VOTE

Chairman Dane Maxwell Aye [checkmark] Nay _

Commissioner Brent Bailey Aye [checkmark] Nay _

Commissioner [*12] Brandon Presley Aye [checkmark] Nay _

SO ORDERED, this the 17th day of December 2020.

MISSISSIPPI PUBLIC SERVICE COMMISSION

DANE MAXWELL, CHAIRMAN

BRENT BAILEY, COMMISSIONER

BRANDON PRESLEY, COMMISSIONER

Public

Review and Assessment of Mississippi Power Company's Reserve Margin Plan

Report to the Mississippi Public Utilities Staff

Prepared by Bates White, LLC

September 17, 2020

In the preparation of this report, Bates White, LLC has relied on data provided by S&P Global Market Intelligence. Under the terms of its contract, S&P Global requires that we include the following Disclaimer:

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I. Executive Summary

Bates White was retained by the Mississippi Public Utilities Staff ("Staff) to provide an independent assessment of the Reserve Margin Plan ("RMP") filed by Mississippi Power Company ("MPC" or "Company") with the Mississippi Public Service Commission ("Commission") pursuant to the Company's Second Amended and Restated Stipulation ("Stipulation") in Docket No. 2017-AD-l 12. The initial RMP was filed on August 6, 2018. In the course of the initial review, discussions with MPC personnel, and responses to discovery requests, it became apparent that changed circumstances affecting inputs to the analyses underpinning the RMP warranted an update to certain portions of the

RMP study. MPC provided revised analyses on September 17, 2019, and December 31, 2019. This report addresses the RMP methodology and results including those from the revised analyses.

Based on the review presented in this report, our conclusions and recommendations are as follows:

1. MPC has a substantial and persistent capacity overhang that imposes excess costs on ratepayers. This excess capacity position [*15] has existed since the Kemper County CCGT entered operation in August 2014, and has not diminished as anticipated, because load growth projected in MPC's 2010 IRP has not materialized. Projections reflected in the RMP are for a continued gradual decrease in peak load for much of the next decade, followed by minimal annual growth over the longer-term. In the absence of a plan to eliminate this excess capacity, ratepayers would bear the cost of approximately 500 megawatts ("MW") of unneeded capacity at least through 2029. MPC reports being unable to identify any willing buyers for the excess, which leaves accelerated retirement as the remaining means available to reduce costs.

2. The stipulations and orders intended to resolve outstanding matters associated with the Kemper County IGCC Project required MPC to evaluate ways to reduce the Company's capacity overhang and "to propose prudent financial safeguards for customers." MPC was required to conduct a Reserve Margin Plan to establish discrete alternatives to address excess capacity, timeframes for the alternatives, and estimates of implementation costs.

3. Analyses performed by MPC and updated periodically since 2018 have consistently [*16] identified accelerated retirement of Watson Unit 4 and Greene County Units 1 and 2 as providing net cost-reduction benefit. The remaining approximately 500 MW of excess capacity could be eliminated beneficially either through accelerated retirement of Watson Unit 5, or accelerated retirement of MPC's share of Plant Daniel Units 1 and 2, which is expected to be a single unit, once Gulf Power's announced plan to exit ownership of Daniel is executed by January 2024. In the latest RMP analysis update, the relative value of the two alternatives depends in part on the potential need for, and cost allocation of, $ 60 million in transmission upgrades if either resource is retired prior to 2024. MPC will need to confirm the need for such upgrades and the allocation of costs in order to establish a definitive retirement plan and schedule.

4. The general methodological structure of MPC's RMP study is reasonable in the way it assigns capacity value to marginal generation resources. However, we conclude that the method used to combine future scenarios into a single summary result may bias the results of the analysis. Specifically, taking the simple average across nine future scenarios implicitly [*17] assumes that each potential future is equally likely. The scope of our review did not provide for developing an analytical basis justifying a particular alternative weighting of the cases evaluated in the RMP. However, we present results for an alternative set of probability weights that we find more plausible than the equal probabilities implicit in taking the simple average across nine scenarios. We show that applying the alternative weightings would reverse the result for the base year 2024 retirement analysis, and would indicate that retaining Daniel Unit 1 in operation would impose net costs on customers.

5. The RMP analyses support the conclusion that MPC's older steam resources provide little or no net energy value to offset their going-forward costs. In simplified terms, keeping Daniel Unit 1 in operation and retiring Watson Unit 5 would impose higher fixed costs on customers, with certainty, than retiring Daniel Unit 1 and retaining Watson Unit 5. The higher fixed cost of Daniel would be offset, at least partially, by the value of generation from the plant, with the amount of value determined by the future scenario considered. MPC's analyses show net value for Daniel only [*18] in future scenarios that we conclude are relatively unlikely.

The balance of this report is organized as follows:

Section II summarizes the background to the RMP.

Section III addresses the MPC excess capacity context and presents a summary and assessment of the RMP evaluation methodology.

Section IV presents a discussion of issues related to the potential retirement of the remaining Daniel unit or Watson Unit 5.

An appendix, which summarizes the RMP evaluation results for the initial study and revised analyses, with a discussion of drivers of changes in the results.

II. Background

II.1. Initiation of the Docket

In its order of July 6, 2017, the Commission opened MPSC Docket No. 2017-AD-l 12 (In Re: Encouraging Stipulation of Matters in Connection with the Kemper County IGCC Project, "Settlement Docket"), which required that MPC, Staff and other intervening parties "expeditiously work to settle all outstanding matters associated with the Kemper Project." [1] The Kemper Project was initially proposed by MPC in a 2009 Certificate Petition as a lignite-fueled integrated gasification combined cycle ("IGCC") power plant, located in Kemper County, Mississippi, with a summer capacity rating of 582 MW. The combined [*19] cycle portion of the project, now known as Plant Ratcliffe, entered commercial service in 2014. Following years of extensive operational challenges, delays and cost increases, work on the gasification component of the facility was suspended in 2017. Plant Ratcliffe now operates as a 680 MW (net summer capability) generating facility fueled by natural gas.

The Commission's order opening the Settlement Docket established an expectation that the resulting settlement would resolve remaining matters of cost recovery and customer rate impacts associated with the Kemper Project and the in-service combined cycle power plant.

II.2. Second Amended Stipulation

Following several months of negotiations, MPC filed a Second Amended and Restated Stipulation ("Stipulation") on December 1, 2017, and the Commission subsequently found that the stipulation satisfied the settlement parameters set forth in the docket-opening order. [2]

In addition to resolving specific cost-recovery and ratemaking matters related to the Kemper Project and the combined cycle plant, the parties agreed in the Stipulation that:

> MPC has generating capacity that is in excess of the Company's long-term targeted reserve margin, and the Parties acknowledge [*20] that it is appropriate to examine MPC's reserve margin and propose prudent financial safeguards for customers.
>
> MPC shall, within six (6) months of the Commission's approval of this Stipulation and using the most current data available to MPC, develop, complete, and file with the Commission a Reserve Margin Plan ("Plan") and serve the Plan on all interested parties for evaluation to allow a fully informed and transparent review of MPC's reserve margin. [3] (Emphasis added.)

The Stipulation further established parameters for the analyses to be performed as part of the RMP and the contents of the Plan. Specifically, the Stipulation stated that:

> (a) The Reserve Margin Plan shall include, among other things: forecasting customer load and energy requirements; evaluating the resources available to meet the energy and capacity needs while satisfying strategic considerations; developing, evaluating and implementing demand side management and energy efficiency programs; and assessing and planning for existing and anticipated environmental laws and regulations and any other issues the Mississippi Public Service Commission deems relevant.

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[1] Order Approving Petition for Facility Certificate, Docket No. 2019-UA-l 16, (Oct. 28, 2019).

[2] MPSC Order, Docket No. 1992-UN-059, (Dec. 6, 2011).

[3] Stipulation at 14 and 15.

(b) MPC's Plan shall [*21] also contain: (i) discrete alternatives that the Company proposes to address its current reserve margin; (ii) the timeframe over which each alternative can be implemented; (iii) a preliminary estimate of the costs of implementing each alternative, including any incremental transmission capital investment and any costs associated with retiring any un-depreciated assets; and (iv) any other impacts (financial or otherwise) not specifically prescribed herein that would have a material impact upon the service provided by MPC or the costs to customers. [4]

III. MPC Excess Capacity and RMP Methodology

MPC filed the RMP in August 2018. The report confirmed that MPC has supply resources substantially greater than its current need and that, assuming MPC's existing owned resources were retained through their full-depreciation dates, the high excess capacity situation would continue through 2028. In the absence of active changes to MPC's resource portfolio, the Company's capacity reserve margin would be expected to be greater than 40% through 2028, compared to a target capacity reserve margin under 15%.

III.1. Capacity and Load

Figure 1 graphs MPC's net capacity compared to its capacity need (peak load plus capacity [*22] reserve requirement).

[SEE Figure 1: MPC Net Capacity and Capacity Requirement, 2018-2036, MW (2018 RMP) IN ORIGINAL]

Table 1: MPC Assets with Completed Depreciation Dates Through 2028

Unit	Sum Capability (MW)	Depreciation Dates
Sweatt CT	32	2018
Watson CT	33	2018
Watson Unit 4	268	2023
Greene County Unit 1	106	2025
Greene County Unit 2	107	2026
Watson Unit 5	516	2028
Total	1062	

As discussed further below, Watson Unit 4 and Greene County Units 1 and 2 were identified through the RMP evaluation process as providing benefit from accelerated retirement. The remauiing approximately 500 MW of excess capacity could be eliminated beneficially either through accelerated retirement of Watson Unit 5, or accelerated retirement of MPC's share of Plant Daniel, which is expected to be a single unit, once Gulf Power's announced plan to exit ownership of Daniel is executed by January 2024.

The RMP report provides a comparison of the current supply and demand context relative to that reflected in the Company's 2010 integrated resource plan ("IRP"), with a description of the key drivers behind the changed capacity reserve situation.

[SEE Figure 2: Projected Capacity Reserves, 2018 RMP and 2010 DIP, MW IN ORIGINAL]

III.1.1. Load changes

[4] Stipulation at 15(a) and 15(b).

The RMP report explains the substantial change in [*23] capacity reserves using 2018 for reference. The most significant driver has been a gradual and sustained reduction in peak load. Compared to expectations in the 2010 IRP, retail load in the 2018 RMP was lower by 242 MW and wholesale load was lower by 189 MW, driven by what MPC terms "organic energy efficiency" (increased energy efficiency of appliances and adoption of other energy efficient technologies), and by an unexpectedly sluggish recovery from the 2008 recession. An additional load-related change affecting MPC's capacity reserve need was the reclassification of 163 MW of territorial wholesale load to a non-territorial capacity block sale. Though MPC will continue to serve the load, the reclassification means that MPC is not required to carry a capacity reserve on the associated load. The capacity block sale is instead treated as a reduction in capacity. Table 2 summarizes the peak load changes for 2018 from the 2010 IRP to the RMP. The effect on capacity need reflects MPC's 2018 target capacity reserve margin, with the effect of the load reclassification shown as just the reserve component (since the effect of the load is still reflected on the capacity side). The total reduction [*24] in MPC's capacity need from these effects is 511 MW.

