

Gulf Power Company
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09/11/96
011 022



Gulf Power

Robert C. Lammington
President, Gulf Power

August 20, 1996

Mr. Joe Jenkins
Division of Electric & Gas
Florida Public Service Commission
2540 Shumard Oak Drive
Tallahassee, FL 32399

RE: Docket No. 960789-EI Gulf Power Company's Petition for Authority to
Implement a Proposed Commercial/Industrial Service Rider on a
Pilot/Experimental Basis

Dear Mr. Jenkins:

Consistent with the discussion at our August 13, 1996 meeting, we are providing
as Document No. 1 a package that includes the following:

- Attachment A - Gulf Power (4 pages) Updated Matrix dated 8-20-96.
- Attachment B - Gulf Power 1 page Summary of Changes, items (a-i).
- Updated Implementation Plan CISR dated 8-20-96- Gulf Power 2 Pages.
- CISR Example Tariff - Gulf Power 2 Pages dated 8-20-96.

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FPSC-REG/OPS/REPORTING

Letter to Joe Jenkins
August 20, 1996
Page 2

In addition, we are providing as Document No. 2 an alternative package that reflects an alternative for item 6 at page 2 of the matrix. This package includes the following:

- Attachment A - Gulf Power Alternative 4 pages Updated Matrix 8-20-96.
- Attachment B - Gulf Power Alternative 1 page Summary of Changes, items (a-I).
- Updated Implementation Plan CISR dated 8/20/96 - Gulf Power Alternative 2 Pages.
- CISR Example Tariff - Gulf Power Alternative 2 Pages.

The difference between the Gulf Power Alternative proposal and the proposal discussed at the July 30, 1996 agenda is shown as item 6b in the matrix. This alternative provides for an up-front review by the Commission within 60 days of the filing of each executed CSA contract. The impact of this alternative is also reflected on item 16 because the timing of the prudence review would be accelerated under the alternative proposal.

Please advise if you need further information or have any questions concerning this information.

Sincerely,



RGL/fg

cc: Mr. William Talbott
Dr. Mary Bane
Ms. Vicki Johnson
Ms. Gail Kamaras
Mr. Joseph McGlothlin
Ms. Blanca Bayo

Docket No. 960789-EI

August 20, 1996

Document No. 1

- Attachment A - Gulf Power
- Attachment B - Gulf Power
- Updated Implementation Plan - Gulf Power
- CISR Example Tariff - Gulf Power

DOCKET NO. 960789-EI
LIST OF ITEMS FOR THE COMMISSION TO CONSIDER FOR INCLUSION IN THE GULF CISR TARIFF
August 20, 1996

a

NOTE: In the next recommendation, staff plans to show Gulf's tariff that was withdrawn at the 7/30 agenda (Gulf) and staff's proposed one-customer experimental tariff (staff at 7/30 agenda) in terms of items from the following list. This will be in addition to other staff proposals and any new proposals from Gulf.

This list includes all the changes discussed at the August 13, 1996 meeting between Gulf and staff.

	Gulf	Gulf Revised	Staff 7/30	Staff Revised	Limited Contract	Guaranteed Buy-through	Separation of costs
1. Subscription period - Time frame in which eligible customers can sign up for CSA from effective date of the tariff							
One Year							
Two Years							
Three Years							
Four Years	X	X					
Longer							
Permanent, no experiment							
Other							
2. Maximum length of CSA contracts							
Three Years							
Four Years							
Five Years							
Ten Years							
Fifteen Years							
Twenty Years							
No Maximum Contract Term Limit	X	X	X				
Ceases when retail access allowed							
Ceases on the in-service date of the next currently avoidable generating unit							
All contracts terminate at a certain date, e.g., year 2002							
3. Maximum load - CISR will be closed to further subscription by eligible customers when the total capacity of all executed CSAs reaches a certain size (MW) of connected load							
50							
100							
150							
200	X	X					
No size Limitation				X			
4. Total number of contracts - the CISR will be closed to further subscription if the Company has executed a certain number of contracts							
One				X			
Up to Eight							
Up to Twelve	X	X					
No Limitation							

