

ORIGINAL

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Charles A. Guyton CGuyton@ssd.com

December 19, 2006

BY HAND DELIVERY

Blanca S. Bayó, Director Division of the Commission Clerk & Administrative Services Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, Florida 32399-0850

RECEIVED FPSC COMMISSION CLERK 05 DEC 19 PM 4:52

Re: Petition for Approval of Purchased Power Agreements 060811- EI

Dear Ms. Bayó:

Enclosed for filing on behalf of Gulf Power Company ("Gulf") are the original and seven (7) copies of:

- (1) Petition for Approval of Purchased Power Contracts
(2) Request for Confidential Classification. The original includes Exhibits A, B, C and D. The seven copies include only Exhibits C and D.
(3) Request for Confidential Classification. The original includes Exhibits A, B, C and D. The seven copies include only Exhibits C and D.

There are separate Requests for Confidential Classification for each purchased power contract. Exhibit A to both Requests for Confidential Classification contains the confidential information that is the subject of Gulf's Request for Confidential Classification. Both Exhibit As are submitted for filing in a separate, sealed envelopes marked "EXHIBIT A - CONFIDENTIAL". Two (2) copies of both Exhibit Bs are being submitted for filing. In each instance, Exhibit B is a redacted version of Exhibit A, in which the information Gulf asserts is confidential, has been blocked out. Exhibit C is Gulf's line-by-line/field-by-field justification for its request for confidential classification and Exhibit D is the affidavit of Raymond W. Grove addressing the reasons why the information Gulf seeks to protect is confidential.

RECEIVED & FILED On FPSC-BUREAU OF RECORDS

11585 DEC 19 06

Blanca S. Bayó, Director  
December 19, 2006  
Page 2

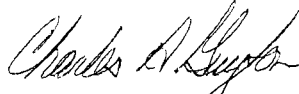
SQUIRE, SANDERS & DEMPSEY L.L.P.  
Including  
STEEL HECTOR & DAVIS LLP

In accordance with Rule 25-22.006(3)(d), Florida Administrative Code, Gulf requests confidential treatment of the information in Exhibit A pending disposition of Gulf's Request for Confidential Classification.

If you or your Staff have any questions regarding this transmittal, please contact me a 850-222-2300.

Sincerely,

SQUIRE, SANDERS & DEMPSEY L.L.P.



Charles A. Guyton

CAG/gcm  
Enclosures

cc: Mary Anne Helton, Esq. (w/o Exhibit A)  
Harold McLean, Esq. (w/o Exhibit A)

TALLAHASSEE/56616.1

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for Approval of Purchased Power ) Docket No. 060811-El  
Agreements between Gulf Power Company and )  
Coral Power, L.L.C. and Gulf Power Company ) Filed: December 19, 2006  
And Southern Power Company )

PETITION FOR APPROVAL OF PURCHASED POWER CONTRACTS

Pursuant to Sections 366.04, 366.041 and 366.076, Florida Statutes, and Rules 25-22.028, 25-22.029, 28-106.301 and 28-106.201, Florida Administrative Code (hereinafter "F.A.C."), Gulf Power Company ("Gulf") respectfully petitions the Florida Public Service Commission ("Commission") for approval through the Commission's Proposed Agency Action ("PAA") process of (a) the Contract For The Purchase Of Firm Capacity And Energy Between Gulf Power Company and Coral Power, L.L.C., dated October 19, 2006 ( the "Coral Contract"), (b) the costs to be incurred under the Coral Contract and associated transmission delivery costs through Gulf's Capacity and Fuel and Purchased Power Cost Recovery Clauses, (c) the Contract For The Purchase Of Firm Capacity And Energy Between Gulf Power Company and Southern Power Company, dated October 19, 2006 ( the "Southern Power Contract"), and (d) the costs to be incurred under the Southern Power Contract and associated transmission delivery costs through Gulf's Capacity and Fuel and Purchased Power Cost Recovery Clauses. Gulf further petitions that the Commission make findings, as more specifically set forth in paragraph 15, that the capacity and energy solicitation ("solicitation") that led to Gulf's execution of the Coral Contract and the Southern Power Contract was (1) transparent, open and fair, (2) properly and clearly defined and not discriminatory, (3) evaluated consistently with identified criteria without any advantage to any party, and (4) overseen by an independent third party monitor who had access to all communications with respondents and evaluations of proposals and could determine the transparency and fairness of the solicitation process. In support of this Petition, Gulf states:

DOCUMENT NUMBER-DATE

11585 DEC 19 06

FPSC-COMMISSION CLERK

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

**In re: Petition for Approval of Purchased Power)  
Agreements between Gulf Power Company and )  
Coral Power, L.L.C. and Gulf Power Company )  
And Southern Power Company )**

**Docket No. 060811-E1**

**Filed: December 19, 2006**

**PETITION FOR APPROVAL OF PURCHASED POWER CONTRACTS**

Pursuant to Sections 366.04, 366.041 and 366.076, Florida Statutes, and Rules 25-22.028, 25-22.029, 28-106.301 and 28-106.201, Florida Administrative Code (hereinafter "F.A.C."), Gulf Power Company ("Gulf") respectfully petitions the Florida Public Service Commission ("Commission") for approval through the Commission's Proposed Agency Action ("PAA") process of (a) the Contract For The Purchase Of Firm Capacity And Energy Between Gulf Power Company and Coral Power, L.L.C., dated October 19, 2006 ( the "Coral Contract"), (b) the costs to be incurred under the Coral Contract and associated transmission delivery costs through Gulf's Capacity and Fuel and Purchased Power Cost Recovery Clauses, (c) the Contract For The Purchase Of Firm Capacity And Energy Between Gulf Power Company and Southern Power Company, dated October 19, 2006 ( the "Southern Power Contract"), and (d) the costs to be incurred under the Southern Power Contract and associated transmission delivery costs through Gulf's Capacity and Fuel and Purchased Power Cost Recovery Clauses. Gulf further petitions that the Commission make findings, as more specifically set forth in paragraph 15, that the capacity and energy solicitation ("solicitation") that led to Gulf's execution of the Coral Contract and the Southern Power Contract was (1) transparent, open and fair, (2) properly and clearly defined and not discriminatory, (3) evaluated consistently with identified criteria without any advantage to any party, and (4) overseen by an independent third party monitor who had access to all communications with respondents and evaluations of proposals and could determine the transparency and fairness of the solicitation process. In support of this Petition, Gulf states:

DOCUMENT NUMBER-DATE

11585 DEC 19 06

FPSC-COMMISSION OF ENERGY

**I**  
**PRELIMINARY INFORMATION**

1. The affected agency is the Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850.

2. The Petitioner's name, address and telephone number are:

Gulf Power Company  
One Energy Place  
Pensacola, Florida 32520-0780  
(850) 444-6231

3. The names, addresses and telephone numbers of Gulf's representatives to receive communications regarding this proceeding are:

Susan D. Ritenour	Jeffery A. Stone, Esq.	Charles A. Guyton, Esq.
Secretary and Treasurer	Russell A. Badders, Esq.	Squire Sanders & Dempsey L.L.P.
and Regulatory Manager	Beggs & Lane	Suite 601
Gulf Power Company	P.O. Box 12950	215 South Monroe Street
One Energy Place	Pensacola, Florida	Tallahassee, Florida
Pensacola, Florida	32591-2950	32301
32520-0780	(850) 432-2451	(850) 222-2300
(850) 444-6231	850) 469-3331(facsimile)	(850) 222-8410(facsimile)
(850) 444-6026(facsimile)		

4. This petition is not a petition addressing an agency decision which has already been made. Therefore, Gulf cannot state how it received notice of an agency action, facts that warrant reversal of an agency proposed action, or rules or statutes that require reversal or modification of an agency's proposed action. This is a petition seeking a proposed agency action, and the facts, rules and statutes that warrant such proposed action are set forth in this Petition.

5. Gulf knows of no material facts in dispute regarding the relief requested herein. Gulf has met with both Staff of the Commission ("Staff") and the Office of Public Counsel

("OPC"), and, to date, no disputed issues of material fact have been identified, although both Staff and OPC have reserved the right to raise such issues.

## II GULF'S SUBSTANTIAL INTERESTS

6. Gulf is a public utility providing retail electric service to approximately 385,000 customers in ten counties in the panhandle of the State of Florida. As a public utility within the meaning of Chapter 366.02, Florida Statutes, Gulf is subject to extensive regulation by the Commission.