Table 2: Change in 2018 peak load, 2010 IRP, and 2018 RMP, MW

	Peak Load	Effect on capacity need
2010 IRP projected load 2018	2,998	
Territorial load re-classification	(163)	(22)
Wholesale load	(189)	(214)
Retail load	(242)	(274)
Total 2018-RMP	2,404	(511)

Looking forward, the RMP reflects further anticipated load reductions of approximately 0.75% (18 MW) annually through 2026, and nearly flat load after 2026 (less than a quarter of a percent annual growth). The projected contraction in load through 2026 reflects a continuation of current trends in increased energy efficiency ("organic"; i.e., non-program) and changes in contractual wholesale loads.

III.1.2. Capacity changes

Net capacity reflected in the RMP for 2018 is 165 MW lower man expected in the 2010 IRP. Three categories of change are identified: increased net capacity of existing resources (+136 MW), additional plant retirements (-94 MW), and additional net sales (-286 MW), resulting in a net reduction of 165 MW. The change in net sales includes +45 MW of capacity capability associated with recent wind power purchase agreements and approximately 286 MW of sales to Cooperative Energy under arrangements expected to end in March 2021.

The increased capacity from [*25] existing resources is me result of the repowering of the Watson and Greene County coal units to natural gas, as well as the higher net output of Ratcliffe operating as a gas-fired combined cycle rather than an IGCC. In these cases, the increased net capacity reflects reduced station or 'parasitic' load. Plant retirements as of 2018 reflect an actual total of 444 MW in the RMP compared to 350 MW anticipated in the 2010 IRP. The sales to Cooperative Energy include a 200 MW short-term sale and 86 MW under sales tied to specified units.

Beyond 2018, the RMP reflects some incremental capacity increases. Ratcliffe's capacity increases by approximately 19 MW (summer capability) following an "Ultra-Low NOx [5] F6 Hot Gas Path" conversion, expected to be complete as of fall 2018. [6] An additional solar facility, in early stages of development, is expected to provide another 18 MW of summer equivalent capacity, in addition to the 45 MW from three operational solar facilities under PPAs.

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[5] Nitrogen Oxides ("NOx")

[6] RMP Report, Appendix A, note 4.

The sales to Cooperative Energy are assumed to end in March 2021, which causes an increase in MPC's net capacity and reserves that can be seen in Figure 1 and Figure 2 in 2021.

III.2. RMP Assessment Approach

The RMP analysis methodology [*26] aims to identify whether accelerated retirement of certain MPC generation assets could provide cost savings. Accelerated retirement is considered as retirement prior to the date at which an asset is fully depreciated. In addition to the resources listed in Table 1, MPC evaluated all four of the Daniel units (two coal and two combined cycle) and Ratcliffe. The full list of evaluated resources is shown in Table 3. This represents MPC's entire generation portfolio with the exception of the five cogeneration units that are dedicated to the Chevron Refinery in Jackson County, Mississippi, and which are not candidates for retirement.

Table 3: MPC Generation Assets Evaluated (2018 capacity rating)

Unit	Generation type and fuel	Summer Capability* (MW)
Darnel Unit 1	Steam, coal	251
Daniel Unit 2	Steam, coal	251
Daniel Unit 3	Combined cycle, NG	538
Darnel Unit 4	Combined cycle, NG	557
Greene County Unitl	Steam, NG	106
Greene County Unit 2	Steam, NG	107
Ratcliffe	Combined cycle, NG	680
Sweatt CT	Combustion turbine, NG	32
Watson CT	Combustion turbine, NG	33
Watson Unit 4	Steam, NG	268
Watson Unit 5	Steam, NG	516
Total		3,339

* Reflects MPC ownership shares for Daniel Units 1 and 2, and Greene County Units 1 and 2.

The RMP evaluation methodology is a multi-step screening that produces [*27] a net present value revenue requirement ("NPVRR") for each resource if it were kept in service over a 30-year evaluation horizon, assessed for each of nine future scenarios for natural gas prices and carbon prices. The nine fuel/carbon dioxide ("CO[2]") cases correspond to scenarios developed as part of Southern Company's annual planning cycle. Table 4 stuninarizes how the nine scenarios are derived from three CO[2] price cases and three natural gas price cases. The indicated CO[2] price is the price in dollars per metric ton ([TEXT REDACTED BY THE COURT]] assumed to apply in 2026. after which the price is escalated at[TEXT REDACTED BY THE COURT] percentage points above inflation. The natural gas prices in each of the high, moderate and low cases vary slightly with each of the CO[2] price cases. These scenarios are assessed further below.

Table 4: Fuel and CO[2] Price Scenarios

CO[2] Price

NG Price	$ 0	$ 10	$ 20
High	H G0	HG1 0	HG2 0
Moderate	M G0	MG 10	MG 20
Low	LG	LG1	LG2

NG Price	$ 0	$ 10	$ 20
	0	0	0

The evaluation of each asset produces an NPVRR value for each fuel/CC2 price scenario, and the nine values are averaged to produce a single NPVRR result.

III.2.1. Context and Conceptual Approach

As noted above, the asset valuation involves a multi-step process, but it is perhaps easier to understand by [*28] first considering the underlying context and conceptual approach applied in the RMP. As a preliminary matter, it is important to recognize that a utility being long capacity is not necessarily a bad thing for ratepayers. If the excess generation can produce revenue in excess of costs, a capacity overhang may produce benefits by reducing net fuel costs. However, if the excess capacity is relatively inefficient, it will produce little or no net energy value, and if the broader market is long on supply, there may be little or no value for excess resources as capacity only. This is the situation confronted by MPC that prompted the settlement commitment to perform the RMP. MPC's older steam units (Daniel Units 1 and 2, Watson Units 4 and 5, and Greene County Units 1 and 2), totaling approximately 1,500 MW of summer capability, are relatively inefficient compared to other available resources on the Southern Company system, and they consequently operate at fairly low levels. The steam units also have limited marketable capacity value. MPC states in the RMP Report that "[d]espite significant effort over the last several years, MPC has had limited success in finding reasonable opportunities [*29] to market MPC's capacity above current reserve requirements." [7]

If there is little or no potential to extract net revenue from the excess steam capacity, then the question becomes whether there are costs that can be avoided by retiring one or more of the resources. Ultimately, that is the focus of the RMP: potential cost avoidance.

Finally, MPC establishes in the RMP that the asset valuation is a forward-looking, incremental analysis -- i.e., one intended to address what can be changed going forward -- and it therefore ignores sunk costs, which by definition cannot be changed or avoided. Consistent with this view, the estimation of NPVRR for each asset is not affected by remaining net book value, which it is assumed will be recovered in any scenario and so is not avoidable.

III.2.2. Components of Asset Cost and Value

The evaluation captures the following basic components of cost and value for each asset assuming it continues in service:

- . Benefits (that would be lost if the resource were retired)
  - . Energy -- the net value of energy produced (or zero if generation is uneconomic);
  - . Avoided transmission -- a positive value that represents a saving of transmission upgrade costs that would be incurred if the [*30] asset were retired;
  - . Capacity -- a positive value that reflects the cost of filling a capacity need that would be caused by retirement of the unit (this depends on whether other assets are assumed to be retired first; see discussion below);
- . Costs (that would be avoided if the resource were retired)
  - . Fixed Operations & Maintenance ("O&M") -- reflecting annual costs that apply whether or not power is generated;
  - . Maintenance capital -- required capital expenditure in addition to fixed O&M;

[7] RMP Report, page 1.

. Environmental capital -- required environmental expenditures;

. Non-variable fuel -- fixed costs that could be avoided if the resource were retired;

. Ad valorem taxes.

III.2.3. "Step 1" Rank Ordering of MPC Resources

In the first step of the evaluation, each asset is evaluated independently against a reference resource alternative over a 30-year horizon to establish a rank ordering of the MPC assets by value. The ordering is then used to determine the assumed order of potential retirement, with the lowest value (highest cost) resources retired first. The order of potential retirement is a critical part of the analysis, because it determines how much capacity value is assigned to each resource, as discussed further [*31] below.

One thing that is potentially confusing in MPC's reporting of RMP analysis results, and the changes that occurred in the updated analyses, is that resources considered for retirement are evaluated in the first rank-ordering step as having positive NPVRR value. For instance, Daniel Units I and 2 (assessed jointly) and Watson Unit 5 both have positive NPVRR values in the first step ranking across all the analyses that were performed. It is important to understand that this does not mean the assets have a positive net value on a standalone basis (otherwise, it would presumably not be so difficult for MPC to market its excess capacity to potential buyers). Rather, the positive NPVRR in the first step of the evaluation reflects the fact that the reference resource alternative -- for instance a new-build combined cycle -- constitutes more costly capacity than the MPC assets, for which most costs are sunk (i.e., cannot be avoided).

Each MPC asset is evaluated against the alternative resource assuming that the MPC asset remains in service for 30 years. While differences in remaining asset life might seem to be relevant to the determination of relative resource value, asset life [*32] is not a fixed period with a particular end date. Generation assets can be kept operating with major maintenance, component replacement, refurbishment, repowering, etc. Equally important is the MPC over-capacity context: the retirement of any single resource on its own would not cause a capacity need in the study horizon (with the exception of Daniel Units 3 and 4 considered jointly at more than 1,000 MW). Because the larger steam units provide little or no energy value in most of the fuel/CO[2] price scenarios, each of the resources considered individually would be found to impose a net cost on the system and would warrant immediate retirement. But the resources could not be retired all together without creating a capacity shortfall that would require costly replacement. If the resources are each retired successively, the value of each to the MPC system can change because at some point a retirement will cause a future capacity replacement need, the cost of which should be treated as a value of continued operation of the existing asset. Because the particular sequence of retirement affects the value of each asset, the initial rank-ordering step is critically important.

Returning [*33] to the assumed operation of each asset for 30 years, this is a reasonable approach that puts the value of each asset on a comparable footing, and makes the evaluation tractable. An alternative that would account for potential differences in asset life would likely be infeasible to solve. The decision whether to invest more or retire would have to be assessed repeatedly over the evaluation period for each asset, and since that decision would depend on whether or not other assets had been retired, it would quickly become an insurmountably complex problem, and probably one with no single optimal result. The evaluation over 30 years provides a reasonable basis to establish an initial rank ordering of the MPC assets.