	Gulf	Gulf Revised	Staff 7/30	Staff Revised	Limited Contract	Guaranteed Buy-through	Separation of costs
5. Minimum demand - minimum level of demand (KW) customer must have to be eligible for CISR							
None							
500 KW (0.5MW) of maximum monthly demand for existing customers	X	X	X				
1000 KW (1 MW) of connected load for new customers	X	X	X				
6. Prior approval - should the Commission pre-approve each negotiated contract							
Yes							
No	X		X				
b. Alternative--Each executed CSA contract should have a regulatory out clause that allows the Commission 60 days to review the agreement and the utility's justification; if no action to disapprove occurs within this "reg-out" period then CSA contract becomes effective (modeled after Georgia and Alabama programs)		X					
7. Availability of CISR tariff - Staff notes that it believes any "at-risk" evaluation by the Commission after the contract is signed to be very difficult							
c. Existing "at risk" load of existing commercial/industrial customer - load retention	X	X	X				
d. New "at risk" load of existing commercial/industrial customer - load expansion	X	X	X				
e. New "at risk" load of a new commercial/industrial customer - load building	X	X	X				
8. Customer competition - discounted rates to other competing customers classified to the same SIC Code							
Order Gulf to include in CSA contract that it may be cancelled if a customer classified to the same SIC Code complains, and the Commission so determines, that the complaining customer is being unfairly disadvantaged with its competitors							
Yes			X				
No	X	X					
Order Gulf to include in CSA contract that the discounted rate may be offered to all customers classified to the same SIC Code, if such a customer complains, and the Commission so determines, that the CSA is causing the complaining customer to be unfairly disadvantaged							
Yes							
No	X	X					
9. Alternative source competition - competition with other electric utilities and natural gas utilities							
If the Commission determines in a territorial dispute that all other cost and design factors are equal (leaving customer choice as the deciding factor), and that the availability of the CISR was used to unfairly influence the customer's choice of provider, should Gulf be required to cancel the CISR contract?							
Yes							
No	X	X					
If the Commission determines that the availability of the CISR was used to influence the customer's choice to use electricity, instead of natural gas, and thereby adversely affect natural gas ratepayers, should Gulf be required to cancel the CISR contract? (Competing with direct pipeline sales or oil is appropriate since they are unregulated)							
Yes							
No	X	X					

	Gulf	Gulf Revised	Staff 7/30	Staff Revised	Limited Contract	Guaranteed Buy-through	Separation of costs
10. Customer charge - the CSA customer should pay the following customer charge Unless specifically noted within the CSA, the otherwise applicable customer charge plus additional \$250 per month	X	X					
Actual incremental costs to negotiate the CSA contract							
Actual incremental costs to administer the CSA contract							
The otherwise applicable customer charge plus \$250 per month			X				
11. The CSA minimum revenues will							
Be sufficient to cover all costs in the price floor and make a positive contribution to fixed costs	X	X					
Be sufficient to cover all costs in the price floor plus 20%							
12. Price floor components - in addition to any customer charge, "all costs in the price floor" are defined as:							
Incremental generation capacity costs	X	X	X				
Incremental transmission capacity costs	X	X					
Incremental distribution capacity costs	X	X					
Incremental administrative & general overhead costs	X	X					
Average embedded generation capacity costs							
Average embedded transmission capacity costs			X				
Average embedded distribution capacity costs			X				
Average embedded administrative and general costs			X				
All otherwise applicable cost recovery clauses (fuel; purchased power, including power pool capacity; environmental; conservation)	X	X	X				
13. Sharing - how should any unrecovered embedded cost associated with the CSA load be shared between stockholders and non CSA-customers?							
f. Gulf will absorb any unrecovered embedded cost until the next rate case. Future allocation should be deferred until Gulf's next rate case and the associated prudence evaluation.	X	X					
Commission should establish upfront, when approving a CISR tariff, a percentage sharing formula							
14. Required documentation - the Company would be required to have the following documentation readily available for the Commission's inspection (and/or copying if requested) during regulatory prudence review							
g. For each contract all workpapers, calculations, and supporting documentation, including customer specific information, used by Gulf's management to determine the eligibility of a customer for a CSA contract	X	X					
All the information Gulf's management remembers relying on when deciding whether to offer a CSA to a customer or not							
Affidavit from customer indicating customer's intention on the day of signing the CSA							
Customer's investment options at the time of the CSA signing							

	Gulf	Gulf Revised	Staff 7/30	Staff Revised	Limited Contract	Guaranteed Buy-through	Separation of costs
15. Required reports - the company would be required to file the following reports, for informational purposes, with the Commission on a regular basis							
Summary reporting information filed quarterly, and any additional relevant information available to the Commission upon request	X	X	X				
Other							
16. Initiation of contract prudence review							
Immediately after Commission notice regarding CSA contract execution		X	X				
Upon Gulf exceeding ROE ceiling after taking imputed revenue differential into account	X						
In Gulf's next rate case	X						
Upon the Commission's own motion	X						
For all CISR customers signed within:							
One Year							
18 Months							
Two Years							
Three Years							
Four Years							
17. Items to be included in a contract review							
Commission determination of whether Gulf's decision that the CSA qualifying load was "at-risk" was prudent							
Yes	X	X					
No							
Commission determination of whether Gulf's projected incremental costs were reasonable at the time of signing the contract							
Yes	X	X					
No							
Determination of whether the contract at the time it was executed adequately accounted for future cost uncertainty							
Yes	X	X					
No							

Description of columns 6, 7, and 8 (related to other approaches recently approved by the Commission):

Limited Contract - the non-fuel energy recovery is discounted to incremental fuel costs of a low fuel cost incremental generating unit on the Southern Company system for five years with the discount decreasing 20% each year until the full rate is applicable (this is similar to Fort Pierce's and City of Homestead's recently approved Contract Rate Schedule)

Guaranteed buy-through - The utility shops for power (this is similar to TECO's buy-through provision or Lakeland's recently approved GSX-6 rate), and transmits it to the customer. Transmission and distribution costs will be recovered under this proposal.