7. As a public utility under Chapter 366, Florida Statutes, Gulf has a duty to serve its retail customers. That duty to serve includes the obligation to provide reliable retail electric service at just and reasonable rates.

8. The Commission has been given statutory authority to oversee Gulf's provision of retail electric service. That authority includes oversight of both service reliability and the rates charged for service.

9. In this proceeding Gulf seeks approval of two purchased power agreements. Gulf asks the Commission to approve each agreement and to authorize recovery of the costs pursuant to these agreements and associated delivery costs through Gulf's Capacity and Fuel and Purchased Power Cost Recovery Clauses. Gulf also seeks specific findings from the Commission regarding the fairness of the solicitation process and negotiations that led to the execution of both agreements.

10. Gulf has a substantial interest in having sufficient resources to meet its reliability criterion and provide reliable electric service to its retail customers. Approval of these agreements will allow Gulf to utilize the resources made available through the agreements to meet its reliability criterion in 2009 and continue to provide reliable retail electric service from

2009 through 2014. Gulf has a substantial interest in these resources being available to assist Gulf in meeting its reliability criterion in 2009 through 2014 and in providing Gulf flexibility to meet growing need beyond 2014 with the best technologies and options then available. So, approval of these agreements and approval of the recovery of costs under this agreement, which are conditions subsequent to execution necessary for these agreements to become effective, is critical to Gulf's ability to provide reliable electric service to its customers.

11. Gulf also has a substantial interest in recovering the costs of providing service to its customers, including the costs to be incurred under these contracts. Gulf's solicitation and economic evaluation were structured to yield market-based options that are cost-effective to Gulf's customers, and those evaluations show these contracts to be cost-effective to Gulf's customers. So, approval of these contracts and of the costs to be incurred under these cost-effective contracts necessary to provide reliable electric service would be a determination of Gulf's substantial interests.

### **III RELIEF REQUESTED**

12. Gulf seeks Commission findings approving (a) the Coral Contract, (b) the costs to be incurred under the Coral Contract through Gulf's Capacity and Fuel and Purchased Power Cost Recovery Clauses, (c) the Southern Power Contract, and (d) the costs to be incurred under the Southern Power Contract through Gulf's Capacity and Fuel and Purchased Power Cost Recovery Clauses.

13. The pro forma contracts set forth in Gulf's Request for Proposals ("RFP") contained a provision requiring approval by the Commission subsequent to the execution of the agreement for the agreement to become effective. Both the Coral Contract and the Southern Power Contract have such Commission approval provisions (Coral Contract, Section 2.3;

Southern Power Contract, Section 2.3.2). Thus, for the contracts to become effective, the Commission must issue an order approving the contracts and approving the recovery through Gulf's Capacity and Fuel and Purchased Power Cost Recovery Clauses of costs to be incurred by Gulf under the contracts. Of course, Gulf recognizes the Commission's continuing jurisdiction to review cost recovery under both of these contracts and is not asking the Commission to approve without further review the prudence and reasonableness of all costs to be incurred under these contracts. Gulf is merely asking that the Commission find that the reasonable and prudent costs to be incurred under these agreements would be appropriately recovered through Gulf's Capacity and Fuel and Purchased Power Cost Recovery Clauses.

14. Gulf further petitions that the Commission make the specific findings set forth in paragraph 15. These findings address the solicitation process Gulf followed which led to the execution of these contracts. Although these findings are not required for the contracts to become effective, Gulf seeks these findings for several reasons. First, while the solicitation process was not required under existing Commission policy and rules, the underlying fairness of the process could affect whether the contracts are the most cost-effective resources available to Gulf and Gulf's customers to meet the required need. Second, these findings would reinforce the appropriateness of the future recovery of costs pursuant to these contracts. Third, these findings address certain criteria the Federal Energy Regulatory Commission ("FERC") has established as guidelines for solicitations involving affiliates, and Commission findings that the Gulf solicitation process complied with such FERC guidelines, while not binding upon the FERC, should be helpful to the FERC in its review and acceptance of the Southern Power Contract that also has to be approved by the FERC. Since FERC acceptance of the Southern Power Contract is necessary for it to become effective and the associated capacity to be available to meet Gulf



and Gulf's customers' need, it is in the interest of Gulf, Gulf's customers, Gulf's affected counterparty and the Commission to address these findings.

15. Gulf requests that the Commission make the following findings:
  - (a.) The Gulf solicitation was not required by Commission policy or rule.
  - (b.) The Gulf solicitation yielded a market-based measure of cost-effectiveness.
  - (c.) The Gulf solicitation facilitated wholesale electric market development.
  - (d.) The Gulf solicitation was designed and implemented without an undue preference for an affiliate.
    - (e.) The analysis of proposals in the Gulf solicitation did not favor affiliates.
    - (f.) In the Gulf solicitation, Gulf's selection of the proposal of an affiliate as one of two finalist projects for negotiations was based upon reasonable, non-discriminatory factors.
    - (g.) The Gulf solicitation was transparent, open and fair for all participants.
    - (h.) The Gulf solicitation properly and clearly defined the product sought by Gulf and was designed in a fashion that did not discriminate in favor of any particular participant.
    - (i.) The Gulf solicitation evaluated proposals consistently, in accordance with identified criteria, and without any advantage to any party.
    - (j.) The Gulf solicitation was overseen by an independent third party monitor who had access to all communications with potential respondents and actual respondents, who had access to all evaluations of proposals and who could and did determine that the solicitation process was the transparent and fair for all participants.
    - (k.) The Commission has reviewed the Gulf RFP, RFP process and RFP evaluation and, based on such review, finds that the Gulf solicitation was transparent and fair to all participants and resulted in the selection of the best resources for Gulf's customers.

**IV**  
**GULF'S NEED FOR ADDITIONAL RESOURCES AND ITS**  
**DECISION TO CONDUCT AN INDEPENDENTLY MONITORED RFP**

16. The resource planning process utilized by Gulf to determine its future capacity needs is coordinated within the Southern electric system (“SES”) Integrated Resource Planning (“IRP”) process. Gulf participates in the IRP process along with other Southern electric system retail regulated operating companies.<sup>1</sup> Gulf receives a number of benefits from being part of a large system planning process. Since Gulf comprises only about 6.9% of the total Southern electric system summer peak demand, its needs are relatively small compared to the entire system, allowing Gulf to coordinate its capacity additions to meet its demand and reserve requirements in a manner that allows Gulf to utilize any temporary surpluses of capacity available on the Southern electric system that may result from large economic blocks of capacity added by other SES retail regulated operating companies. This ability to coordinate capacity additions and rely temporarily on any surplus system reserves also allows Gulf to defer capacity addition decisions until the timing allows consideration of (a) larger blocks of need that might justify less costly addition alternatives, (b) emerging technologies that might not have been available earlier, and (c) emerging environmental requirements that might affect unit addition choices. Another important benefit to Gulf is that it shares in the advantages gained from planning a large system such as the SES without the costs of a large planning staff of its own.

17. The capacity resource needs identified in the SES IRP are driven by the demand forecast that includes projected demand-side measures offered by the retail regulated operating companies. In the 2004 SES IRP process reported in Gulf’s 2005 Ten Year Site Plan (“TYSP”),

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<sup>1</sup> Alabama Power Company, Georgia Power Company, and Mississippi Power Company.

the SES IRP process employed a 15.0% reserve margin target for the year 2008 and beyond.<sup>2</sup> The resulting SES resource needs were then allocated among the retail regulated operating companies based on reserve requirements, and each company then determined the resources that would best meet its capacity and reliability needs.

18. For the 2005 TYSP cycle, Gulf's allocated resource needs from the SES IRP were as follows:

<u>YEAR</u>	<u>MW</u>
2008	368
2009	450
2010	512
2011	569
2012	714
2013	782
2014	848

As detailed in its 2005 TYSP, Gulf planned to meet its near term needs with a combination of summer only purchases and longer term firm market capacity purchases. In the 2005 SES IRP process reported in Gulf's 2006 TYSP, the 2009 need decreased only slightly to 415 MW, confirming the need to proceed with procurement of generating capacity.