III.2.4. Determination of Capacity Value

One driver of the need to perform the RMP analysis is that MPC's excess capacity has no value in the market. Yet, as noted above, retirement of all the steam units would cause a capacity shortfall entailing replacement costs, the avoidance of which is properly considered as a value of some portion of retained capacity. The question is what assets should be assigned capacity value for preventing future capacity acquisition costs? This is resolved through the initial rank [*34] ordering in Step 1 of the evaluation. Any retirements are assumed to occur in order of highest

NPVRR. Based on that retirement order, only those resources that cause a quantity of future capacity shortfall are assigned capacity value.

The analysis considers not only the capacity needed to meet MPC's installed capacity reserve requirement, but also capacity needed for other system support functions. For example, the Watson and Sweatt CTs were fully depreciated as of the end of 2018, and provide essentially zero net energy value, but they are assigned a capacity value because they provide critical system support through black start capability for system restoration. [8] If the units were retired, MPC would need to replace the black start capability at a cost.

The capacity value assigned to each asset has a substantial effect on the evaluation results. For example, as will be discussed in more detail below, assigned capacity value is the largest source of benefit for Daniel Units 1 and 2 in the initial RMP analysis, and causes the final NPVRR to be positive rather than negative.

III.2.5. Avoided Transmission Cost

Another important component of value in the RMP evaluation is avoided transmission cost. The retirement [*35] of a large generating asset may have impacts on system reliability that must be resolve through transmission upgrades. The cost of required transmission investments is treated as a benefit of continued operation for resources where it is applicable. While this factor is simpler than capacity value because it is not dynamic (required upgrades are associated with retirement of a particular resource), the determination of whether transmission upgrades are avoidable requires careful consideration. For example, the RMP Report notes that certain transmission projects need to be completed prior to retirement of Watson Units 4 and 5. However, these projects have already been reflected in MPC's budget, and they also resolve other transmission issues, so the associated costs were not considered avoidable by retaining either Watson unit in operation, and were not assigned to either unit as a benefit. [9]

Whether transmission cost is considered avoidable also depends on other factors, including how retirements are assumed to occur. In the August 2018 RMP, it was assumed that Daniel Units 1 and 2 would either retire or continue to operate together; individual unit retirement was not considered. [*36] This assumption reflects several characteristics of the units. First, the units share various facilities, including environmental infrastructure that would require significant investment going forward, and many associated costs could not be avoided by the retirement of a single unit. As a consequence, retiring one unit would increase the unit costs of the remaining unit, so it is doubtful that retiring one unit on economic grounds would not also indicate that the remaining unit should be retired. Additionally, each unit is jointly owned, 50/50, by MPC and Gulf Power, which makes an analysis of retiring one unit problematic without additional assumptions regarding how that would be effected. As the potential retirement of the full facility was being tested under the RMP, compared to continued operation of the full facility, the units were assigned the avoided transmission costs as a benefit. This value was $ 173 million on an NPV basis, contributing to a total NPVRR value in the final assessment of $ 192 million.

Circumstances justifying this evaluation treatment changed in January 2019, with the notice given by Gulf Power that it would retire its share of Plant Daniel in January [*37] 2024 (subject to an option for MPC to buy out Gulf Power's share for $ 1). The impacts of the change are discussed further in Appendix A.

Final Evaluation

The final step of the evaluation assesses each of the MPC resources over 30 years considering all the components of avoidable cost and benefit described above. The particular results of the 2018 RMP are summarized in Appendix A.

III.3. Assessment of Methodology and Assumptions

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[8] The RMP report identifies the Watson CT as a "designated black start unit required for system restoration" (RMP Report, footnote 16, page 8). The Sweatt CT is described as "black start-capable" (RMP Report, footnote 17, page 8).

[9] RMP Report, page 15.

We find that the methodological structure of the RMP analyses is a reasonable approach to evaluating potential value in addressing MPC's current excess capacity position through accelerated asset retirement. The discussion of the evaluation elements presented above addresses the rationale for the key steps and assumptions. We consider the evaluated costs and benefits to be appropriate, and we conclude that the multi-step evaluation process, including the initial rank-ordering assessment and the subsequent assignment of capacity value to each resource, constitutes is a reasonable method to estimate asset value and potential savings from retirement. As we discuss below, updated evaluations using the same methodology, but reflecting changed circumstances and updated inputs, produced significantly different results. [*38] While this naturally raises questions regarding the stability and reliability of the analytical method, we conclude from our review that the changed results do not reflect methodological flaws, but are a consequence of material changes in factors that were appropriately addressed by MPC in its analysis updates. In particular, the changed analysis results were not driven by volatile market variables such that there is a significant risk that the results flip back based on subsequent updates.

III.3.1. Fuel and CO[2] Price Cases

One concern we have with respect to the underlying model cases used in the evaluations is that the nine fuel/CO[2] price scenarios cover a limited range of futures relevant to assessing the value of MPC's resources. In particular, it is our opinion that the high CO[2] price of $ 20 per metric ton ([TEXT REDACTED BY THE COURT]] beginning in 2026 and escalating at[TEXT REDACTED BY THE COURT]% above inflation does not properly test the effects of potential stringent efforts to mitigate climate change. Additionally, the equal weighting of the cases in the asset evaluations undermines the applicability of the natural gas price cases.

The RMP evaluation applies Southern Company Services ("SCS") [*39] models that incorporate inputs developed by Charles River Associates ("CRA"), summarized in an annual report prepared for SCS. The nine scenarios applied in the evaluations for the August 2018 RMP correspond to those in the March 2018 CRA report "Scenario Fuel Forecast Documentation -- Budget 2018." The same CO[2] price cases were also applied in the analysis updates in April 2019 and September 2019.

We find that the low, moderate and high natural gas price cases reasonably reflect a range of price paths useful in assessing the value of generation assets. However, by weighting the nine scenarios equally, the RMP analysis effectively assumes that the high natural gas price case is as likely as the low and moderate cases. We believe the high gas case -- with natural gas prices roughly double the low case early in the analysis horizon, rising to four times the low case -- is comparatively unlikely. The most relevant consequence of giving the high fuel price case equal weighting with the others is that it likely causes the energy value of Plant Daniel to be overstated.

With respect to the CO[2] prices, while a future with ho price (explicit or effective) on CO[2] over the long-term [*40] is possible, we consider this to be a low likelihood future. In our view, a high CO[2] price case that would test the effects of stringent mitigation policies would be far higher than the $ 20/metric ton ("MT") case used in the fuel/CO[2] scenarios. Figure 3 compares the moderate and high CO[2] cases represented in the nine future scenarios used in the RMP evaluations to the U.S. Government Social Cost of Carbon ("SCC"). The SCC values represent estimates of the long-term damage caused by a metric ton of CO[2] emissions in a given year. The U.S. Environmental Protection Agency and other federal agencies were required to use the SCC values to evaluate costs and benefits of CO[2] impacts from rulemakings. Though this requirement has been suspended under the Trump administration, the SCC series still represents the most current U.S. government technical estimate of CO[2] costs (revised as of August 2016).

[SEE Figure 3: CO[2] Price Cases Compared to the U.S. Social Cost of Carbon ([TEXT REDACTED BY THE COURT] dollars) IN ORIGINAL] [10]

The comparison in Figure 3 shows that both the moderate and high CO[2] cases reflected in the nine evaluation scenarios are well below the U.S. SCC [*41] for the entire RMP evaluation period. Even the U.S. SCC values may

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[10] U.S. Government Social Cost of Carbon (3% social discount rate case) from: "Technical Support Document: Technical Update of the Social Cost of Carbon for Regulatory Impact Analysis Under Executive Order 12866" (May 2013, Revised August 2016).

underestimate current best estimates of the CO[2] price necessary to limit global temperature increases. The October 2019 *Fiscal Monitor* published by the International Monetary Fund presented the results of an analysis showing that a carbon tax (or policy equivalent) rising quickly to $ 75 https://19january2017snapshot.epa.gov/climatechange/social-cost-carbon_html. Values adjusted to real 2016 dollars using historical inflation based on the U.S. GDP implicit price deflator, accessed at https://fred.stlouisfed.org. per ton of CO[2] (2017] in 2030 is required to limit warming to 2°C. [11], [12] This compares to the U.S. SCC value of approximately $ 58/ton in 2017 dollars.

The moderate and high CO[2] cases also incorporate assumed carbon capture and sequestration ("CCS") requirements on new gas-fired combined cycle power plants, beginning in 2036 in the $ 20 CO[2] price case and 2048 in the $ 10 CO[2] price case. In the referenced forecast document, CRA states that the combination of the $ 20 CO[2] price path and assumed CCS requirements starting in 2036 "represents a reasonable high bound, and that a higher price is not necessary to model." [13] While the CCS [*42] assumptions do augment the effect of CO[2] prices on new combined cycle power plants, they would diminish the effect of CO[2] prices on other generation sources, particularly coal-fired facilities such as Daniel Units 1 and 2. The assumed CCS requirements would increase the costs of incremental generation capacity from combined cycles, tending to increase wholesale market prices and the value of generation from existing resources. The resulting increase in energy value of generation would partially offset the already modest CO[2] price effect on coal generation.

With respect to the effect on the RMP evaluations, we believe that the CO[2] price cases applied in the nine scenarios do not represent an appropriate range of potential futures for assessing the value of existing coal-fired generation. Our conclusion is that all of the evaluations consequently overestimate the value Daniel Units 1 and 2. This issue is of more concern with respect to the results of the initial August 2018 study and the April 2019 update, which both showed value in the retention of Daniel Units 1 and 2. The concern is lessened somewhat with respect to the September 2019 study, which concluded that retirement [*43] of Daniel would provide savings (i.e., more appropriate CO[2] price cases would not change that conclusion). However, we find that the flawed CO[2] price cases cause Daniel to be overvalued in all the evaluation studies relative to the other MPC assets.

IV. Discussion of Daniel and Watson Retirement Potential

As indicated by the discussion above, the RMP evaluation was essentially guaranteed to identify around 1,000 MW of excess capacity for accelerated retirement. This follows from the fact that MPC's older steam resources, including Watson Unit 5 and Daniel Units 1 and 2, provide little or no net energy value to offset their going-forward costs. As a consequence, none of the steam resources provides benefit in excess of cost unless a value is assigned to its capacity. Since the steam resources total approximately 1,500 MW, and MPC has about 1,000 MW of excess capacity, the question is which 500 MW should be retained? And that effectively comes down to Watson Unit 5 or MPC's share of Plant Daniel, each representing about 500 MW of capacity. If one is retired, the other takes on significant capacity value, because retiring the second would cause a capacity shortfall that would need to be filled.