Separation of costs - Any allocated embedded and any incremental generation, transmission, and distribution costs should be placed "below-the-line", along with any revenue contribution to these costs, after cost recovery items have been recovered.

ATTACHMENT B**Summary of Changes**

- a. New date.
- b. New option.
- c. Changed wording to more accurately reflect contents of Gulf's original proposal. Former wording was "Existing 'at risk' commercial industrial customer - load retention."
- d. Changed wording to more accurately reflect contents of Gulf's original proposal. Former wording was "Existing 'at risk' commercial industrial customer - load expansion."
- e. Changed wording to more accurately reflect contents of Gulf's original proposal. Former wording was "New 'at risk' commercial industrial customer - load building."
- f. Changed wording to more accurately reflect contents of Gulf's original proposal. Former wording was "Determination of allocation should be deferred until Gulf's next rate case and the associated prudence evaluation"
- g. Changed wording to conform to process currently used in Commission audits and in formal discovery. Intended to reduce document handling burden on Commission and Company. Former wording was "Required documentation - the Company would be required to file the following documentation with Commission for regulatory prudence review"
- h. Changed wording to reflect that initiation of review follows notice to Commission that CSA has been executed. Former wording was "Immediately after execution of CSA contract"
- i. Changed wording to better reflect Gulf's original filing. Former wording was "Upon Gulf exceeding ROE ceiling after discounted revenue imputation"

Gulf Power Company
Commercial/Industrial Service Rider
Pilot Study Implementation Plan

Gulf Power

[Page 1 of 2]

In order to give the Florida Public Service Commission and Gulf Power Company the opportunity to study the impacts and effects of a trial implementation of the Company's proposed Commercial and Industrial Service ("CIS") Rider under "real world" conditions, the following conditions are suggested for a Pilot Study Implementation Plan:

- Sunset provision:** The CIS Rider would initially be scheduled to be closed to further subscription by eligible customers when one of three conditions has occurred: (1) The total capacity subject to executed Contract Service Arrangements ("CSAs") reaches 200 megawatts of connected load;¹ (2) The Company has executed twelve CSAs with eligible customers under the CIS Rider;² or (3) Forty-eight months has passed from the initial effective date.³ The period defined by these conditions is the pilot study period. This sunset provision can be removed by the Commission at any time upon good cause having been shown by the Company based on data achieved during the pilot study period.
- Availability:** In addition to the other limitations on availability contained in the Company's original proposed CIS Rider, Gulf would limit its use of the rider so that a CSA will not be offered to a customer in order to shift existing load currently being served by a Florida electric utility pursuant to a tariff rate schedule on file with the FPSC away from that utility to Gulf Power.
- Approval level:** Before any CSA can be executed by the Company, it must first be reviewed and approved by the members of Gulf Power's executive management council (the Company's president and vice presidents). Prior to execution, each CSA must be expected to produce a positive contribution to the Company's fixed costs. The incremental costs on which each CSA is evaluated shall be determined in a manner consistent with the method for identification and quantification of such costs both for use in the Company's evaluation of conservation and demand side management programs for cost effectiveness and the Company's selection of cost-effective supply side resources.
- Revenue Allocation:** Any revenues received by the Company pursuant to a CSA shall be allocated first to the various applicable cost-specific cost recovery clauses so that the revenues associated with the respective cost recovery clauses for true-up purposes will be the same with the CSA as they would be without the CSA.
- Required reports:** In addition to the information described in paragraph 15 of Gulf's original petition in Docket No. 951161-EI, the Company would be required to file the following information with the Commission in accordance with the Commission's procedures for handling confidential information:
- a brief description of all CSAs executed during the quarter, including the applicable rates, charges, and contract period involved.
 - for each CSA executed during the quarter, a summary of the justification for the offering.
 - on an annual basis, the cumulative total of revenues associated with all CSAs executed by the Company.

¹As a frame of reference, Gulf's eight largest industrial customers have a coincident peak load of approximately 200 megawatts.

²Gulf's experimental/pilot real time pricing program has a maximum subscription limit of twelve customers.

³Gulf's experimental/pilot real time pricing program has a scheduled forty-eight month study period.

Gulf Power Company
Commercial/Industrial Service Rider
Pilot Study Implementation Plan
[Page 2 of 2]

Gulf Power

Regulatory review: Each executed CSA shall be fully reviewed by the Commission under conditions that protect the confidentiality of proprietary information, when either of two triggering events occur. The first possible triggering event is a request by Gulf for a base rate increase. The second possible triggering event would result from conditions identified through the Commission's monthly surveillance reporting system discussed more fully in the following paragraph. This Commission review is to commence immediately following the occurrence of the triggering event. The period for review shall be as long as necessary for the Commission's staff to conduct all reasonable discovery needed to evaluate the prudence of Gulf's decision to execute each CSA then in existence. For this review by the Commission, Gulf will continue to have the burden of proof. At the conclusion of this regulatory review, if Gulf has not demonstrated to the Commission's satisfaction that Gulf's decision to enter into any particular CSA under review was a prudent choice made in the best interests of Gulf's general body of customers, then the difference between the revenues that would have been produced by Gulf's standard tariff rates and the revenues that will be produced by the CSA will be imputed to the Company as though this amount was actually received by Gulf from the CSA customer and will be taken into account by the Commission in regards to any adjustment in the Company's base rates, whether in a rate case or in an over earnings review as noted below.