19. Confronted with an approximate 400-500 MW need for additional peaking resources beginning in 2009, Gulf determined, for a variety of reasons, to look to the market rather than self-build alternatives to meet its additional capacity needs. First, Gulf's assessment of the competitive wholesale market suggested to Gulf there was likely capacity available that could be obtained through a Gulf RFP process. Second, Gulf desired, if the prices were

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<sup>2</sup> This reserve margin target is the optimum economic point where the system can meet its energy and demand requirements after accounting for load forecast error, abnormal weather conditions, and unit-forced outage conditions. It also balances the cost of adding additional generation with the cost of reliability and emergency purchases and the societal cost of not serving all the energy requirements of the customer.

appropriate, to diversify its portfolio of resources. Third, Gulf desired the flexibility associated with deferring a decision that would involve consideration of a self-build alternative.

20. Deferring consideration of a self-build alternative was perceived to provide several advantages. The type and timing of Gulf's 2009 need suggested an addition of combustion turbine ("CT") capacity if Gulf's need were to be met by a self-build option in 2009. However, deferring that need to 2014 would allow Gulf to consider other types of technologies. Gulf's need for capacity would continue to grow, allowing consideration of another type of capacity other than peaking capacity. The deferral also allowed for sufficient time to consider longer lead-time technologies such as clean coal technologies. There was not sufficient time in 2005 to bring a clean coal technology into service by 2009, but a deferral of need until 2014 might allow sufficient time for consideration of such technology by both Gulf and potential market participants. This afforded more time for integrated gasification combined cycle ("IGCC") technology to mature as well as additional time for the emission requirements for Gulf's fleet of generators to become more certain. Finally, deferral of the potential capacity addition date allowed more time for the emergence of technology improvements that might enhance performance and/or reduce costs. For instance, deferral of a decision would allow both Gulf and potential market participants to consider G series turbines rather than F series turbines in both CT and combined cycle ("CC") applications, thus providing lower potential heat rates and increased fuel savings. Based upon all these factors, Gulf chose to solicit 400-500 MW of additional capacity from market resources for five years, from summer 2009 through May 2014.

21. Gulf also decided to conduct a solicitation rather than engage in unilateral negotiations with potential providers. Gulf was not required by Commission policy or rule to conduct a solicitation for short to mid length purchases. However, it chose to do so for several

reasons. The Commission has previously embraced solicitations as being a means of securing cost-effective resource additions, so Gulf saw the advantage of a process that would look to the market to establish a measure of cost-effectiveness. Another advantage of market wide solicitation over unilateral negotiations is that it does not run the risk of missing potential market participants. Finally, Gulf's assessment of the wholesale competitive market was that there was uncommitted capacity that might be available for a five year term, but the best means of testing that assessment was a generally announced solicitation rather than attempting to canvass known potential suppliers in the region.

22. Gulf used an independently monitored, transparent RFP process for several reasons. First, such a process is fair and open and gives confidence to potential suppliers in the evaluation and selection process. Second, such processes have worked well for other regulated utilities. Third, such a structure was viewed by Gulf as providing greater certainty that the proposals in the solicitation process would receive all required regulatory approvals at both the state and federal level, in a timely fashion. Finally, such a process was viewed by Gulf as the process most likely to avoid costly, lengthy protests by unsuccessful or unintentionally excluded potential suppliers.

## V

### **GULF'S RFP DEVELOPMENT AND IMPLEMENTATION**

#### **A. Guiding Principles**

23. In developing its RFP and RFP process, Gulf followed two primary sets of guidelines: the Commission's solicitation rule, Rule 25-17.082, F.A.C., and FERC RFP guidelines.

**B. The Commission's solicitation rule**

24. The Commission's solicitation rule is not applicable to short-term purchases such as those contemplated in Gulf's RFP where the utility is not contemplating a self-build alternative that would require a determination of need. Investor-owned public utilities have routinely entered into short and mid term purchased power arrangements without conducting RFPs under the capacity solicitation rule. However, Gulf is aware that the solicitation rule is probably the Commission's most recent expression of what comprises a fair solicitation process, so Gulf looked to it for guidance.

25. After review of the solicitation rule, Gulf conceived of an approach that was consistent with the solicitation rule process, with two primary variations: use of an independent monitor and no identification of a self-build alternative. Gulf then approached the Commission to inform the Commission of its intent.

26. Although the use of an independent evaluator was proposed by some participants during the most recent amendment of the Commission's solicitation rule, the Commission did not adopt such a provision. It consciously left the decision-making up to the utility conducting the RFP, knowing that the utility's RFP would be subject to the Commission's independent review and approval in a subsequent determination of need proceeding. So, the solicitation rule did not require an independent evaluator.

27. However, Gulf was aware of FERC guidelines that required the use of an independent third party monitor or evaluator if a utility was to be able to consider all potential market participants, including affiliates of the soliciting utility. So, given the Commission's earlier rejection in the amendment of the solicitation rule of requiring an independent evaluator, Gulf presented to the Commission Gulf's approach of employing an independent monitor rather

than an independent evaluator. This approach kept the decision-making at the utility, leaving the Commission as the entity with the ultimate review and independent verification of the correctness of the process. This approach more closely conformed to the solicitation rule while still complying with the FERC guidelines. Thus, Gulf chose to employ an independent monitor.

28. The second variation from the solicitation rule in Gulf's solicitation was that it did not set forth a self-build alternative as a standard against which respondents would form their proposals. There were several reasons for this. First, this was a short-term solicitation of the market. Gulf was hoping to avoid having to consider building a long lived peaking asset for a short term peaking capacity need. Second, this was not a solicitation that would likely lead to a unit being constructed under the Florida Electrical Power Plant Siting Act and requiring a determination of need, which is the focus of the Commission's solicitation rule. This solicitation was likely to be met by existing facilities or peaking facilities that might be constructed in the short lead time, neither of which would require a determination of need. Finally, there appeared to be sufficient capacity available in the market such that a market solicitation should provide an adequate measure of cost-effectiveness.

29. So, with these two modest variations, Gulf proceeded with an RFP that followed the requirements of the solicitation rule. Gulf issued its RFP after a timely notice of its issuance in newspapers, and the notice provided a website address at which a copy of the RFP and related documents could be requested as well as a schedule for the critical dates. No term of the RFP was unfair, unduly discriminatory, onerous or commercially infeasible. The RFP contained a schedule of critical dates and a description of the price and non-price attributes to be addressed by each proposal. It also contained a detailed description of the RFP evaluation methodology. It included a cost based fee. Gulf's RFP also contained system specific conditions. In evaluating

proposals, Gulf used only the attributes, criteria and methodology that were identified in the RFP. Gulf filed a copy of its RFP with the Commission upon issuance. Prior to issuance of the RFP, Gulf held a meeting with potential participants allowing discussion of the requirements of the proposed RFP. Within two weeks of issuance, Gulf held another meeting with potential respondents to address questions. Gulf also provided a response period of a minimum of 60 days from issuance.

30. Indeed, Gulf went beyond the requirements of the solicitation rule in many significant respects. Gulf retained an independent monitor to assist in the development and implementation of the RFP. Ultimately, the independent monitor was retained to monitor contract negotiations as well. Gulf's independent monitor created a website through which all communications to and from Gulf with potential respondents and actual respondents were routed. This allowed for control of communication and avoided any respondent receiving an advantage due to a unique access to information. Gulf developed and followed a Code of Conduct governing the conduct of its evaluation team. Gulf had not only a pre-issuance meeting, but also an operational website prior to issuance that allowed potential participants to make comments on RFP documents, creating a more collaborative process than is required under the capacity solicitation rule. Gulf published not only the RFP on the website, but also a host of related RFP documents (approximately 52 RFP related documents), including pro forma contracts for both CT and CC facilities.

### **C. FERC Guidelines**

31. In addition to the Commission's solicitation rule, Gulf's other guiding principle in formulating its RFP was FERC guidelines for solicitations. FERC has developed several sets of guidelines for RFPs for solicitations. These guidelines have been developed so that soliciting



utilities can canvass the entire market, including affiliates, to arrive at the best option for customers. FERC has adopted guidelines which, when complied with, will avoid any advantage to a soliciting utility's affiliates.

32. FERC's RFP guidelines have emerged over time in several FERC orders. The first FERC order setting forth RFP guidelines to be followed was Boston Edison Co. Re: Edgar Electric Energy Co., 55 FERC ¶ 61,382 (1991) ("Edgar"). In that case where Boston Edison sought approval of a contract to buy from an affiliate at market-based rates, FERC required utilities to show there was not an opportunity for self dealing or affiliate abuse. It established three criteria that needed to be met: (1) a competitive solicitation process was designed and implemented without undue preference for an affiliate; (2) the analysis of proposals did not favor affiliates, particularly as to non-price factors; and (3) the affiliate was selected based upon some reasonable combination of price and non-price factors. Edgar, 55 FERC ¶ 61,382 at 62,168.