The trajectory of the value of Daniel [*44] Units 1 and 2 over time can be illustrated by comparing generation from the plant to that from the Darnel Units 3 and 4 combined cycles located at the same site. The rolling 12-month capacity factors for the combined coal and gas units respectively since 2007 are shown in Figure 6, with the rolling 12-month average of natural gas prices at Henry Hub. It is apparent that, as natural gas prices have fallen (with the

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[11] IMF, "Fiscal Monitor: How to Mitigate Climate Change," (October 2019). https://www.imf.org/en/Publications/FM/Issues/2019/09/12/fiscal-monitor-october-2019#Mitigating%20Climate%20Change.

[12] The 2°C threshold, representing the average global temperature increase relative to pre-industrial levels, is often used as a reference target that is potentially achievable, allows for human adaptation, and moderates risk of catastrophic, runaway temperature increases.

[13] Scenario Fuel Forecast Documentation -- Budget 2018, page 9.

large and sustained rise in shale gas production), Daniel Units 3 and 4 have become less costly, and more valuable to operate, while the reverse has happened to Daniel Units 1 and 2.

[SEE Figure 4: Daniel Units Rolling 12-mo. Capacity Factor; Rolling Avg. NG Price IN ORIGINAL] [14]

While natural gas prices continue to demonstrate seasonal variation in response to demand levels, and volatility in response to transient supply disruptions, e.g., from gulf coast hurricanes, average prices have stayed within a remarkably stable range for more than a decade. The 12-month rolling average price at Henry Hub shown in Figure 4 has been below $ 5.00 per MMBtu for 122 consecutive months. And futures prices indicate that the market expects natural gas production to remain high and [*45] prices to remain low. Monthly historical prices and futures prices are shown in Figure 5. While the futures market is illiquid in out years, and pricing tends to follow near-term trends, there is no indication that the new natural gas context is expected to change looking forward.

[SEE Figure 5: Natural Gas Historical and Futures Prices IN ORIGINAL] [15]

IV.1. Relative Value of Watson Unit 5 and Daniel Units 1 and 2

As indicated by the RMP Step 1 values summarized in Table A-3, above, the relative value of Watson Unit 5 and Daniel Units 1 and 2 has been close for all the evaluation analyses. The value of Daniel fell below that of Watson Unit 5 largely because retirement of one unit at Daniel became a certainty following Gulf Power's January 2019 notice. MPC acknowledged that the retirement of one unit would increase the costs of the remaining unit; in particular, that fixed costs would not be reduced by half, and per-kW costs would therefore increase. It is not clear that this effect has been fully assessed and incorporated in the September 2019 revised analysis. The latest result was driven predominantly because transmission upgrade costs are no longer avoidable in the retain Daniel case, and environmental compliance costs *are* avoidable [*46] in the retire Daniel case.

As an alternative to keeping Daniel Unit 1 in operation, Watson Unit 5 is a comparable resource -- similar in size, age, and generation value. Figure 6 shows the rolling 12-mouth capacity factor for Watson Unit 5 and Daniel Unit 1 since 2007. The units have been dispatched similarly, and since January 2007 (the earliest month for which net generation data were available for Watson Unit 5), Watson Unit 5 has produced slightly more aggregate net generation, by about 1 million MWh, than Daniel Unit 1.

[SEE Figure 6: Daniel Unit 1 and Watson Unit 5 Rolling Capacity Factor Since 2007 IN ORIGINAL] [16]

IV.2. Fuel Diversity

MPC notes that Daniel is its last large generator that is not fueled by natural gas, and so is the only significant near-term source of fuel diversity. This is certainly true, and fuel diversity can reduce the volatility of average fuel prices over time. However, it is important to appreciate that the fuel diversity provided by retention of Daniel Unit 1 would be purchased at a cost, much like any fuel price hedge. Reducing fuel price volatility may protect against extreme events, but will generally increase average cost, which is what is indicated by the September 2019 analysis: retaining Daniel Unit 1 rather than Watson Unit 5 would increase expected [*47] costs.

Perhaps more important, retention of Daniel comes with other risks that may more than offset any fuel diversity benefit. As discussed in Section m.3.1, we find that the CO[2] price cases applied in the evaluation do not appropriately test the value of Daniel Unit 1 in plausible -- in our view likely -- future climate change mitigation policy scenarios. Daniel Unit 1 is more exposed than Watson Unit 5 to potential future environmental costs.

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[14] Plant generation data from S&P Global Market Intelligence: natural gas price data for Henry Hub (average monthly spot) from the Energy Information Administration.

[15] Historical data from EIA; futures data from CME Group, https://www.cmegroup.com/trading/energv/natural-gas/natural-gas.html, accessed 10/25/19.

[16] Data from S&P Global Market Intelligence.

IV.3. Economic Impacts of Retirement

MPC observes that retirement of Gulf Power's ownership interest in Plant Daniel would have "an adverse impact on the local community through reduced employment, ad valorem tax, etc." [17] The retirement of the remaining unit would have an additional adverse economic impact. While true, these impacts are not ignored in the RMP evaluation. Rather, the impacts are counted as *benefits* in the form of avoided costs and avoided ad valorem taxes that are explicit components of the resource valuations. We do not dismiss the reality of negative local impacts from retirement of Daniel, but we find that the RMP analysis is appropriately focused on potential cost savings that would accrue to MPC ratepayers, and that the cost savings are necessarily associated [*48] with reduced local economic stimulus. Additionally, because retirement of Daniel and Watson Unit 5 are effectively mutually-exclusive alternatives, negative economic impacts from retirement of Daniel would be linked to positive economic impacts from retention of Watson Unit 5.

A. Appendix -- RMP Analysis Results

Section III.2 above addresses the key components of evaluated benefits and costs and how the RMP analytical approach assigns values of these to each MPC resource. To reiterate the fundamental, conceptual approach, the analysis focuses on costs and benefits caused by a decision to retain rather than retire each asset at a particular time. In the 2018 study, the "base year" corresponding to the retain/retire decision was 2019, while the revised analyses looked at a 2022 base year, and subsequently a 2024 base year.

The September 2019 analysis update indicated a switch in results for Watson Unit 5 and Daniel retirement alternatives, finding that the most economic RMP alternative would be to cease operation of Plant Daniel and retain Watson Unit 5, while the earlier analyses indicated the reverse. The change in results was driven largely by the following discrete events:

. Gulf Power's January 2019 [*49] notice that it would retire its 50% share of Plant Daniel, the effect of which was evaluated and incorporated in the analysis first in the September 2019 analysis;

. Study completed in July 2019 indicating that the compliance deadline for certain CCR projects at Daniel would be later, and thus avoidable in the case of retirement.

In assessing the value of continued operation of Daniel, these changes eliminate the benefit of avoided transmission cost, and add costs for environmental expenditures previously excluded because they were not expected to be avoidable. This caused the value of Daniel to change from positive to negative in the Step 1 rank ordering, dropping below the value of Watson Unit 5 (which also fell in the September 2019 evaluation). The change in Step 1 ordering caused the capacity value assigned to Daniel to fall, and that assigned to Watson Unit 5 to rise.

The December 2019 analysis incorporated further updates to the fuel price forecasts, budget forecasts, and transmission studies. A significant finding of the updated transmission studies was that retiring either Watson Unit 5 or Daniel Unit 1 prior to 2024 (assuming that Gulf Power retires Daniel Unit 2) [*50] would likely cause heightened operational risks "that go beyond typical transmission planning scenarios." [18] As a consequence, $ 60 million in transmission investment would be required to support system reliability in such an early retirement case, which could be avoided by keeping both units in service until 2024.

The December 2019 analysis of retiring either plant in 2024 determined that keeping Daniel Unit 1 in operation rather than Watson Unit 5 would provide $ 51 million in net present value (NPV) benefits.: Retaining Watson Unit 5 in operation rather than Daniel Unit 1 would increase net costs on all nine Gas/COa price scenarios evaluated. Retaining Daniel Unit 1 rather than Watson Unit 5 would increase net costs in five out of nine Gas/CO[2] price

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[17] Response to data request MPUS (BW) 2-2.

[18] Supplemental response to MPUS (BW) 2-1 Supplemental 2 (December 31, 2019), page 3.

scenarios, but would be expected to provide significant net benefits in high gas / low CO[2] price cases, such that the average across nine cases is a positive net benefit.

August 2018 RMP Results

Table A-1 summarizes the final results of the August 2018 RMP analysis. Based on the final ordering by NPVRR, the conclusion stated in the RMP Report was that the analysis "currently indicates that the most economic alternative is to cease operation of [*51] Units 4 and 5 at Plant Watson and Units 1 and 2 at Plant Greene County prior to their current depreciation dates..." [19]

Table A-1: Aug 2018 RMP Final NPVRR Values by Evaluated Resource (2019 Base Year)

Unit	Avg. NPVRR, millions 2018$ (positive=benefit)	Slimmer Capability, MW	Cumulative Capacity, MW
Watson Unit 5	($ 2S0)	516	516
Watson Unit 4	($ 175)	268	784
Greene County Unit 2	($ 100)	107	891
Greene County Unit 1	($ 75)	106	997
Sweatt CT	$ 15	32	
Watson CT	$ 15	33	
Daniel Units 1 and 2	$ 198	502	
Ratcliffe	$ 399	680	
Daniel Units 3 and 4	$ 1,385	1095	

There are several things to note regarding the summary data in Table A-1 that help in understanding the changes in the updated analyses:

. The total capacity of the four resources with negative NPVRR (and therefore estimated to provide savings from accelerated retirement) is about 1,000 MW, which approximates MPC's near-term capacity excess.

. By the nature of the evaluation method, any significant amount of retirement beyond 1,000 MW would not be economic, because it would cause capacity shortfalls that would be costly to fill.

. The NPVRR value of Daniel Units 1 and 2 includes $ 385 million in capacity value, and results from Daniel being below the line -- i.e., beyond 1,000 MW. Without the assigned capacity value, Daniel's NPVRR would [*52] be negative $ 188 million.

. The only way Daniel could be retired and not cause a significant capacity shortfall is if a corresponding amount of capacity above the line were not retired.

. Watson Unit 5 is the largest (and youngest) of the resources above the line, with approximately the same capacity as MPC's share of Daniel. Because Watson is assumed to retire first, it is assigned zero capacity value.

. The only plausible way a revised analysis could alter the retirement list from the August 2018 analysis is for Watson Unit 5 and Daniel to switch places in the Step 1 analysis, which would reduce or eliminate Daniel's assigned capacity value, and assign capacity value to Watson Unit 5 instead. This is precisely what did occur.

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[19] RMP Report, page 2.

Table A-2 provides detail on the cost and value components of the final NPVRR results shown in Table A-1 (the NPVRR values in Table A-l reflect rounding in MPC's presentation of totals, and so do not exactly equal the total numbers in Table A-2).