Upon the execution of a CSA, the Commission's monthly surveillance reporting system will be enhanced to include a requirement that Gulf shall identify and report, for all executed CSAs, the difference between the revenues that would have been produced by Gulf's standard tariff rates and the revenues that are produced by each executed CSA. This additional information would be set forth on a separate page so that the information can be filed subject to the Commission's procedures for handling confidential and proprietary information. If the difference so reported, when added to the Company's actual revenues, would cause Gulf's achieved jurisdictional return on equity ("ROE") to exceed the top of the Company's authorized range, the full review of the Commission discussed above will be triggered. The amount of such identified difference that would cause Gulf's achieved jurisdictional return on equity ("ROE") to exceed the top of the Company's authorized range will be held subject to refund as possible over earnings pending completion of the Commission's review.

GULF POWER COMPANY**RATE SCHEDULE CIS
Limited Availability Experimental Rate
Commercial/Industrial Service**

(Optional Rider)

AVAILABILITY - Available, at the Company's option, to non-residential customers currently taking service, or qualified to take service, under the Company's Rate Schedules applicable to loads of 500 KW or greater. Customers desiring to take service under this rider must make a written request. Such request shall be subject to the Company's approval, with the Company under no obligation to grant service under this rider.

This rider will be closed to further subscription by eligible customers when one of three conditions has occurred: (1) The total capacity subject to executed Contract Service Arrangements ("CSAs") reaches 200 megawatts of connected load; (2) The Company has executed twelve CSAs with eligible customers under this rider; or (3) Forty-eight months has passed from the initial effective date. The period defined by these conditions is the pilot study period. This limitation on subscription can be removed by the Commission at any time upon good cause having been shown by the Company based on data and experience gained during the pilot study period.

Gulf Power is not authorized by the Florida Public Service Commission to offer a CSA under this rate schedule in order to shift existing load currently being served by a Florida electric utility pursuant to a tariff rate schedule on file with the Florida Public Service Commission away from that utility to Gulf Power.

APPLICABILITY - Service provided under this optional rider shall be applicable to all, or a portion of, the Customer's existing or projected electric service requirements which would not be served by the Company but for the application of this rider and which would otherwise qualify for such service under the terms and conditions set forth herein. Such load (Qualifying Load) shall be determined by the Customer and the Company. Service furnished hereunder shall not be shared with or resold to others.

Two categories of Qualifying Load shall be recognized: Retained Load (existing load at an existing location) and New Load (all other Qualifying Load). Qualifying Load must be served behind a single meter and must equal or exceed a minimum level of demand determined from the following table:

Retained Load:	For Customers whose highest metered demand in the past 12 months was less than 10,000 KW, the minimum Qualifying Load would be the greater of 500 KW or 20% of the highest metered demand in the past 12 months; or
	For Customers whose highest metered demand in the past 12 months was greater than or equal to 10,000 KW, the minimum Qualifying Load would be 2,000 KW.
New Load:	1,000 KW of installed, connected demand.

Any Customer receiving service under this rider must provide the following documentation, the sufficiency of which shall be determined by the Company:

1. Legal attestation by the Customer (through an affidavit signed by an authorized representative of the Customer) to the effect that, but for the application of this rider to the New or Retained Load, such load would not be served by the Company;
2. Other documentation, as requested by the Company, demonstrating that there is a viable economic alternative (excluding alternatives in which the Company has an ownership or operating interest) to the Customer's taking electric service from the Company; and

GULF POWER COMPANY

3. In the case of existing Customers, an agreement to provide the Company with a recent energy audit of the Customer's physical facility (the Customer may have the audit performed by the Company at no expense to the Customer) which provides sufficient detail to provide reliable cost and benefit information on energy efficiency improvements which could be made to reduce the Customer's cost of energy in addition to any discounted pricing provided under this rider.

CHARACTER OF SERVICE - This optional rider is offered in conjunction with the rates, terms, and conditions of the tariff under which the Customer takes service and affects the total bill only to the extent that the negotiated rates, terms, and conditions differ from the rates, terms, and conditions of the otherwise applicable rate schedules as provided for under this rider.

MONTHLY CHARGES - Unless specifically noted in this rider or within the Contract Service Arrangement, the charges assessed for service shall be those found within the otherwise applicable rate schedules.

Additional Customer Charge: \$250.00

Demand/Energy Charges: Any negotiated Demand and/or Energy Charges, or the procedure for calculating the negotiated charges, under this rider shall be set forth in the Contract Service Arrangement and shall recover all incremental costs the Company incurs in serving the Customer's Qualifying Load plus a contribution to the Company's fixed costs.