33. Over time FERC's focus has been refined, and the most recent standards for utility RFPs are found in Allegheny Energy Supply Company, LLC, 108 FERC ¶ 61,082 (2004) ("Allegheny"). In Allegheny FERC prescribed new guidelines it would employ to determine whether a competitive solicitation complied with Edgar and was conducted in a manner so that "no affiliate should receive undue preference during any stage of the RFP:" (a) transparency – the competitive solicitation process should be open and fair; (b) definition – the product or products sought through the competitive solicitation should be precisely defined; (c) evaluation – the evaluation criteria should be standardized and applied equally to all proposals and respondents; and (d) oversight – an independent third party should design the solicitation, administer bidding, and evaluate proposals prior to the company's selection.

**D. Use of an Independent Monitor**

34. So, in addition to designing the RFP to comply with the solicitation rule, Gulf worked with an independent monitor to design an RFP that met the FERC RFP guidelines of both the Edgar and Allegheny cases.

35. Gulf selected as its independent monitor Accion Group, Inc. (“Accion”). Accion is an independent consulting group with its primary office located in Concord, New Hampshire. Accion provides a variety of utility regulatory and financial services. Prior to being retained by Gulf Power as an independent monitor, Accion had served as an independent monitor on behalf of the Arizona Corporation Commission overseeing the competitive solicitation of energy and capacity needs of Arizona’s two largest electric utilities. In that role Accion facilitated the process for reaching agreement among all interest groups concerning the development of a competitive solicitation process for electric utilities. Accion had also served as an independent evaluator selected by the Georgia Public Service Commission for a capacity solicitation conducted by Georgia Power Company to meet its needs in 2009.<sup>3</sup> Thus, Accion was imminently qualified to serve as an independent monitor in Gulf’s solicitation.

36. Gulf’s assessment of Accion’s independence relied in part upon the assessment performed by the Georgia Public Service Commission when it selected Accion in a competitive solicitation to act as the independent evaluator in the Georgia Power solicitations for 2009 need. Under Georgia’s applicable rules, Accion had to be retained under a contract acceptable to the Georgia Public Service Commission. To help assure independence, the independent evaluator had to be selected by and report to the Georgia Public Service Commission. Indeed, Accion was selected by the Georgia Public Service Commission in a competitive solicitation in which

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<sup>3</sup> Accion was also in the process of serving as the Independent Evaluator for Georgia Power’s 2010 and 2011 capacity solicitations and was later selected by the Georgia Public Service Commission to serve as the Independent Evaluator for Georgia Power Company’s 2012 capacity solicitation.

Accion was required to establish its independence. Accion was required to disclose any financial or personal interest involving Georgia Power or any potential respondent, including any substantive assignments for any Southern Company affiliate for the preceding five years. Through this process as well as its subsequent discussions with Accion prior to hiring Accion, Gulf assured itself that: neither Accion, its principals nor its consultants had a financial interest in any of the entities who might potentially participate in Gulf's RFP or in the outcome of the RFP process; Accion's involvement was independent of any affiliate of Gulf or any other respondent; neither Accion, its consultants nor its principals had any financial interest in the Southern Company or any of its affiliates or in the outcome of Gulf's solicitation; and Accion did not own or operate facilities in the southeastern United States that might participate in the Gulf RFP.

37. Accion was retained to perform the role of the independent third party monitor as well as an additional significant role of monitoring negotiations. Accion was used in the design, administration and evaluation stages of Gulf's RFP. As previously noted, Accion's independence was determined previously by the Georgia Public Service Commission prior to Accion's involvement in Georgia, and Accion was assigned the responsibility throughout the Gulf RFP development and implementation process to assure that FERC guidelines and Gulf Standards of Conduct were followed to avoid potential affiliate abuse. Accion was able to make a determination as to whether Gulf's solicitation was transparent, open and fair and whether the issuer's decision was influenced by any affiliate relationship. In its Final Report, which is attached as Attachment A to this Petition, Accion concluded the following regarding Gulf's solicitation:

Based on our observations, Accion Group believes the Gulf 2009 RFP, by design and practice, was fair to all marketers. The RFP was well advertised, and

access to relevant RFP documents and information was readily available. Marketers had numerous means and opportunity to assist in the design of the RFP documents. Through comments, questions and answers, and the bidder conferences, bidders made their concerns known. All marketers had access to the same information. The RFP process was monitored by an independent third party, which assured bidders that the 2009 RFP was fair and transparent. Access to the IM gave bidders the means by which they could express concerns and have them addressed at all phases of the RFP process.

Gulf adequately described the processes it would use to evaluate bids and to qualify bidders. The RFP clearly set forth comprehensive descriptions of the products the Company intended to acquire. The RFP and pro forma PPAs detailed the terms and conditions pursuant to which the Company would execute a contract.

We believe the bid evaluation model was structured and operated correctly, and that the process implemented was fair and conducted without bias. We confirmed that other than accepted minor adjustments, the evaluation model was unchanged throughout the evaluation process and was used consistently in evaluating each bid.

We found the RFP was conducted in conformity with the process Gulf adopted at the outset. Further, we believe the process conforms to the Commission's solicitation rule, notwithstanding that the rule is not applicable in this situation.

We did not observe bias in the application of Gulf's RFP process, including the evaluation of bids, towards or against any bid or bidder. We believe the evaluation of all bids was done in a fair manner, and the same evaluation standards being applied to all bids. We believe the evaluation model used by Gulf was fairly designed and applied. Negotiations between Gulf and individual bidders were conducted fairly and without information about competing bids being disclosed. In addition to reviewing all bid evaluations, the IM monitored all bid negotiations. We believe that a majority of the modifications to the pro forma PPA were appropriate and necessary to meet generation plant-specified requirements and the needs of both parties. The remaining amendments to the PPAs were not material, but were appropriate and did not alter the risks, benefits, or cost responsibilities of the contracting parties.

38. As the independent monitor which (a) handled all communication between Gulf and actual respondents and Gulf and potential respondents, (b) assisted in the design of the RFP and RFP documents, (c) created and maintained the RFP website, and (d) oversaw the implementation of the Standards of Conduct, Accion was uniquely positioned to make an independent judgment regarding the propriety of Gulf's RFP. Accion served as the clearinghouse for communication between potential respondents and Gulf in the collaborative

process prior to issuance. Accion continued to be the conduit for transmittal of information, first between potential respondents and Gulf prior to proposal submission, later between respondents and Gulf during evaluation and finalist determination, and finally during contract negotiation. At the evaluation stage Accion had access to all proposal information necessary to assess all proposals. Indeed, in the Georgia Power solicitations in which it served as the Independent Evaluator, Accion had previously reviewed the same evaluation methodology that was used in Gulf's RFP to evaluate the proposals, and Accion had determined that the methodology was fair and reasonable and would yield the correct result if applied appropriately. Accion also had access in the Gulf solicitation to information necessary to verify transmission characteristics that came into play in the evaluation of proposals. Evaluations of the proposals, including transmission analyses, were provided to Accion for its review prior to selection decisions. Ultimately, Accion reviewed the evaluation of proposals conducted and concluded that the evaluation was performed consistently with the evaluation methodology, was fair and reasonable and reached the appropriate result.

**E. Use of Experienced Personnel**

39. In applying the guidelines of the solicitation rule and FERC, Gulf was able to rely upon not only Accion, but also personnel from Southern Company Services who have participated in other successful solicitations for other retail regulated operating companies in the Southern electric system. These personnel have assisted Alabama Power Company, Georgia Power Company and Savannah Electric and Power Company in multiple solicitations.

40. Over the period 1998 through 2005, this group within Southern Company Services assisted in the development and implementation of seven capacity solicitations in which respondents submitted over 180 proposals offering over 150,000 MW of power. As a result of

these solicitations, over 7,000 MW of contracts were entered into by Southern operating companies.