Table A-2: Aug 2018 RMP Cost and Value Components by Unit, $ MM 2018$ (2019 Base Year)

Unit	Envtl Cost	Other Fixed Costs	Avoided Trausm Cost	Energy Value Avg	Capacity Value Avg	Total
Watson Unit 5	(0)	(310)	H(0	H(0	28	(282)
Watson Unit 4	(4)	(188)	0	0	15	(177)
Greene County Unit 2	(2)	(106)	(10	(10	106	(102)
Greene County [*53] Unit 1	(2)	(80)	(80	(80	6	(76)
Sweatt CT	0	(17)	0	0	29	13
Watson CT	0	(17)	0	0	30	13
Daniel Units 1 and 2	(40)	(512)	173	192	385	197
Ratcliffe	0	(760)	58	467	634	399
Daniel Units 3 and 4	(7)	(692)	173	913	998	1,386

The large values assigned to Daniel Units 1 and 2 for avoided transmission costs and capacity value are evident. Another significant issue is that the environmental capital value reflected for Daniel Units 1 and 2 is only a small portion of expected costs required for CCR compliance. This reflects the determination in 2018 that few CCR compliance costs were potentially avoidable by closing the plant. This conclusion subsequently changed based on updated information, as discussed further below.

The April 2019 Revised Analysis

In April 2019, MPC provided revised analysis results for Daniel Units 1 and 2 and Watson Unit 5. [20] As noted above, only changes to the evaluations of these resources could plausibly alter the conclusions regarding accelerated retirements that offered savings. The initial evaluations were revised to reflect updated budgets and forecasts for the 2019 planning period.

The April 2019 revision showed a substantial decrease in the value of Daniel Units 1 and 2 in the Step 1 evaluation, and a smaller value decrease [*54] for Watson Unit 5. The difference in Step 1 value between the two resources decreased from a $ 111 million relative value for Daniel Units land 2 in the original RMP analysis to a $ 7 million relative value in the April 2019 revised analysis. MPC identified most of the change of value for Daniel Units 1 and 2 as resulting from decreased avoided transmission benefit, because an updated transmission study showed that some transmission upgrades would be required regardless of whether Daniel Units 1 and 2 ceased operation (so that portion could no longer be avoided by retaining Daniel). There was also a significant decrease in the estimated energy value of Daniel Units 1 and 2 that appears to be related to a reduction in natural gas prices in the high fuel cases.

Though the Step 1 value difference almost disappeared, the ordering of Watson Unit 5 ahead of Daniel Units 1 and 2 in assumed order of retirement meant that Daniel Units 1 and 2 was still assigned substantial capacity value in the final evaluation process, with the result that retaining Daniel Units 1 and 2 was still estimated to provide $ 136 million in NPVRR benefits.

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[20] The revised results and accompanying descriptions were provided in response to data request MPUS (BW) 2-1.

2022 Base Year

In the April 2019 revision, evaluations of Watson [*55] Unit 5 and Daniel Units 1 and 2 were also performed for a 2022 base year. This later base year was selected because then-current studies by SCS indicated that transmission projects required to accommodate retirement of Watson Unit 5 or Daniel Units 1 and 2 could not be completed prior to 2022. The main effect of this change was to increase the value of Daniel Units 1 and 2 because environmental projects that were considered avoidable for a 2019 retirement year would have to be completed prior to 2022 even if the plant were to be retired in 2022, and so were considered sunk cost by then, and were not included in Daniel Units 1 and 2 costs. However, transmission costs were still considered avoidable because they would only be needed if the plant were retired.

The Step 1 value of Daniel Units 1 and 2 increased to $ 231 million, reflecting substantial value from avoided transmission cost and reduced (avoidable) environmental costs. The Step 1 relative value of Daniel Units 1 and 2 relative to Watson Unit 5 increased from $ 7 million to $ 105 million, and the final 2022 base year NPVRR value of retaining Daniel Units 1 and 2 was estimated to be $ 207 million.

Gulf Power Notice

Prior to the April [*56] 2019 revised analysis, Gulf Power had given notice of its intent to retire its 50% undivided interest in Daniel Units 1 and 2. However, the April 2019 analysis was not modified for this material change, because MPC had not yet determined the effect on ongoing operation of the Daniel units or the implications for the RMP. It was understood that Gulf Power sought to develop a plan under which the 50% ownership split of each unit would be modified so that MPC and Gulf Power would each own 100% of one of the units, which would facilitate retirement of Gulf Power's interest.

MPC did acknowledge that retirement of Gulf Power's ownership interest was expected "to have a negative impact on the economics of the operation of the remaining unit by MPC...." [21]

The September 2019 Revised Analysis

The second revised analysis, in September 2019, updated the 2022 base year results to reflect two substantial changes:

1. Daniel Units 1 and 2 were evaluated assuming that one unit (Unit 2 for the purposes of the analysis) would be retired by Gulf Power.

   The effect for evaluating retention versus retirement of MPC's share (e.g., Unit 1) is that the benefit of avoided transmission was eliminated, because it was determined [*57] that retirement of Gulf Power's Unit 2 would require the same upgrades as retiring both units, and so the costs could not be avoided by MPC retaining Unit 1.

2. A study completed in July 2019 concluded that there was no groundwater contamination attributable to the Daniel ash pond (which had been flagged as a concern based on previous tests). Under the CCR rule, this would eliminate the requirement for some near-term investments if there was a commitment to close the plant.

   The effect for the evaluation is that certain environmental upgrade costs became avoidable if Plant Daniel is retired, and so they are included in the cost of continued operation of Unit 1.

Both changes caused a decrease in the Step 1 value for Daniel. Updates to Watson Unit 5 also decreased its Step 1 value, but the aggregate result was that the relative positions of Watson Unit 5 and Daniel Units 1 and 2 were swapped in the Step 1 rank ordering; the September 2019 analysis showed greater value for Watson Unit 5 than Daniel Units 1 and 2, indicating that in the order of progressive retirements, Daniel

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[21] Response to data request MPUS (BW) 2-2, page 1.

Units 1 and 2 should be retired before Watson Unit 5. The Step 1 values for Watson Unit 5 and Daniel [*58] Units 1 and 2 for each analysis and base year are summarized in Table A-3.

Table A-3: ***Sep 2019* -- Step 1 Benefit (Cost) of Watson Unit 5 and Daniel Units 1 and 2 for Rank Ordering, $ millions**

Analysis ilnte	**Aug 2018**		**Apr 2019 Analysis**	**Sep 2019**
Bnse year	**2019**	**2019**	**2022**	**2022**
Watson Unit 5	$ 160	$ 152	$ 126	$ 92
Daniel Units 1 and 2	$ 271	$ 159	$ 231	$ 34
Daniel relative value	$ 111	$ 7	$ 105	($ 58)

The change in Step 1 ordering in the September 2019 analysis causes Watson Unit 5 rather than Daniel Units 1 and 2 to be assigned significant capacity value in the final NPVRR determination. This value assignment drives a significant change in the final step, flipping the results from prior analyses. The final NPVRRs from the September 2019 analysis for Watson Unit 5 and Daniel Units 1 and 2 for the various iterations are summarized in Table A-4.

Table A-4: ***Sep 2019* -- Final NPVRR Benefit (Cost) of Watson Unit 5 and Daniel Units 1 and 2, $ millions**

Analysis date	**Aug 2018**		**Apr 2019 Analysis**	**Sep 2019**
Bnse year	**2019**	**2019**	**2022**	**2022**
Watson Unit 5	($ 280)	($ 348)	($ 328)	$ 92
Daniel Units 1 and 2	$ 198	$ 136	$ 207	($ 129)

The December 2019 Revised Analysis

As noted above, the December 2019 analysis incorporated additional updated information related to the fuel price forecasts, budget forecasts, and transmission studies. A key finding was that retiring either Watson Unit 5 or Daniel Unit 1 prior to 2024 (assuming that Gulf Power retires Daniel Unit 2) would require [*59] $ 60 million in transmission investment to support system reliability, and this cost would be avoided by keeping both units in service until 2024. The December 2019 update therefore included a 2024 base year case.

Table A-5: ***Dec 2019* -- Step 1 Benefit (Cost) of Watson Unit 5 and Daniel Units 1 and 2 for Rank Ordering, $ millions**

Analysis date	**Sep-19**		**Dec -19**
Base year	**2022**	**2022**	**2024**

Analysis date	Sep-19		Dec -19
Base year	2022	2022	2024
Watson Unit 5	$ 92	$ 110	$ 15
Daniel Units 1 and 2	$ 34	$ 82	$ 51
Daniel relative value	($ 58)	($ 28)	$ 36

In looking at the values in Table A-5 for the 2022 and 2024 base years in the December 2019 analysis (Step 1), it is important to appreciate that the values shown represent the benefit of *retaining* the respective unit in the given base year. For example, looking at Watson Unit 5 alone, the analysis indicates that keeping the unit in operation between 2022 and 2024 provides about $ 95 million in net value ($ 110 million in value in the 2022 base year compared with $ 15 million in value as of the 2024 base year). This is largely because keeping Watson Unit 5 in operation until 2024 is estimated to provide nearly $ 80 million in benefit from avoided transmission investments. The same is true for Daniel Unit 1, but the difference in overall value between the two base years is much smaller ($ 31M = $ 82M - $ 51M) because keeping Daniel [*60] Unit 1 in operation between 2022 and 2024 would entail environmental and maintenance capital costs totaling around $ 60 million, which could be avoided if the unit were retired in 2022.

Table A-6: *Dec 2019* - Final NPVRR Benefit (Cost) of Watson Unit 5 and Daniel Units 1 and 2, $ millions

Analysis date	Sep-19		Dec-19
Base year	2022	2022	2024
Watson Unit 5	$ 92	$ 110	($ 76)
Daniel Units 1 and 2	($ 129)	($ 35)	$ 51

Again, the difference between the Step 1 values in Table A-5 and the Final values in Table A-6 is that the unit with the lower value in Step 1 has its capacity value substantially reduced in Step 2, because retaining that unit in addition to the higher-value unit creates excess capacity.

Based on the December 2019 analysis update, retiring Daniel Unit 1 in 2022 and retaining Watson Unit 5 through the remainder of its useful life is the case with the highest expected value: $ 110 million NPV. However, MFC reports that updated transmission studies indicate that retiring either Watson Unit 5 or Daniel Unit 1 prior to 2024 would likely require approximately $ 60 million in transmission upgrades to support system reliability. This would put the "Retire Daniel Unit 1 in 2022" case on a par with the "Retire Watson Unit 5 in 2024" case, at around $ 50 million net benefit. There remains some [*61] uncertainty regarding the need for, and net cost to MPC customers of, the transmission upgrades. MPC has stated that retirement of Watson Unit 5 or Daniel Unit 1 prior to 2024 would likely increase operational risks, but not that NERC [22] reliability criteria would necessarily be violated. MPC also reports that no cost allocation has been determined for the transmission upgrade, so it is not known with certainty whether MPC customers would bear the full cost of the facility.