Provisions and/or Conditions Associated with Monthly Charges: Any negotiated provisions and/or conditions associated with the Monthly Charges shall be set forth in the Contract Service Arrangement and may be applied during all or a portion of the term of the Contract Service Arrangement. These negotiated provisions and/or conditions may include, but are not limited to, a guarantee by the Company to maintain the level of either the Demand and/or Energy Charges negotiated under this rider for a specified period, such period not to exceed the term of the Contract Service Arrangement.

SERVICE AGREEMENT - Each Customer shall enter into a Contract Service Arrangement ("CSA") with the Company to purchase the Customer's entire requirements for electric service at the service locations set forth in the CSA. For purposes of the CSA, "the entire requirements for electric service" may exclude certain electric service requirements served by the Customer's own generation as of the date shown on the CSA. The CSA shall be considered a confidential document. The pricing levels and procedures described within the CSA, as well as any information supplied by the Customer through an energy audit or as a result of negotiations or information requests by the Company and any information developed by the Company in connection therewith is considered confidential, proprietary information of the parties. If requested, such information shall be made available for review by the Florida Public Service Commission and its staff only and such review shall be made under the confidentiality rules of the Commission.

SERVICE UNDER THIS RATE SCHEDULE IS SUBJECT TO RULES AND REGULATIONS OF THE COMPANY AND THE FLORIDA PUBLIC SERVICE COMMISSION.

Docket No. 960789-EI

August 20, 1996

Document No. 2

- Attachment A - Gulf Power Alternative
- Attachment B - Gulf Power Alternative
- Updated Implementation Plan - Gulf Power Alternative
- CISR Example Tariff - Gulf Power Alternative

DOCKET NO. 960789-EI
LIST OF ITEMS FOR THE COMMISSION TO CONSIDER FOR INCLUSION IN THE GULF CISR TARIFF
August 20, 1996

a.

NOTE: In the next recommendation, staff plans to show Gulf's tariff that was withdrawn at the 7/30 agenda (Gulf) and staff's proposed one-customer experimental tariff (staff at 7/30 agenda) in terms of items from the following list. This will be in addition to other staff proposals and any new proposals from Gulf.

This list includes all the changes discussed at the August 13, 1996 meeting between Gulf and staff.

	Gulf	Gulf Revised	Staff 7/30	Staff Revised	Limited Contract	Guaranteed Buy-through	Separation of costs
1. Subscription period - Time frame in which eligible customers can sign up for CSA from effective date of the tariff							
One Year							
Two Years							
Three Years							
Four Years	X	X					
Longer							
Permanent, no experiment							
Other							
2. Maximum length of CSA contracts							
Three Years							
Four Years							
Five Years							
Ten Years							
Fifteen Years							
Twenty Years							
No Maximum Contract Term Limit	X	X	X				
Ceases when retail access allowed							
Ceases on the in-service date of the next currently avoidable generating unit							
All contracts terminate at a certain date, e.g., year 2002							
3. Maximum load - CISR will be closed to further subscription by eligible customers when the total capacity of all executed CSAs reaches a certain size (MW) of connected load							
50							
100							
150							
200	X	X					
No size Limitation			X				
4. Total number of contracts - the CISR will be closed to further subscription if the Company has executed a certain number of contracts							
One			X				
Up to Eight							
Up to Twelve	X	X					
No Limitation							

	Gulf	Gulf Revised	Staff 7/30	Staff Revised	Limited Contract	Guaranteed Buy-through	Separation of costs
5. Minimum demand - minimum level of demand (KW) customer must have to be eligible for CISR							
None							
500 KW (0.5MW) of maximum monthly demand for existing customers	X	X	X				
1000 KW (1 MW) of connected load for new customers	X	X	X				
6. Prior approval - should the Commission pre-approve each negotiated contract							
Yes							
No	X		X				
b. Alternative--Each executed CSA contract should have a regulatory out clause that allows the Commission 60 days to review the agreement and the utility's justification; if no action to disapprove occurs within this "reg-out" period then CSA contract becomes effective (modeled after Georgia and Alabama programs)		X					
7. Availability of CISR tariff - Staff notes that it believes any "at-risk" evaluation by the Commission after the contract is signed to be very difficult							
c. Existing "at risk" load of existing commercial/industrial customer - load retention	X	X	X				
d. New "at risk" load of existing commercial/industrial customer - load expansion	X	X	X				
e. New "at risk" load of a new commercial/industrial customer - load building	X	X	X				
8. Customer competition - discounted rates to other competing customers classified to the same SIC Code							
Order Gulf to include in CSA contract that it may be cancelled if a customer classified to the same SIC Code complains, and the Commission so determines, that the complaining customer is being unfairly disadvantaged with its competitors							
Yes			X				
No	X	X					
Order Gulf to include in CSA contract that the discounted rate may be offered to all customers classified to the same SIC Code, if such a customer complains, and the Commission so determines, that the CSA is causing the complaining customer to be unfairly disadvantaged							
Yes							
No	X	X					
9. Alternative source competition - competition with other electric utilities and natural gas utilities							
If the Commission determines in a territorial dispute that all other cost and design factors are equal (leaving customer choice as the deciding factor), and that the availability of the CISR was used to unfairly influence the customer's choice of provider, should Gulf be required to cancel the CISR contract?							
Yes							
No	X	X					
If the Commission determines that the availability of the CISR was used to influence the customer's choice to use electricity, instead of natural gas, and thereby adversely affect natural gas ratepayers, should Gulf be required to cancel the CISR contract? (Competing with direct pipeline sales or oil is appropriate since they are unregulated)							
Yes							
No	X	X					