41. This series of RFPs allowed the development of a refined RFP and refined contracts, building upon the group's prior experience. In addition, the more recent solicitations on behalf of Georgia Power, solicitations to meet Georgia's Power's 2009, 2010, 2011 and 2012 capacity needs, were conducted or are being conducted pursuant to the Georgia Public Service Commission's solicitation rule in which the Georgia Commission selected an independent evaluator to work with this group to develop and implement the RFPs and conduct the evaluation. As with the Gulf RFP, these most recent solicitations used a transparent process, and their design was influenced by the input of market participants. These solicitations were ultimately subject to the Georgia Commission's review and approval.<sup>4</sup> Thus, Gulf had at its disposal a wealth of prior experience in conducting solicitations in the southeast.

#### **F. Gulf's RFP Development**

42. Gulf began its RFP development in consultation with the Southern Company Services personnel who had prior experience in developing and implementing RFPs for other Southern retail regulated operating companies. This allowed Gulf to build on their prior experience, using RFP documents and purchased power agreements which had been refined over time. More recently, those documents had been refined in the Georgia Power solicitations that had been overseen by the Georgia Public Service Commission, and one completed solicitation had been approved by the Georgia Commission. Those documents were refined to address

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<sup>4</sup> When Accion was retained, only the 2009 solicitation has been completed and approved, but the 2010 and 2011 solicitations in which Accion had been chosen to be the Independent Evaluator were underway. It was in these solicitations that Accion and this group within Southern Company Services were provided the opportunity to work collaboratively. Indeed, it was, in part, this experience that allowed Gulf to select Accion as its independent monitor.

Gulf's specific needs. However, before proceeding with its solicitation, Gulf determined the need for an independent monitor, and then selected Accion.

43. After Accion's selection as the independent monitor, Gulf scheduled meetings with Accion to review the conceptual framework and design of the RFP so that Accion could refine the RFP and assume the lead in the RFP's implementation. Essential documents were reviewed and/or revised, such as the draft RFP document, Standards of Conduct, draft pro forma contracts for the purchase of power from both CT and CC facilities, an RFP Process document, a Public Notice of the RFP and a press release regarding the RFP.

44. Once Gulf had a design for the RFP and the RFP implementation process and had developed draft RFP documents and Standards of Conduct, Gulf brought to the Commission its planned approach. In November 2005 Gulf requested an opportunity to present its approach to the Commission at an Internal Affairs meeting. Attached to Gulf's letter requesting the opportunity to present was a draft of a document setting forth in detail Gulf's RFP process. At the Commission's December 20, 2006 Internal Affairs meeting, Gulf presented the RFP process and anticipated schedule to the Commission, sharing Gulf's anticipated use of an independent monitor.

45. On December 22, 2005 Gulf provided public notice of its intended RFP. The notice communicated Gulf's intent to use an independent monitor, a website address for access to the RFP documents and the size and timing of Gulf's capacity need. A copy is attached as Attachment B. The notice was published in four newspapers: the *Tallahassee Democrat*, the *Florida Freedom Springs*, the *Daily News* and the *Pensacola News Journal*. Also on December 22, 2005, Accion forwarded an email to 67 potential respondents informing them of the RFP and inviting them to register and review the RFP documents on the Accion website. On December

27, 2005 Gulf issued its press release to trade publications in which it announced its intent to issue an RFP on January 20, 2006 soliciting proposals by March 21, 2006 for 400-500 MW of power, preferably peaking, but accepting non-peaking as well. A copy is attached as Attachment C. The press release gave the Accion website address at which interested potential participants could register and pre-qualify to gain access to draft RFP documents. This website address was also shared with the Commission Staff so that the Staff could gain access to the website and, if desired, monitor the development and implementation of Gulf's RFP.

46. Prior to release of its RFP, Gulf received comments through the Accion website from potential respondents inquiring about and/or suggesting changes to the draft RFP documents posted on the website. Gulf addressed those inquiries and comments and made appropriate changes to both its RFP document and draft PPAs prior to issuance of its RFP. Gulf also posted additional RFP related documents on the Accion website.

#### **G. Gulf's RFP Issuance**

47. On January 20, 2006, Gulf released through the independent monitor website Gulf's modified RFP along with modified PPAs and a host of other RFP related documents. The RFP document, a copy of which is attached as Attachment D, set forth a schedule for future milestone dates. More importantly, the RFP document along with related documents such as revised draft PPAs and the RFP Process description, which is attached as Attachment E,<sup>5</sup> provided respondents with a detailed and comprehensive description of the product being sought, a detailed description of the RFP process and the evaluation criteria and process to be employed to review proposals, Southern system transmission information and a link to Southern's OASIS website, and a full description of the process through which Gulf would solicit, collect and

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<sup>5</sup> The RFP Process document, which was compiled initially by Gulf with the assistance of Southern Company Services personnel, was submitted to the Commission in November 2005. It was reviewed by Accion and with only one minor change was incorporated into the RFP as well as separately posted on Accion's website.



evaluate proposals, communicate with potential respondents and ultimately respondents and make determinations of the entities with whom it would negotiate potential PPAs. A copy of the RFP schedule independent of the RFP document was also posted on the Accion website. That same day a copy of the RFP was filed with the Commission.

#### **H. Gulf RFP Implementation**

48. On January 31, 2006 Gulf held a post-issuance meeting with potential respondents in which Gulf (a) summarized its RFP and the prospective RFP process, including changes from earlier draft documents as well as scheduling of activities, (b) answered questions posed, (c) explained how the website would be used to channel and record communications, and (d) encouraged respondents to submit timely proposals by March 21, 2006.

49. During the period between RFP issuance and the scheduled submission of proposals, Gulf continued to receive and respond on the website to inquiries from interested potential respondents. These questions and Gulf responses were made available on the Accion website to all potential respondents and Staff.

#### **I. Proposals Received**

50. On March 21, 2006 Accion opened proposals submitted in response to Gulf's RFP. Two respondents submitted three proposals. Two of the three proposals were for the supply of power from existing generation facilities. Two of the proposals, one from each of the respondents, offered power pursuant to a tolling agreement arrangement from existing CT facilities located in Georgia. The third proposal, made by one of the respondents who also presented a CT based proposal, made an offer to supply Gulf capacity and energy pursuant to a tolling agreement arrangement from a CC facility. All offers were for five years from June 1, 2009 through May 31, 2014. The total capacity offered in the three proposals was 1,108 MW.

51. In addition to the two respondents who submitted the three proposals, six other potential respondents registered but did not submit proposals. The independent monitor contacted each of those registrants for an assessment of why they did not submit proposals. Two chose not to submit proposals because of anticipated transmission costs; two did not have the requested product; one registered too late to submit a proposal; and one had a change in business plan. Thus, Gulf concluded from the proposals and the reasons registrants did not participate that Gulf's RFP provided a representative section of the market and a reasonable basis from which to deduce market costs.

#### **J. Evaluation of Proposals**

52. Prior to the evaluation, Gulf had finalized and sent to Accion the evaluation methodology to be employed in the evaluation of proposals in the Gulf RFP. It was the same evaluation methodology which had been employed in the capacity solicitations for Georgia Power in which Accion had performed the role of Independent Evaluator. In its Final Report regarding the 2009 Georgia Power solicitation, Accion concluded that "the bid evaluation model was structured and operated correctly and the process implemented was fair and conducted without bias." That evaluation methodology was thoroughly reviewed by the Georgia Public Service Commission Staff and ultimately approved by the Georgia Public Service Commission.

53. Gulf also provided Accion, prior to the evaluation, the datasets and models that would be used to perform the evaluation in the Gulf RFP. Accion reviewed and tested the models and found them to be free of observable flaws or inherent biases. Gulf also provided to Accion detailed forecasting data and assumptions to be used in the models (for example, load forecasts, fuel forecasts, economic assumptions, etc.). Accion reviewed this information and concluded that the forecasts were appropriate and consistent with the forecasts Gulf employed to

conduct its normal course of business and that the economic assumptions were generally consistent with publicly available forecast of inflation and forecast future power costs. Accion also reviewed the methodology to be employed in assessing transmission costs, confirming that it was the same process employed in the Georgia solicitation which had undergone regulatory review and approval, and Accion found “the approach to be comprehensive and unbiased.”

54. Once all models and data sets were finalized prior to the receipt of bids, Accion developed a series of mock bids that were evaluated using the models, assumptions and data sets provided to Accion. The results of these mock evaluations were reviewed by Accion for reasonableness. The results were consistent with expected results. This information was then secured by Accion so that an assessment could be performed after the evaluation to determine whether the evaluation conformed to the evaluation methodology and was properly performed.