Additional Observations and Conclusions Regarding RMP Analyses

With respect to some costs and benefits, Watson Unit 5 and Daniel Unit 1 are quite similar. For example, they would provide a similar amount of capacity value on a standalone basis (i.e., as evaluated in Step 1 of the analysis). They also have comparable fixed O&M costs. However, there are significant differences with respect to other costs

[22] North American Electric Reliability Corporation

and benefits. For example, capital maintenance costs are expected to be nearly five times greater on an NPV basis for Daniel Unit 1 compared to Watson Unit 5. At the same time, Watson Unit 5 is expected to provide zero energy value under any of the nine Gas/CCh price scenarios, while Daniel Unit 1 is expected to provide some energy value in all scenarios, with substantial [*62] value in the high natural gas price - zero CO[2] price case, which causes the average energy value of Daniel Unit 1 to be over $ 100 million across the scenarios. Table A-7 summarizes the NPV for the 2022 base year of fixed cost categories where there is a significant difference between Watson Unit 5 and Daniel Unit 1.

Table A-7: NPV of Selected Fixed Costs in 2022 (difference in retention cost), $ millions [23]

Cost category	Watson Unit 5	Daniel Unit 1
Maintenance capital		$ 175
Environmental		$ 27
Ad Valorem Tax		$ 26
Gas transportation	$ 85	
Transmission	$ 19	
Totals	$ 104	$ 228
Difference		$ 125

Retaining Daniel Unit 1 would entail greater fixed costs of about $ 125 million NPV compared to retaining Watson Unit 5 and retiring Daniel Unit 1 in 2022. Table A-8 shows the NPV net energy value for Daniel Unit 1 in the 2022 base year. As noted above, Watson Unit 5 is expected to provide no net energy value in any of the nine scenarios.

Table A-8: Daniel Unit 1NPV Energy Value in 2022, $ millions [24]

	$ 0 CO[2]	$ 10 CO[2]	$ 20 CO[2]
High Gas	$ 495	$ 189	$ 87
Mod Gas	$ 146	$ 50	$ 30
Low Gas	$ 34	$ 14	$ 11
Average		$ 117	

In simplified terms, keeping Daniel Unit 1 in operation and retiring Watson Unit 5 would impose higher fixed costs, with certainty, than retiring Daniel Unit 1 and retaining Watson Unit 5, and this would be offset at least partially by expected generation value from the [*63] retained Daniel unit. It is important to note that the analysis methodology captures the energy value based on a simple average across die nine scenarios, with the unstated implication that each scenario represents an equally likely future. We do not believe this implication is realistic, and in particular our opinion is that the high gas / low CO[2] price case has very low probability.

Alternative Case Weighting

The scope of our review did not provide for developing an analytical basis justifying a particular alternative weighting of the cases evaluated in the RMP. However, we present results for an alternative set of probability weights mat we find more plausible than the equal probabilities implicit in taking the simple average across nine scenarios. Table A-9 presents scenario weightings based on discrete probability assumptions for each of the CO[2] and Gas price cases considered.

[23] Derived from data response MPUS (BW) 4-1.

[24] *Id.*

Table A-9: Alternative Scenario Weighting

Gas case weight	CO[2] case weight: Combined Scenario weight	10% $ 0 CO[2]	40% $ 10 CO[2]	50% $ 20 CO[2]
10%	High Gas	1%	4%	5%
40%	Mod Gas	4%	16%	20%
50%	Low Gas	5%	20%	25%

Applying the resulting scenario probabilities in Table A-9 to the Daniel Unit 1 NPV net energy values in Table A-8 gives a weighted result of $ 44 million rather than $ 117 million based on [*64] simple averaging, and when combined with plant fixed costs and other benefits (also weighted according to the alternative probabilities), the result shows negative net benefits -- i.e., retaining the unit rather than retiring it in 2022 would be expected to impose net costs on customers. The same result occurs if the alternative weightings are applied to the analysis for the 2024 retirement date; retaining Daniel would increase costs on an expected basis, reversing the result for 2024 summarized above in Table A-6.

We offer the following final observations and conclusions regarding the RMP analysis of costs and benefits:

1. As previously noted, the CO[2] price cases do not provide a full assessment of potential impacts on generation costs of Plant Daniel. There are more plausible future scenarios with higher effective CO[2] costs that would make Daniel even less cost-effective.

2. There are also risks of other, additional, environmental compliance rules and costs that could adversely affect Plant Daniel, and that are not reflected in the RMP analyses.

3. We conclude that the uncertainties of the analysis and the risks associated with an unknown future tend to reduce the [*65] value of retaining Daniel Unit 1 in operation.

4. Despite the reported cost differentials in the tens of millions of dollars, the differences are not great as a percentage of total customer costs. There is great uncertainty, and the net effect of getting the decision "wrong" about whether to retire Daniel Unit 1 rather than Watson Unit 5 would likely have a cost impact of less than 1%. [25]

End of Document

[25] MPC's average of total electric O&M expenses over the five years 2014 through 2018 were about $ 750 million annually. Grown at inflation, this amounts to more than $ 10 billion in NPV over 30 years using the discount rate MPC applied in its analyses. A $ 100 million NPV delta would therefore amount to less than 1% of total O&M costs.

Request No. 5.c

Summary CPVRR Analysis for Plant Daniel
Plant Daniel Retires End of 2027

$ Millions	CPVRR	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Discount Factor		0.96	0.89	0.82	0.76	0.70	0.65	0.60	0.56	0.51	0.48	0.44	0.41
Revenue Requirements[1]													
Base Case (Excluding PSA)													
Ongoing Costs													
Common Facilities Expense[2][7]	$13.9	$5.3	$5.1	$5.2	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Common Facilities Capital (expensed)[2][7]	4.0	1.6	1.4	1.4	-	-	-	-	-	-	-	-	-
Property / Ad Valorem Tax[2]	15.5	6.9	2.8	2.8	2.8	2.8	-	-	-	-	-	-	-
Subtotal, Ongoing Costs	**33.4**	**13.8**	**9.3**	**9.4**	**2.8**	**2.8**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Regulatory Asset													
Amortization of Reg Asset[3][8]	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest Expense[4]	-	-	-	-	-	-	-	-	-	-	-	-	-
Return on Equity[5]	-	-	-	-	-	-	-	-	-	-	-	-	-
Income Tax[6]	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal, Regulatory Asset	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total RevReqs, Excluding PSA	**$33.4**	**$13.8**	**$9.3**	**$9.4**	**$2.8**	**$2.8**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**
PSA Case													
Ongoing Costs													
Common Facilities Expense[2][7]	-	-	-	-	-	-	-	-	-	-	-	-	-
Common Facilities Capital (expensed)[2][7]	-	-	-	-	-	-	-	-	-	-	-	-	-
Property / Ad Valorem Tax[2]	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal, Ongoing Costs	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Regulatory Asset													
Amortization of $45 MM Reg Asset[3][8]	$28.8	$0.0	$4.5	$4.5	$4.5	$4.5	$4.5	$4.5	$4.5	$4.5	$4.5	$4.5	$0.0
Interest Expense[4]	3.5	0.8	0.7	0.7	0.6	0.5	0.4	0.3	0.3	0.2	0.1	0.0	(0.0)
Return on Equity[5]	9.9	2.2	2.1	1.8	1.6	1.4	1.2	1.0	0.8	0.5	0.3	0.1	(0.0)
Income Tax[6]	3.4	0.7	0.7	0.6	0.6	0.5	0.4	0.3	0.3	0.2	0.1	0.0	(0.0)
Subtotal, Regulatory Asset	**45.6**	**3.7**	**8.0**	**7.6**	**7.2**	**6.9**	**6.5**	**6.1**	**5.8**	**5.4**	**5.0**	**4.7**	**(0.0)**
Total RevReqs, PSA Case	**$45.6**	**$3.7**	**$8.0**	**$7.6**	**$7.2**	**$6.9**	**$6.5**	**$6.1**	**$5.8**	**$5.4**	**$5.0**	**$4.7**	**($0.0)**

Request No. 5.c

Summary CPVRR Analysis for Plant Daniel
Plant Daniel Retires End of 2027

$ Millions	CPVRR	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Discount Factor		0.96	0.89	0.82	0.76	0.70	0.65	0.60	0.56	0.51	0.48	0.44	0.41
Differential of PSA Case - Base Case (Excluding PSA)													
Ongoing Costs													
Common Facilities Expense(2)(7)	($13.9)	($5.3)	($5.1)	($5.2)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Common Facilities Capital (expensed)(2)(7)	(4.0)	(1.6)	(1.4)	(1.4)	-	-	-	-	-	-	-	-	-
Property / Ad Valorem Tax(2)	(15.5)	(6.9)	(2.8)	(2.8)	(2.8)	(2.8)	-	-	-	-	-	-	-
Subtotal, Avoidable Costs	**(33.4)**	**(13.8)**	**(9.3)**	**(9.4)**	**(2.8)**	**(2.8)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Regulatory Asset													
Amortization of Reg Asset(3)(8)	$28.8	$0.0	$4.5	$4.5	$4.5	$4.5	$4.5	$4.5	$4.5	$4.5	$4.5	$4.5	$0.0
Interest Expense(4)	3.5	0.8	0.7	0.7	0.6	0.5	0.4	0.3	0.3	0.2	0.1	0.0	(0.0)
Return on Equity(5)	9.9	2.2	2.1	1.8	1.6	1.4	1.2	1.0	0.8	0.5	0.3	0.1	(0.0)
Income Tax(6)	3.4	0.7	0.7	0.6	0.6	0.5	0.4	0.3	0.3	0.2	0.1	0.0	(0.0)
Subtotal, Regulatory Asset	**45.6**	**3.7**	**8.0**	**7.6**	**7.2**	**6.9**	**6.5**	**6.1**	**5.8**	**5.4**	**5.0**	**4.7**	**(0.0)**
Net Customer Costs / (Savings)(9)	**$12.2**	**($10.2)**	**($1.3)**	**($1.8)**	**$4.5**	**$4.1**	**$6.5**	**$6.1**	**$5.8**	**$5.4**	**$5.0**	**$4.7**	**($0.0)**