	Gulf	Gulf Revised	Staff 7/30	Staff Revised	Limited Contract	Guaranteed Buy-through	Separation of costs
10. Customer charge - the CSA customer should pay the following customer charge Unless specifically noted within the CSA, the otherwise applicable customer charge plus additional \$250 per month	X	X					
Actual incremental costs to negotiate the CSA contract							
Actual incremental costs to administer the CSA contract							
The otherwise applicable customer charge plus \$250 per month			X				
11. The CSA minimum revenues will							
Be sufficient to cover all costs in the price floor and make a positive contribution to fixed costs	X	X					
Be sufficient to cover all costs in the price floor plus 20%							
12. Price floor components - in addition to any customer charge, "all costs in the price floor" are defined as:							
Incremental generation capacity costs	X	X	X				
Incremental transmission capacity costs	X	X					
Incremental distribution capacity costs	X	X					
Incremental administrative & general overhead costs	X	X					
Average embedded generation capacity costs							
Average embedded transmission capacity costs			X				
Average embedded distribution capacity costs			X				
Average embedded administrative and general costs			X				
All otherwise applicable cost recovery clauses (fuel; purchased power, including power pool capacity; environmental; conservation)	X	X	X				
13. Sharing - how should any unrecovered embedded cost associated with the CSA load be shared between stockholders and non CSA-customers?							
f. Gulf will absorb any unrecovered embedded cost until the next rate case. Future allocation should be deferred until Gulf's next rate case and the associated prudence evaluation.	X	X					
Commission should establish upfront, when approving a CISR tariff, a percentage sharing formula							
14. Required documentation - the Company would be required to have the following documentation readily available for the Commission's inspection (and/or copying if requested) during regulatory prudence review							
g. For each contract all workpapers, calculations, and supporting documentation, including customer specific information, used by Gulf's management to determine the eligibility of a customer for a CSA contract	X	X					
All the information Gulf's management remembers relying on when deciding whether to offer a CSA to a customer or not							
Affidavit from customer indicating customer's intention on the day of signing the CSA							
Customer's investment options at the time of the CSA signing							

	Gulf	Gulf Revised	Staff 7/30	Staff Revised	Limited Contract	Guaranteed Buy-through	Separation of costs
15. Required reports - the company would be required to file the following reports, for informational purposes, with the Commission on a regular basis							
Summary reporting information filed quarterly, and any additional relevant information available to the Commission upon request	X	X	X				
Other							
16. Initiation of contract prudence review							
Immediately after Commission notice regarding CSA contract execution		X	X				
Upon Gulf exceeding ROE ceiling after taking imputed revenue differential into account	X						
In Gulf's next rate case	X						
Upon the Commission's own motion	X						
For all CISR customers signed within:							
One Year							
18 Months							
Two Years							
Three Years							
Four Years							
17. Items to be included in a contract review							
Commission determination of whether Gulf's decision that the CSA qualifying load was "at-risk" was prudent							
Yes	X	X					
No							
Commission determination of whether Gulf's projected incremental costs were reasonable at the time of signing the contract							
Yes	X	X					
No							
Determination of whether the contract at the time it was executed adequately accounted for future cost uncertainty							
Yes	X	X					
No							

Description of columns 6, 7, and 8 (related to other approaches recently approved by the Commission):

Limited Contract - the non-fuel energy recovery is discounted to incremental fuel costs of a low fuel cost incremental generating unit on the Southern Company system for five years with the discount decreasing 20% each year until the full rate is applicable (this is similar to Fort Pierce's and City of Homestead's recently approved Contract Rate Schedule)

Guaranteed buy-through - The utility shops for power (this is similar to TECO's buy-through provision or Lakeland's recently approved GSX-6 rate), and transmits it to the customer. Transmission and distribution costs will be recovered under this proposal.

Separation of costs - Any allocated embedded and any incremental generation, transmission, and distribution costs should be placed "below-the-line", along with any revenue contribution to these costs, after cost recovery items have been recovered.