55. Once the RFP proposals were received, the independent monitor and Gulf reviewed the proposals for compliance with the RFP and to identify supplemental information that was needed to evaluate each proposal. Questions necessary for a complete evaluation were posted through the Accion website to the bidders, and answers were similarly sent to Gulf through postings on the Accion website.

56. Based upon the proposals as supplemented with information requested through the website, the proposals were evaluated consistently with the previously established evaluation methodology. This evaluation considered not only the costs submitted in the proposals, but also savings from incorporating the generation resources into the system generation dispatch and forecasted transmission costs necessary to move the power to Gulf’s territory.

57. To confirm that the evaluation was run consistently with the previously established evaluation methodology, Accion required Gulf to run its evaluation of RFP proposals

with the mock bids developed by Accion. Accion then compared the results and confirmed that except for minor variations which had been approved by Accion, the results of the evaluation were consistent with the results of the earlier evaluation of the mock proposals.

58. A summary of the economic evaluation of the three proposals received is shown on Attachment F. This analysis shows net present value costs for each proposal on a \$/KW basis in 2005 dollars. The two lowest cost proposals were proposals offered from existing CT units. The CC alternative had the highest costs. Based upon its evaluation of the proposals, on May 8, 2006 Gulf informed the respondents with the two lowest cost proposals that they had been selected for contract negotiation.

## **VI CONTRACT NEGOTIATION**

59. Prior to initiating actual negotiations, Gulf retained Accion as an independent monitor for the negotiations process. Gulf felt that the continued use of an independent monitor helped insure that the negotiations process was fair. It provided an independent review of the process for subsequent regulatory review. It also provided an independent assessment of whether the parties to the negotiation proceeded in good faith.

60. Consistent with prior communications practice, Accion and Accion's RFP website were used to route communications and contract drafts between the negotiating parties. This assured a record of communication that would facilitate both ongoing negotiations as well as subsequent regulatory review.

61. The independent monitor attended all negotiating sessions between the parties as well as telephone conferences employed for communication and negotiations when face to face sessions were unnecessary.

62. The two purchased power agreements for which Gulf seeks Commission approval were negotiated over the period of May 2006 through October 2006. The resulting contracts conform in large measure to the pro forma CT contracts published as part of Gulf's RFP. Changes were necessitated due to the specific respondents, the facilities from which they are providing power, exceptions to the pro forma contracts set forth in the proposals, desirable clarifications, the fact that both counterparties desired tolling agreements for dual-fueled facilities, and one of the counterparties offering automatic generation control.

## **VII THE GULF/CORAL CONTRACT**

63. As a result of its RFP and subsequent contract negotiation, Gulf has entered into a purchased power agreement with Coral Power L.L.C. The Coral Contract has been filed separately but contemporaneously with a request for confidential classification so that the confidential portion of the Coral Contract will be protected from public disclosure. The Coral Contract outlines the terms of Gulf's purchase of capacity, energy and Ancillary Services from four CTs that comprise part of the electric generating plant known as Baconton Power. These four CTs have a nominal capability of 195 MW. Baconton Power is located in Mitchell County, Georgia (near Albany). The delivery of power under the Coral Contract is for five years, from June 1, 2009 through May 31, 2014.

64. Gulf's evaluation concluded that the Coral Contract coupled with the Southern Power Contract was the most cost-effective means of meeting Gulf's forecasted peaking capacity need between 2009 and 2014. As is shown on Attachment F, these two alternatives were the lowest cost alternatives submitted in Gulf's RFP.

65. Gulf's final economic evaluation, which is summarized on Attachment G, showed these two contracts to be more cost-effective than a comparable Gulf self-build CT alternative.

When one considers the additional cost savings associated with deferring consideration of another capacity choice sufficiently forward in time to accommodate the use of new generating technology, the projected cost savings to Gulf's customers of entering into the Coral and Southern Power Company contracts is, at least, \$7.7 million, net present value. This cost savings is calculated using economic carrying charges, an evaluation methodology akin to the Commission's value of deferral approach. If the projected savings were calculated on revenue requirements basis, they would exceed \$41 million, net present value.<sup>6</sup>

66. The Coral Contract is structured to serve Gulf customer interests by not only securing a low cost resource, but also including terms that protect Gulf customers. These terms include, but are not limited to, representations and warranties of the seller, provisions that reduce payments due to the seller failing to achieve certain performance requirements, provisions that allow the seller to arrange for delivery from alternate resources, provisions that require the posting of certain performance security, liquidated damages provisions for failure to achieve commercial operation, annual performance testing to assure contracted performance, provisions requiring the scheduling of maintenance and the coordination of scheduling, seller insurance requirements, seller indemnification provisions, buyer's right to terminate, buyer's right to seek damages, buyer's right to seek specific performance in certain circumstances, and limitations on the seller's right to assign the contract.

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<sup>6</sup> These calculations of savings to Gulf's customers are conservative. They assume transmission costs for the two facilities that may not be necessary. In addition, they assume zero transmission costs associated with a Gulf self-build option, a simplifying assumption that probably understated the cost of Gulf's self-build alternative and the resulting savings to Gulf customers. They are also conservative in that the calculation of savings associated with the potential substitution of a more advanced generating technology, substitution of G series turbines for F series turbines, does not capture potentially greater savings associated with a different type capacity that may accrue due to the deferral of a resource addition decision from 2009 until 2014. That deferral would allow consideration of G Series combined cycle technology as well as clean coal technologies, which, if considered later might result in significant savings to Gulf customers.

67. The Coral Contract is the fruit of not only a carefully crafted, transparent and fair RFP process, but also an arm's length, good faith contract negotiation. Gulf respectfully submits that the Coral Contract should be approved. In addition, Gulf's recovery of costs to be incurred pursuant to the Coral Contract and the associated transmission costs necessary to move the power to Gulf should be approved for recovery through Gulf's Capacity and Fuel and Purchased Power Cost Recovery Clause.

### **VIII THE GULF/SOUTHERN POWER CONTRACT**

68. As a result of its RFP and subsequent contract negotiation, Gulf has entered into a purchased power agreement with Southern Power Company. The Southern Power Contract has been filed separately but contemporaneously with a request for confidential classification so that the confidential portion of the Southern Power Contract will be protected from public disclosure. The Southern Power Contract outlines the terms of Gulf's purchase of capacity, energy and Ancillary Services from four CTs that comprise part of the Dahlberg electric generating plant. These four CTs have a nominal capability of 73 MW each, for a total nominal capability of 292 MW. The Dahlberg facility is located in Jackson County, Georgia. The delivery of power under the Southern Power Contract is for five years, from June 1, 2009 through May 31, 2014.

69. Gulf's evaluation concluded that the Southern Power Contract coupled with the Coral Contract was the most cost-effective means of meeting Gulf's forecasted peaking capacity need between 2009 and 2014. As is shown on Attachment F, these two resources were the lowest cost proposals submitted in Gulf's RFP. Moreover, as is also shown on Attachment F, the Southern Power proposal was the single lowest cost option submitted in Gulf's RFP.

70. Gulf's final economic evaluation, which is summarized on Attachment G, showed the portfolio of the Coral and Southern Power Contracts to be more cost-effective than a

comparable Gulf self-build CT alternative. When one considers the additional cost savings associated with deferring consideration of another capacity choice sufficiently forward in time to accommodate the use of new generating technology, the projected cost savings to Gulf customers of entering these contracts is, at least, \$7.7 million, net present value. This conservative cost savings is calculated using economic carrying charges, an evaluation methodology akin to the Commission's value of deferral approach. If the projected savings were calculated on revenue requirements basis, they would exceed \$41 million, net present value.

71. The Southern Power Contract is structured to serve Gulf customer interests by not only securing a low cost resource, but also including terms that protect Gulf customers. These terms include, but are not limited to, representations and warranties of the seller, provisions that reduce payments due to the seller failing to achieve certain performance requirements, provisions that allow the seller to arrange for delivery from alternate resources, provisions that require the posting of certain performance security, liquidated damages provisions for failure to achieve commercial operation, annual performance testing to assure contracted performance, provisions requiring the scheduling of maintenance and the coordination of scheduling, seller insurance requirements, seller indemnification provisions, buyer's right to terminate, buyer's right to seek damages, buyer's right to seek specific performance, and limitations on the seller's right to assign the contract.