Request No. 5.c

Summary CPVRR Analysis for Plant Daniel
Plant Daniel Retires End of 2027

$ Millions	CPVRR	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Discount Factor		0.96	0.89	0.82	0.76	0.70	0.65	0.60	0.56	0.51	0.48	0.44	0.41
Base: Incremental Revenue Requirements[1]													
Common Facilities Expense[2]	($10.7)	($3.9)	($4.0)	($4.1)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Common Facilities Capital (expensed)[2]	(3.6)	(1.6)	(1.2)	(1.2)	-	-	-	-	-	-	-	-	-
Property / Ad Valorem Tax[2]	(15.5)	(6.9)	(2.8)	(2.8)	(2.8)	(2.8)	-	-	-	-	-	-	-
Amortization of $39.3 MM Base Reg Asset[3]	25.2	-	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	-
Interest Expense[4]	3.1	0.7	0.6	0.6	0.5	0.4	0.4	0.3	0.2	0.2	0.1	0.0	(0.0)
Return on Equity[5]	8.6	1.9	1.8	1.6	1.4	1.2	1.0	0.8	0.7	0.5	0.3	0.1	(0.0)
Income Tax[6]	2.9	0.6	0.6	0.5	0.5	0.4	0.4	0.3	0.2	0.2	0.1	0.0	(0.0)
Net Base Revenue Requirement	10.0	(9.2)	(1.0)	(1.5)	3.5	3.2	5.7	5.4	5.0	4.7	4.4	4.1	(0.0)
Clause: Incremental Revenue Requirements[1]													
Common Facilities Expense[7]	($3.2)	($1.3)	($1.1)	($1.1)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Common Facilities Capital (expensed)[7]	(0.4)	(0.1)	(0.2)	(0.2)	-	-	-	-	-	-	-	-	-
Property / Ad Valorem Tax[7]	-	-	-	-	-	-	-	-	-	-	-	-	-
Amortization of $5.7 MM Clause Reg Asset[8]	3.7	-	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	-
Interest Expense[4]	0.4	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	(0.0)
Return on Equity[5]	1.3	0.3	0.3	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.0	0.0	(0.0)
Income Tax[6]	0.4	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	(0.0)
Net Clause Revenue Requirement	2.2	(0.9)	(0.3)	(0.3)	0.9	0.9	0.8	0.8	0.7	0.7	0.6	0.6	(0.0)
Net Customer Costs / (Savings)[9]	**$12.2**	**($10.2)**	**($1.3)**	**($1.8)**	**$4.5**	**$4.1**	**$6.5**	**$6.1**	**$5.8**	**$5.4**	**$5.0**	**$4.7**	**($0.0)**

1) Revenue Requirement represents the difference between the Revenue Requirement with and without the Transaction
2) Represents cost savings associated with FPL's 50% ownership interest in Plant Daniel that are recovered through base rates
3) Represents the amortization of the base regulatory asset over 10 years
4) Interest expense assumes 5.66% cost of debt and 40.4% debt to investor capital ratio
5) Return on Equity assumes 10.80% cost of equity and 59.6% equity to investor capital ratio
6) Income tax assumes blended state and federal tax rate of 25.345%
7) Represents cost savings associated with FPL's 50% ownership interest in Plant Daniel that are recovered through clause rates
8) Represents the amortization of the clause regulatory asset over 10 years
9) Net Customer Costs / (Savings) reflect the sum of base and clause net revenue requirement

QUESTION:
Please refer to MPC's 2024 IRP filing with the MPSC.

a. Verify that the retirement date assumed for the Plant Daniel Coal Units in its 2024 IRP was December 2028.

b. Discuss what factors drove the retirement extension to December 2028, including whether it is associated with any Purchased Power Agreements. If those agreements are with other Southern Company subsidiaries, please identify them.

c. Explain what relevant steps, if any, are needed by MPC from the MPSC to approve the proposed retirement extensions.

d. Explain how binding the IRP document is to MPC. As part of your discussion, compare the regulatory treatment of the 2024 IRP to FPL's 2024 Ten-Year Site Plan.

e. Provide a CPVRR analysis and charts, including a Base Case, PSA Case, and Differential using the December 2028 retirement date. Provide an electronic version of these charts in Excel format with formulas intact.

RESPONSE:

a. Confirmed.

b. These factors are identified in MPC's 2024 IRP Update, which provides as follows:

> *Since 2021, the Southeast Subregion has come into balance in terms of generating capacity and load. This has resulted in a significant rise in market prices for generating capacity and an accompanying rise in the capacity value of MPC's fossil steam units. These units are now in demand to fill near-term and medium-term capacity gaps while new generation is built in the Southeast Subregion. Based on the results of recent studies, the planned retirement dates for these units have been extended to maximize the economic benefit to MPC's customers…. With the expectation of new economic development loads from the significant increase in economic development inquiries in MPC's service area and sustained regional capacity needs beyond 2028, the Company anticipates the further extension of units beyond 2028. When those opportunities materialize, MPC will reflect associated unit changes in future IRP filings*.

With regard to Purchased Power Agreements, MPC affiliate Georgia Power Company's ("GPC") 2023 IRP update states, "On October 11, 2023, Georgia Power and Mississippi Power executed a PPA for the sale of 750 MW of capacity and energy from Mississippi Power to Georgia Power for the term of January 1, 2024, through December 31, 2028." FPL has no specific knowledge of MPC's or GPC's power purchase agreements ("PPA") or whether additional capacity acquired at Plant Daniel Units 1 & 2 will be utilized to fulfill the PPA noted in GPC's 2023 IRP.

c. No specific approval from the MPSC is required.

d. Like FPL's 2024 Ten-Year Site Plan, MPC's IRP document is informational and non-binding upon the utility, and is updated periodically (at least every three years) by the utility to reflect current economic and market conditions.

e. Based on the information provided in FPL's response to Staff's First Data Request, No. 7, a 2028 retirement of the units is not a plausible scenario.

   Please see the tab labeled "Staffs 1st DR No. 6e" of the Excel document provided in response to Staff's Data Request No. 1a, as well as Attachment 1 to this response. Please note that the CPVRR analysis on tab "Staffs 1st DR No. 5c" assumes no change to the base case Transfer Amount of $45.0 million; however, if the retirement date of the units were expected to be in 2028, FPL would have negotiated for a lower transfer price and would not have entered into the purchase and sale agreement that is before the Commission. As detailed in FPL's response to Staff's First Data Request No. 7, 2031 is the current retirement date, and if the units are retired after 2031 additional savings will accrue to FPL customers beyond those currently projected.

Request No. 6.e

Summary CPVRR Analysis for Plant Daniel
Plant Daniel Retires End of 2028

$ Millions	CPVRR	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Discount Factor		0.96	0.89	0.82	0.76	0.70	0.65	0.60	0.56	0.51	0.48	0.44	0.41
Revenue Requirements[1]													
Base Case (Excluding PSA)													
Ongoing Costs													
Common Facilities Expense[2][7]	$18.0	$5.3	$5.1	$5.2	$5.4	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Common Facilities Capital (expensed)[2][7]	5.1	1.6	1.4	1.4	1.5	-	-	-	-	-	-	-	-
Property / Ad Valorem Tax[2]	17.3	6.9	2.8	2.8	2.8	2.8	2.8	-	-	-	-	-	-
Subtotal, Ongoing Costs	**40.4**	**13.8**	**9.3**	**9.4**	**9.6**	**2.8**	**2.8**	**-**	**-**	**-**	**-**	**-**	**-**
Regulatory Asset													
Amortization of Reg Asset[3][8]	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest Expense[4]	-	-	-	-	-	-	-	-	-	-	-	-	-
Return on Equity[5]	-	-	-	-	-	-	-	-	-	-	-	-	-
Income Tax[6]	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal, Regulatory Asset	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total RevReqs, Excluding PSA	**$40.4**	**$13.8**	**$9.3**	**$9.4**	**$9.6**	**$2.8**	**$2.8**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**
PSA Case													
Ongoing Costs													
Common Facilities Expense[2][7]	-	-	-	-	-	-	-	-	-	-	-	-	-
Common Facilities Capital (expensed)[2][7]	-	-	-	-	-	-	-	-	-	-	-	-	-
Property / Ad Valorem Tax[2]	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal, Ongoing Costs	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Regulatory Asset													
Amortization of $45 MM Reg Asset[3][8]	$28.8	$0.0	$4.5	$4.5	$4.5	$4.5	$4.5	$4.5	$4.5	$4.5	$4.5	$4.5	$0.0
Interest Expense[4]	3.5	0.8	0.7	0.7	0.6	0.5	0.4	0.3	0.3	0.2	0.1	0.0	(0.0)
Return on Equity[5]	9.9	2.2	2.1	1.8	1.6	1.4	1.2	1.0	0.8	0.5	0.3	0.1	(0.0)
Income Tax[6]	3.4	0.7	0.7	0.6	0.6	0.5	0.4	0.3	0.3	0.2	0.1	0.0	(0.0)
Subtotal, Regulatory Asset	**45.6**	**3.7**	**8.0**	**7.6**	**7.2**	**6.9**	**6.5**	**6.1**	**5.8**	**5.4**	**5.0**	**4.7**	**(0.0)**
Total RevReqs, PSA Case	**$45.6**	**$3.7**	**$8.0**	**$7.6**	**$7.2**	**$6.9**	**$6.5**	**$6.1**	**$5.8**	**$5.4**	**$5.0**	**$4.7**	**($0.0)**

Request No. 6.e

Summary CPVRR Analysis for Plant Daniel
Plant Daniel Retires End of 2028

$ Millions	CPVRR	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Discount Factor		0.96	0.89	0.82	0.76	0.70	0.65	0.60	0.56	0.51	0.48	0.44	0.41
Differential of PSA Case - Base Case (Excluding PSA)													
Ongoing Costs													
Common Facilities Expense(2)(7)	($18.0)	($5.3)	($5.1)	($5.2)	($5.4)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Common Facilities Capital (expensed)(2)(7)	(5.1)	(1.6)	(1.4)	(1.4)	(1.5)	-	-	-	-	-	-	-	-
Property / Ad Valorem Tax(2)	(17.3)	(6.9)	(2.8)	(2.8)	(2.8)	(2.8)	(2.8)	-	-	-	-	-	-
Subtotal, Avoidable Costs	**(40.4)**	**(13.8)**	**(9.3)**	**(9.4)**	**(9.6)**	**(2.8)**	**(2.8)**	**-**	**-**	**-**	**-**	**-**	**-**
Regulatory Asset													
Amortization of Reg Asset(3)(8)	$28.8	$0.0	$4.5	$4.5	$4.5	$4.5	$4.5	$4.5	$4.5	$4.5	$4.5	$4.5	$0.0
Interest Expense(4)	3.5	0.8	0.7	0.7	0.6	0.5	0.4	0.3	0.3	0.2	0.1	0.0	(0.0)
Return on Equity(5)	9.9	2.2	2.1	1.8	1.6	1.4	1.2	1.0	0.8	0.5	0.3	0.1	(0.0)
Income Tax(6)	3.4	0.7	0.7	0.6	0.6	0.5	0.4	0.3	0.3	0.2	0.1	0.0	(0.0)
Subtotal, Regulatory Asset	**45.6**	**3.7**	**8.0**	**7.6**	**7.2**	**6.9**	**6.5**	**6.1**	**5.8**	**5.4**	**5.0**	**4.7**	**(0.0)**
Net Customer Costs / (Savings)(9)	**$5.2**	**($10.2)**	**($1.3)**	**($1.8)**	**($2.4)**	**$4.1**	**$3.7**	**$6.1**	**$5.8**	**$5.4**	**$5.0**	**$4.7**	**($0.0)**