ATTACHMENT B

Summary of Changes

- a. New date.
- b. New option.
- c. Changed wording to more accurately reflect contents of Gulf's original proposal. Former wording was "Existing 'at risk' commercial industrial customer - load retention."
- d. Changed wording to more accurately reflect contents of Gulf's original proposal. Former wording was "Existing 'at risk' commercial industrial customer - load expansion."
- e. Changed wording to more accurately reflect contents of Gulf's original proposal. Former wording was "New 'at risk' commercial industrial customer - load building."
- f. Changed wording to more accurately reflect contents of Gulf's original proposal. Former wording was "Determination of allocation should be deferred until Gulf's next rate case and the associated prudence evaluation"
- g. Changed wording to conform to process currently used in Commission audits and in formal discovery. Intended to reduce document handling burden on Commission and Company. Former wording was "Required documentation - the Company would be required to file the following documentation with Commission for regulatory prudence review"
- h. Changed wording to reflect that initiation of review follows notice to Commission that CSA has been executed. Former wording was "Immediately after execution of CSA contract"
- i. Changed wording to better reflect Gulf's original filing. Former wording was "Upon Gulf exceeding ROE ceiling after discounted revenue imputation"

Gulf Power Company
Commercial/Industrial Service Rider
Pilot Study Implementation Plan
[Page 1 of 2]

Gulf Power Alternative

In order to give the Florida Public Service Commission and Gulf Power Company the opportunity to study the impacts and effects of a trial implementation of the Company's proposed Commercial and Industrial Service ("CIS") Rider under "real world" conditions, the following conditions are suggested for a Pilot Study Implementation Plan:

- Sunset provision:** The CIS Rider would initially be scheduled to be closed to further subscription by eligible customers when one of three conditions has occurred: (1) The total capacity subject to executed Contract Service Arrangements ("CSAs") reaches 200 megawatts of connected load;¹ (2) The Company has executed twelve CSAs with eligible customers under the CIS Rider;² or (3) Forty-eight months has passed from the initial effective date.³ The period defined by these conditions is the pilot study period. This sunset provision can be removed by the Commission at any time upon good cause having been shown by the Company based on data achieved during the pilot study period.
- Availability:** In addition to the other limitations on availability contained in the Company's original proposed CIS Rider, Gulf would limit its use of the rider so that a CSA will not be offered to a customer in order to shift existing load currently being served by a Florida electric utility pursuant to a tariff rate schedule on file with the FPSC away from that utility to Gulf Power.
- Approval level:** Before any CSA can be executed by the Company, it must first be reviewed and approved by the members of Gulf Power's executive management council (the Company's president and vice presidents). Prior to execution, each CSA must be expected to produce a positive contribution to the Company's fixed costs. The incremental costs on which each CSA is evaluated shall be determined in a manner consistent with the method for identification and quantification of such costs both for use in the Company's evaluation of conservation and demand side management programs for cost effectiveness and the Company's selection of cost-effective supply side resources.
- Revenue Allocation:** Any revenues received by the Company pursuant to a CSA shall be allocated first to the various applicable cost-specific cost recovery clauses so that the revenues associated with the respective cost recovery clauses for true-up purposes will be the same with the CSA as they would be without the CSA.
- Required reports:** In addition to the information described in paragraph 15 of Gulf's original petition in Docket No. 951161-EI, the Company would be required to file the following information with the Commission in accordance with the Commission's procedures for handling confidential information:
- a brief description of all CSAs executed during the quarter, including the applicable rates, charges, and contract period involved.
 - for each CSA executed during the quarter, a summary of the justification for the offering.
 - on an annual basis, the cumulative total of revenues associated with all CSAs executed by the Company.

¹As a frame of reference, Gulf's eight largest industrial customers have a coincident peak load of approximately 200 megawatts.

²Gulf's experimental/pilot real time pricing program has a maximum subscription limit of twelve customers.

³Gulf's experimental/pilot real time pricing program has a scheduled forty-eight month study period.

Regulatory review: Each executed CSA shall be fully reviewed by the Commission under conditions that protect the confidentiality of proprietary information. Each executed CSA shall have a “regulatory out” clause that allows the Florida Public Service Commission a period of sixty (60) days to review the agreement and Gulf Power’s justification related thereto. If no action to disapprove the CSA occurs within this sixty (60) day period, then the CSA shall become effective and the regulatory out provision shall become moot.

Upon the execution of a CSA, the Commission’s monthly surveillance reporting system will be enhanced to include a requirement that Gulf shall identify and report, for all executed CSAs, the difference between the revenues that would have been produced by Gulf’s standard tariff rates and the revenues that are produced by each executed CSA. This additional information would be set forth on a separate page so that the information can be filed subject to the Commission’s procedures for handling confidential and proprietary information.

GULF POWER COMPANY**RATE SCHEDULE CIS
Limited Availability Experimental Rate
Commercial/Industrial Service**

(Optional Rider)

AVAILABILITY - Available, at the Company's option, to non-residential customers currently taking service, or qualified to take service, under the Company's Rate Schedules applicable to loads of 500 KW or greater. Customers desiring to take service under this rider must make a written request. Such request shall be subject to the Company's approval, with the Company under no obligation to grant service under this rider.