72. The Southern Power Contract is the fruit of not only a carefully crafted, transparent and fair RFP process, but also an arm's length, good faith contract negotiation. Gulf respectfully submits that the Southern Power Contract should be approved. In addition, Gulf's recovery of costs to be incurred pursuant to the Southern Power Contract and the associated



transmission costs necessary to move the power to Gulf should be approved for recovery through Gulf's Capacity and Fuel and Purchased Power Cost Recovery Clause.

## **IX ASSOCIATED TRANSMISSION COSTS**

73. The Baconton and Dahlberg generating plants are located in the State of Georgia and are connected to the Georgia Integrated Transmission System ("ITS"). Baconton is interconnected with transmission facilities owned by the Georgia Transmission Corporation ("GTC"), and Dahlberg is interconnected with transmission facilities owned by Georgia Power Company ("GPC").

74. The ITS is comprised of transmission facilities owned by GPC, GTC, Municipal Electric Authority of Georgia ("MEAG Power"), and Dalton Utilities. These ITS Participants have contracted through a series of Integrated Transmission System Agreements (ITSAs) to invest in the ITS and use the ITS to deliver capacity and energy from their individual generating sources to their customer loads. The investment responsibility for ITS transmission facilities is shared by requiring each Participant to make ITS investments proportionate in the aggregate to the individual Participant's use of the ITS. This investment responsibility is balanced annually through parity payments between the parties.

75. The ITSAs recognize that a Participant may use the ITS to deliver capacity from the ITS to a load obligation off the ITS. Subject to certain limitations set forth in the ITSAs, a Participant with such obligation may be required to make a payment for this use of the ITS facilities of the other Participants.

76. If GPC does incur an ITS payment obligation, Gulf has agreed to reimburse GPC for such cost during the term of the PPAs. For purposes of the final economic evaluation of

options, Gulf assumed ITS payments of approximately \$13.2 million, knowing that such payments may not be required or could be lower.

77. Additionally, some relatively minor upgrades to Georgia ITS transmission lines may be necessary to ensure firm transmission service for the Baconton PPA during the term. Gulf is in contract negotiations with the owner of these facilities to effectuate these upgrades and appropriately compensate the owner for the cost of the upgrades. For purposes of the final economic evaluation of options, Gulf assumed the cost of potential upgrades of \$875,000, knowing these upgrades may not be necessary and could cost less.

78. The potential ITS use charge and the estimated transmission line upgrade costs have been included in the final proposal evaluations, replacing the transmission cost evaluations utilized in the selection of finalists. A summary of the final proposal evaluation is attached as Attachment G. As previously noted, the Coral and Southern Power Contracts, which were developed from the two lowest cost proposals submitted in Gulf's RFP, are more cost-effective than a comparable Gulf self-build CT alternative. The projected cost savings to Gulf's customers of entering into these contracts is, at least, \$7.7 million, net present value. This conservative cost savings is calculated using economic carrying charges, an evaluation methodology akin to the Commission's value of deferral approach. If the projected savings were calculated on revenue requirements basis, they would exceed \$41 million, net present value.

## **X STATEMENT OF ULTIMATE FACTS**

79. The 487 MW portfolio comprised of the Coral Contract and the Southern Power Contract is needed by Gulf for both reliability and to achieve reasonable cost of providing electric service. Gulf needs peaking capacity from June 2009 through May of 2014 to meet its reserve margin criterion responsibility, and the portfolio of the Coral Contract and the Southern

Power Contract is Gulf's lowest cost alternative to meet that need. The Coral Contract and the Southern Power Contract are the fruit of an RFP, an RFP process, an RFP evaluation and a contract negotiation that exceeded the requirements of the Commission's solicitation rule (which was not even applicable) and which met FERC's RFP guidelines. The contracts are based upon the two lowest cost proposals received in the RFP and are less costly than a Gulf self-build alternative. To become effective, the contracts require Commission approval, and the Southern Power Contract will also require FERC approval. Therefore, the Commission should (a) approve both the Coral Contract and the Southern Power Contract, (b) authorize recovery through Gulf's Capacity and Fuel and Purchased Power Cost Recovery Clause of the costs to be incurred under the contracts as well as the transmission costs to be incurred to deliver the power to Gulf, and (c) make the specific findings set forth in paragraph 15.

## **XI PRAYER FOR RELIEF**

WHEREFORE, based upon the foregoing as well as the Attachments to this Petition and the contemporaneously filed copies of the Coral and Southern Power Contracts, Gulf respectfully requests that the Commission approve through its PAA process: (a) the Coral Contract, (b) the costs to be incurred under the Coral Contract and associated transmission delivery costs through Gulf's Capacity and Fuel and Purchased Power Cost Recovery Clause, (c) the Southern Power Contract, and (d) the costs to be incurred under the Southern Power Contract and associated transmission delivery costs through Gulf's Capacity and Fuel and Purchased Power Cost Recovery Clause. Gulf further petitions that the Commission make findings, as more specifically set forth in paragraph 15, that the solicitation that led to Gulf's execution of the Coral Contract and the Southern Power Contract was (1) transparent, open and fair, (2) properly and clearly defined and not discriminatory, (3) evaluated consistently with identified criteria

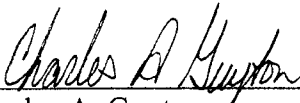
without any advantage to any party, and (4) was overseen by an independent third party monitor who had access to all communications with and evaluations of proposals and could and did determine the transparency and fairness of the solicitation process.

Respectfully Submitted,

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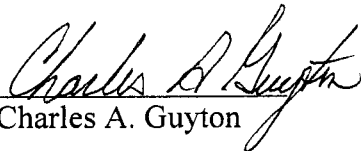
By:   
Charles A. Guyton  
Fla. Bar No. 398039

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a copy of the forgoing Petition for Approval of Purchased Power Contracts was served by hand delivery (\*) and First Class United States Mail on this 19th day of December, 2006 upon the following:

Mary Anne Helton, Esq.\*  
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Florida Public Service Commission  
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By:   
Charles A. Guyton

**REPORT OF ACCION GROUP**  
**INDEPENDENT MONITOR**  
**GULF POWER COMPANY 2009 RFP**

**I. EXECUTIVE SUMMARY**

Accion Group, Inc. was retained by Gulf Power Company (Gulf or the Company) in December 2005 to serve as the Independent Monitor (IM) for the solicitation of 500 MW of generation capacity and energy for five years beginning in 2009 to meet expected system needs. We monitored every aspect of the Gulf RFP process from the preparation of the draft RFP documents through the negotiation and execution of Purchase Power Agreements (PPAs) with the successful bidders. In summary, we observed that:

- Bidders were advised of the RFP and invited to bid;
- The process was open and fair, permitting all bidders access to the same information at the same time;
- Prospective bidders were provided with draft RFP documents and the opportunity to request or recommend changes to those documents;
- The final RFP documents provided clear and complete product definitions that were not questioned by any prospective bidder;
- The RFP documents were thorough, accurate, and complete, providing bidders with all necessary information;
- The RFP documents provided full disclosure of the evaluation process that would be employed, and no prospective bidder questioned the evaluation process;
- The RFP process treated all bidders in the same way, including Gulf affiliates;
- Gulf made all reasonable efforts to prevent disclosures of RFP-related information, except through comprehensive RFP protocols;
- Confidential information provided by the bidders was protected by written agreements, and we observed no violation of those agreements;
- The RFP documents were free of bias towards or against any bidder, and bidders found them to be comprehensive and sufficient in detail;
- All bids were evaluated using the same standards, evaluation models, and methodology;
- Negotiations with the successful bidders were conducted fairly; and,
- The executed PPAs were consistent with the pro forma PPA provided to all bidders. Any

modifications to those PPAs were necessitated by specific requirements of individual generating facilities and unique needs of the counter-parties.

Accion Group was asked to provide these services because of our knowledge of the electric industry and our ability to remain independent from the soliciting entity throughout the RFP process. Accion Group has served as Independent Monitor and Independent Evaluator in a number of competitive solicitations and continues to do so for a number of RFPs in other states.

Gulf recognized the need to establish confidence in the RFP for marketers and in anticipation of the regulatory review that would follow. Accordingly, Gulf chose to follow the solicitations standards set by the Florida Public Service Commission (FPSC or Commission), even though those standards were not required for this solicitation. Gulf impressed upon us the need to design and adhere to a RFP process that would be free of suspicion, even in the event of an affiliate bid. From the outset, Gulf accepted that the role of the IM was to observe the process to ensure fidelity to the RFP protocols. While we reviewed the final PPAs for conformity to the pro forma PPA, Accion Group did not evaluate the cost of the selected supply sources or the impact on rates charged to consumers.