Request No. 6.e

Summary CPVRR Analysis for Plant Daniel
Plant Daniel Retires End of 2028

$ Millions	CPVRR	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Discount Factor		0.96	0.89	0.82	0.76	0.70	0.65	0.60	0.56	0.51	0.48	0.44	0.41
Base: Incremental Revenue Requirements[1]													
Common Facilities Expense[2]	($13.9)	($3.9)	($4.0)	($4.1)	($4.2)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Common Facilities Capital (expensed)[2]	(4.5)	(1.6)	(1.2)	(1.2)	(1.2)	-	-	-	-	-	-	-	-
Property / Ad Valorem Tax[2]	(17.3)	(6.9)	(2.8)	(2.8)	(2.8)	(2.8)	(2.8)	-	-	-	-	-	-
Amortization of $39.3 MM Base Reg Asset[3]	25.2	-	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	-
Interest Expense[4]	3.1	0.7	0.6	0.6	0.5	0.4	0.4	0.3	0.2	0.2	0.1	0.0	(0.0)
Return on Equity[5]	8.6	1.9	1.8	1.6	1.4	1.2	1.0	0.8	0.7	0.5	0.3	0.1	(0.0)
Income Tax[6]	2.9	0.6	0.6	0.5	0.5	0.4	0.4	0.3	0.2	0.2	0.1	0.0	(0.0)
Net Base Revenue Requirement	4.1	(9.2)	(1.0)	(1.5)	(1.9)	3.2	2.9	5.4	5.0	4.7	4.4	4.1	(0.0)
Clause: Incremental Revenue Requirements[1]													
Common Facilities Expense[7]	($4.1)	($1.3)	($1.1)	($1.1)	($1.2)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Common Facilities Capital (expensed)[7]	(0.6)	(0.1)	(0.2)	(0.2)	(0.2)	-	-	-	-	-	-	-	-
Property / Ad Valorem Tax[7]	-	-	-	-	-	-	-	-	-	-	-	-	-
Amortization of $5.7 MM Clause Reg Asset[8]	3.7	-	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	-
Interest Expense[4]	0.4	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	(0.0)
Return on Equity[5]	1.3	0.3	0.3	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.0	0.0	(0.0)
Income Tax[6]	0.4	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	(0.0)
Net Clause Revenue Requirement	1.1	(0.9)	(0.3)	(0.3)	(0.5)	0.9	0.8	0.8	0.7	0.7	0.6	0.6	(0.0)
Net Customer Costs / (Savings)[9]	**$5.2**	**($10.2)**	**($1.3)**	**($1.8)**	**($2.4)**	**$4.1**	**$3.7**	**$6.1**	**$5.8**	**$5.4**	**$5.0**	**$4.7**	**($0.0)**

1) Revenue Requirement represents the difference between the Revenue Requirement with and without the Transaction
2) Represents cost savings associated with FPL's 50% ownership interest in Plant Daniel that are recovered through base rates
3) Represents the amortization of the base regulatory asset over 10 years
4) Interest expense assumes 5.66% cost of debt and 40.4% debt to investor capital ratio
5) Return on Equity assumes 10.80% cost of equity and 59.6% equity to investor capital ratio
6) Income tax assumes blended state and federal tax rate of 25.345%
7) Represents cost savings associated with FPL's 50% ownership interest in Plant Daniel that are recovered through clause rates
8) Represents the amortization of the clause regulatory asset over 10 years
9) Net Customer Costs / (Savings) reflect the sum of base and clause net revenue requirement

<u>QUESTION:</u>
Explain the differential between FPL's 2031 retirement date and the December 2027 and December 2028 Retirement dates from MPC's 2021 and 2024 IRPs, respectively.

a. When did FPL become aware of the retirement extension from 2027 to 2028?

b. When did FPL become aware of the potential retirement extension from 2028 to 2031?

    i. If the 2028 to 2031 retirement extension is firm and not potential, explain how that was determined, including identifying any contract(s) that may be related to the capacity.

    ii. If the 2028 to 2031 retirement extension is only potential, explain why FPL ratepayers should pay for a speculative retirement date.

c. Explain why it is practical for MPC to extend the retirement of the units but not for FPL to extend its retirement.

<u>RESPONSE</u>:

a. FPL first became aware of a potential extension of MPC's retirement date from December 2027 to December 2028 in Q4 2023 during discussions with Southern Company on options for FPL to reduce or eliminate its common plant cost-share burden associated with its retired ownership share in Plant Daniel 1 & 2.

b. In FPL's discussions with Southern Company throughout the spring and summer of 2024, Southern indicated it was evaluating extension of the planned retirement of Daniel 1 & 2 based on the recently announced Amazon investment of $10 billion in data centers in Mississippi as well as other growing electricity demand across Southern's footprint in the Southeast. In these conversations, Southern indicated to FPL that the retirement dates for Daniel 1 & 2 would be extended to 2031.

    Prior to the conversations held in the latter part of 2024, the high likelihood of the Daniel retirement extension on account of MPC's projected load increase had been conveyed publicly by MPC. As one example, MPC indicated in its 2024 IRP filing, with regard to certain generating units, including Daniel 1 & 2, that "the Company anticipates the further extension of units beyond 2028." Additional excerpts from MPC's IRP describing how anticipated load growth has prompted retirement extensions are provided in subsection (b)(i) below. More recent conversations with Southern Company have confirmed that the anticipated retirement extension of Daniel 1 & 2 to 2031 has become a solidified resource planning assumption for MPC.

i. In FPL's discussions with MPC, MPC has indicated to FPL that it will be proposing extension of the Daniel 1 & 2 retirement to 2031, as was foreshadowed in MPC's prior IRP filings with the Mississippi Public Service Commission. The extension is driven by the necessity of meeting growing load demand in the near term as was repeatedly emphasized, as the following excerpts show, in MPC's 2024 IRP:

> *MPC has seen a significant increase in the quantity and size of economic development prospects, especially in the data center and traditional manufacturing sectors. MPC expects the next forecast may materially change. Historically, MPC's economic development team has seen at most 400 megawatts (MW) in the pipeline of projects actively seeking a site location. In contrast, today there are several large data center and manufacturing projects in the pipeline that are actively engaged in site evaluations. MPC is in active site location discussions on four projects totaling 3,700 MW which are considered high probability.*

MPC 2024 IRP at 4.

> *With the expectation of new economic development loads from the significant increase in economic development inquiries in MPC's service area and sustained regional capacity needs beyond 2028, the Company anticipates the further extension of units beyond 2028. When those opportunities materialize, MPC will reflect associated unit changes in future IRP filings.*

Id. at 13.

> *With the recent increase in activity in the economic development arena, a large load addition is possible in the near term. For that eventuality, the Company will evaluate options to serve the new load including retirement extensions as well as new builds."*

Id. at 47.

While 2031 is the most probable retirement date, it is also possible that the date could extend beyond 2031, which absent this transaction would increase the cost obligation of FPL's customers. A retirement date beyond 2031 coupled with the consummation of this transaction, however, would further increase the economic benefit to FPL's customers. Current U.S. Environmental Protection Agency ("EPA") greenhouse gas ("GHG") rules, which became final in April of 2024, require coal plants to convert 100% to gas operations or to install carbon capture equipment in order to remain in operation beyond 2031. These costly unit modifications would likely necessitate MPC's retirement of

Units 1 & 2 by the end of 2031. However, if EPA GHG rules are successfully contested, or are repealed through agency, legislative, or executive action, it may be economically supportable for MPC to continue operating the units beyond 2031. This outcome would create more cumulative present value revenue requirements (CPVRR) savings and make the transaction even more beneficial for FPL's customers.

ii. Please see response to subpart (b)(i).

c. Each utility system represents a unique combination of load forecasts, resource mix, and system constraints. A decision that may be good for one utility system will not universally apply to others. According to FPL's evaluation of the resource plan for its system, retiring its share of Plant Daniel early and replacing this resource with new solar and battery energy storage systems is more cost-effective for FPL's customers.

QUESTION:
After its 2019 Notice, did FPL have the ability, either through its existing contract or by negotiation with MPC, to extend or modify the retirement dates? If so, identify what factors would have been required, such as consent from MPC or a separate agreement. If not, why not?

a. Did FPL consider modifying the retirement date after the 2019 Notice?

b. Did Gulf or FPL consider the sale of its share of the Plant Daniel Coal Units before 2024? If so, explain why it was not executed. If not, explain why not.

RESPONSE:
As a partial owner in the plant, FPL had the right to unilaterally modify its retirement plans for its 50% share of Daniel Units 1 & 2. FPL would only have had to provide notice to MPC regarding its changed retirement plans.

a. FPL has continued to assess the appropriateness of its planned Plant Daniel 1 & 2 retirement in each annual Ten-Year Site Plan resource planning cycle since the 2019 Notice.

b. FPL had considered the sale of Daniel 1 & 2 prior to 2024. In fact, paragraph 12.01(b) of the July 8, 2022 amendment of the Operating Agreement gave MPC an option to purchase FPL's share of Daniel 1 & 2 at any time up until 120 days prior to FPL's planned retirement date. MPC did not exercise this option. Coal plants like Daniel 1 & 2 are complex assets to sell not only because of issues associated with joint ownership, but also because of environmental liabilities and dismantlement costs associated with coal residuals. Not until the large load growth projections associated with data center demand beginning in 2023 was there sufficient motivation to consider such a transaction.

QUESTION:

Please explain if the proposed PSA allows MPC to fire the Plant Daniel Coal Units above MPC's current 50% ownership threshold (ie – operating FPL's retired share of the units). If so, and MPC is engaging in purchased power agreements for the associated capacity, why is FPL not considering participation in those or other economically beneficial PPAs? If not, why not?

RESPONSE:

The PSA allows MPC to fire the Plant Daniel Coal Units above MPC's current 50% ownership threshold.

FPL is not aware of whether MPC is offering the purchased capacity in Daniel 1 & 2 into the wholesale power market. FPL initially retired its share of Plant Daniel 1 & 2 because it was a relatively expensive form of capacity and energy which would be replaced by other, more cost-effective resources to meet load growth as illustrated in its Ten-Year Site Plans since 2020.

QUESTION:
Please refer to PSA Articles 5.3 and 7.1.7. When does FPL anticipate MPC receiving all regulatory approvals from the MPSC regarding this agreement?

RESPONSE:
FPL anticipates that MPC will obtain the required MPSC regulatory approvals in the first quarter of 2025.