This rider will be closed to further subscription by eligible customers when one of three conditions has occurred: (1) The total capacity subject to executed Contract Service Arrangements ("CSAs") reaches 200 megawatts of connected load; (2) The Company has executed twelve CSAs with eligible customers under this rider; or (3) Forty-eight months has passed from the initial effective date. The period defined by these conditions is the pilot study period. This limitation on subscription can be removed by the Commission at any time upon good cause having been shown by the Company based on data and experience gained during the pilot study period.

Gulf Power is not authorized by the Florida Public Service Commission to offer a CSA under this rate schedule in order to shift existing load currently being served by a Florida electric utility pursuant to a tariff rate schedule on file with the Florida Public Service Commission away from that utility to Gulf Power.

Each executed CSA shall have a "regulatory out" clause that allows the Florida Public Service Commission a period of sixty (60) days to review the agreement and Gulf Power's justification related thereto. If no action to disapprove the CSA occurs within this sixty (60) day period, then the CSA shall become effective and the regulatory out provision shall become moot.

APPLICABILITY - Service provided under this optional rider shall be applicable to all, or a portion of, the Customer's existing or projected electric service requirements which would not be served by the Company but for the application of this rider and which would otherwise qualify for such service under the terms and conditions set forth herein. Such load (Qualifying Load) shall be determined by the Customer and the Company. Service furnished hereunder shall not be shared with or resold to others.

Two categories of Qualifying Load shall be recognized: Retained Load (existing load at an existing location) and New Load (all other Qualifying Load). Qualifying Load must be served behind a single meter and must equal or exceed a minimum level of demand determined from the following table:

Retained Load:	For Customers whose highest metered demand in the past 12 months was less than 10,000 KW, the minimum Qualifying Load would be the greater of 500 KW or 20% of the highest metered demand in the past 12 months; or
	For Customers whose highest metered demand in the past 12 months was greater than or equal to 10,000 KW, the minimum Qualifying Load would be 2,000 KW.
New Load:	1,000 KW of installed, connected demand.

Any Customer receiving service under this rider must provide the following documentation, the sufficiency of which shall be determined by the Company:

1. Legal attestation by the Customer (through an affidavit signed by an authorized representative of the Customer) to the effect that, but for the application of this rider to the New or Retained Load, such load would not be served by the Company;

GULF POWER COMPANY

2. Other documentation, as requested by the Company, demonstrating that there is a viable economic alternative (excluding alternatives in which the Company has an ownership or operating interest) to the Customer's taking electric service from the Company; and
3. In the case of existing Customers, an agreement to provide the Company with a recent energy audit of the Customer's physical facility (the Customer may have the audit performed by the Company at no expense to the Customer) which provides sufficient detail to provide reliable cost and benefit information on energy efficiency improvements which could be made to reduce the Customer's cost of energy in addition to any discounted pricing provided under this rider.

CHARACTER OF SERVICE - This optional rider is offered in conjunction with the rates, terms, and conditions of the tariff under which the Customer takes service and affects the total bill only to the extent that the negotiated rates, terms, and conditions differ from the rates, terms, and conditions of the otherwise applicable rate schedules as provided for under this rider.

MONTHLY CHARGES - Unless specifically noted in this rider or within the Contract Service Arrangement, the charges assessed for service shall be those found within the otherwise applicable rate schedules.

Additional Customer Charge: \$250.00

Demand/Energy Charges: Any negotiated Demand and/or Energy Charges, or the procedure for calculating the negotiated charges, under this rider shall be set forth in the Contract Service Arrangement and shall recover all incremental costs the Company incurs in serving the Customer's Qualifying Load plus a contribution to the Company's fixed costs.

Provisions and/or Conditions Associated with Monthly Charges: Any negotiated provisions and/or conditions associated with the Monthly Charges shall be set forth in the Contract Service Arrangement and may be applied during all or a portion of the term of the Contract Service Arrangement. These negotiated provisions and/or conditions may include, but are not limited to, a guarantee by the Company to maintain the level of either the Demand and/or Energy Charges negotiated under this rider for a specified period, such period not to exceed the term of the Contract Service Arrangement.

SERVICE AGREEMENT - Each Customer shall enter into a Contract Service Arrangement ("CSA") with the Company to purchase the Customer's entire requirements for electric service at the service locations set forth in the CSA. For purposes of the CSA, "the entire requirements for electric service" may exclude certain electric service requirements served by the Customer's own generation as of the date shown on the CSA. The CSA shall be considered a confidential document. The pricing levels and procedures described within the CSA, as well as any information supplied by the Customer through an energy audit or as a result of negotiations or information requests by the Company and any information developed by the Company in connection therewith is considered confidential, proprietary information of the parties. If requested, such information shall be made available for review by the Florida Public Service Commission and its staff only and such review shall be made under the confidentiality rules of the Commission.

SERVICE UNDER THIS RATE SCHEDULE IS SUBJECT TO RULES AND REGULATIONS OF THE COMPANY AND THE FLORIDA PUBLIC SERVICE COMMISSION.