In consultation with Accion Group, Gulf based the RFP protocols and documents on those used by Georgia Power Company and Savannah Electric Power Company for their 2009 RFP. From our experiences as Independent Evaluator of that and other RFPs on behalf of the Georgia Public Service Commission (Georgia Commission), we believe this was appropriate. The Georgia Commission promulgated rules for competitive solicitations, including the requirement that an Independent Evaluator be employed. Having participated in the development of those protocols and documents, we were intimately familiar with them, and we appreciated the importance of treating all bidders in the same manner, including any affiliate bidder.

As IM, Accion Group:

- Reviewed the process designed by Gulf prior to release of the RFP, including
  - The evaluation criteria and methodology to be employed;
  - Procedures to ensure that all bidders could have access to the same information at the same time;
  - The form and content of all draft RFP documents;  
Gulf's efforts to identify prospective bidders and publicize the existence of the RFP
  - The procedures designed to encourage bidder input on the quality and content of RFP documents and RFP procedures;
  - Design and implementation of the affiliate code of conduct protocols;

- Designed and operated a website for the exchange and capture of all RFP-related information;
- Monitored compliance with the Code of Conduct protocols established for Gulf and required for any affiliate that chose to participate in the RFP;
- Participated in all bidder conferences;
- Monitored all website and direct communications between Gulf and every bidder;
- Monitored all discussions and communications between Gulf and bidders during negotiations of each Purchase Power Agreement; and,
- Reviewed the final PPAs to confirm that the agreements were consistent with the draft terms made available to all bidders, and that the only changes incorporated were those necessitated by bidder site-specific criteria and conditions unique to specific counterparties.

To ensure transparency, Accion Group developed and maintained the website used for the Gulf 2009 RFP (GULFIM.com). Throughout the RFP process the website served as the conduit for information. It also recorded all activity on the site and all materials exchanged through the site. At the request of the IM, evaluation data was uploaded to a confidential file system as the evaluation process progressed. In the event of a challenge, the website was available as a "one data request" repository for the RFP.

The website was the platform for bidders to have simultaneous access to RFP-related information. Through the website, bidders could:

- View and download RFP draft and final documents;
- Confidentially comment on the content of draft RFP documents;
- Confidentially submit questions to Gulf concerning the RFP documents and process;
- View Gulf's responses to all questions submitted by bidders;
- Notify the IM of any concerns with the RFP documents or process;
- View the calendar for the RFP; and,
- View announcements regarding the RFP and receive email notification of announcements.

After bids were received, each bidder was assigned a folder specific to their proposal. Only that respondent, Gulf, and the IM could access that folder. With this folder system, the website served as the conduit and repository for:

- Confidential records;
- Draft changes to the PPAs;
- Questions and answers regarding the specific bid; and,



- Requests and acknowledgement of all monitored discussions, regardless of whether they were in person or telephonic.

The IM and Gulf agreed on an evaluation process that permitted us to validate the process at every step. Prior to the acceptance of bids, Accion Group tested Gulf's evaluation model by having Gulf run "mock bids". After the conclusion of the RFP, we had Gulf re-run the mock bids and we compared the final evaluation results with another run of the hypothetical bids to confirm that the model had not been surreptitiously altered during the evaluation process. We took this step to confirm the fairness of the evaluation process. When bids were submitted, the IM opened bids, confirmed that bids were complete and that no extraneous materials were included in a bid package, and then delivered the bids to Gulf.

After receiving bids, Gulf performed an initial review and shared the ranking results with Accion Group. This ranking was complete, except for an in-depth transmission impact review. We reviewed the short list ranking of bids and confirmed that the ranking was appropriate. Only then were the bidders notified of their inclusion on the short list. Bidders were not told the number of bids received, the number of bids being considered to meet Gulf's needs, or their ranking.

During negotiation of PPA terms the IM monitored all communications, including teleconferences, in-person discussions, and all exchanges through the website. The IM was present when negotiations were conducted with the individual bidders, and both bidders were treated in the same manner during those negotiations. Throughout the negotiations, all parties demonstrated respect for the RFP process and erred on the side of caution, contacting the IM for guidance and to ensure IM participation whenever a question regarding protocol arose. The response to the Gulf RFP is summarized as follows:

**Summary of Bidder Participation**

Total Registered Respondents	8
Respondents <i>not</i> registered in GPC 2009 RFP <sup>1</sup>	1
Number of Proposals	3
Number of Merchants with Proposals	2

After the bid date passed, we contacted the bidders registered on the GULFIM website to survey their views of the RFP. No bidder expressed concern about the fairness of the RFP process,

<sup>1</sup>. Accion Group considered this to be an indication of the bidders' familiarity with the RFP documents, since the Gulf documents were patterned after the Georgia Power RFP materials. We believe this familiarity also explains why bidders sub-

mitted few questions and comments.

or in any way indicated dissatisfaction with the Gulf RFP. The next chart presents the response from registered bidders when asked by Accion Group to indicate why they did not submit a bid.

**Reasons Respondents Did Not Propose**

Transmission barriers	2
Did not have requested product	2
Registered too late to prepare proposal	1
Business plan change	1

We believe the Gulf 2009 RFP was transparent and treated all prospective and actual bidders fairly. All prospective bidders had access to the same information at the same time. In our post-RFP interview of registered bidders, no bidder objected to any RFP protocol or the RFP document provisions. Accordingly, we believe the market response to the RFP process reflected acceptance by bidders that the Gulf RFP was a fair and transparent solicitation.

**II. INTRODUCTION**

Gulf requested that Accion Group serve as IM, noting that the rules of the Commission did not require monitoring for this solicitation. Accion Group brought extensive experience in conducting and monitoring solicitations for energy and capacity. A summary of Accion Group's experience serving as independent participant in energy and capacity solicitations is presented in Chart 1.

**CHART I  
Accion Group Experience**

<b>Role</b>	<b>State</b>	<b>Capacity Sought</b>	<b>Initial Year</b>
Independent Monitor	Arizona	2,800MW	2003
Independent Evaluator	Georgia	1,200 MW	2009
Independent Monitor	Florida	500 MW	2009
Independent Evaluator	Georgia	2,100 MW	2010
Independent Evaluator	Georgia	1,200-1,600 MW	2011
Independent Evaluator	Georgia	850 MW	2012
Independent Evalua- tor- Construction Program	Georgia	1,600 MW (Self Build)	2011
Independent Evaluator	Oregon	1,600-2,290 MW	2012

Before retaining Accion Group, Gulf confirmed that Accion Group had no financial interest in Gulf, any affiliates of Gulf, or any entity likely to bid in the RFP. Accion Group's business relationship with Gulf is limited to serving as IM for this RFP.

A bid fee along with a capped "success fee" to be paid by successful bidders was charged to defray the cost of having an IM, with fees above the cap paid by Gulf. Accion Group's fees were paid, regardless of the results of the RFP. Through serving as Independent Evaluator to the Georgia Public Service Commission, we developed a working familiarity with the market many of the marketers in the Southeast region, and with Southern Company personnel responsible for transmission and system planning. This permitted us to provide timely insight on marketer needs and expectations, as well as establish practical schedules for the RFP process. While Accion Group was prepared to provide independent evaluation of the bids received and the ultimate PPAs, we understood from the onset that we would limit our participation to monitoring the process. As the RFP process was developed, we used the requirements of the FPSC and the Federal Energy Regulatory Commission (FERC) as guidelines. Gulf agreed this was appropriate, even though the FPSC requirements were not applicable because the Commission's rule does not require an Independent Monitor for this sort of a solicitation. Also, we did not know if review by FERC would occur, since there was no way to know at the outset which marketers would bid, much less which marketers would submit the best proposals.

### III. RFP STRUCTURE

In consultation with the IM, Gulf designed the RFP process to maximize opportunities for bidders to participate in the RFP, and to be familiar with the products being sought and the terms acceptable to Gulf. This approach was thorough in its design and methodically executed.

Gulf reviewed draft RFP documents with Accion Group starting in December 2005. The GULFIM website was made available to the public on December 22, 2005. Gulf's draft RFP documents were posted on the website on that date. Before December 22, 2005, Gulf developed a list of 67 potential bidders and arranged for advertisements in four publications. IM Attachment 1. Accion Group sent an email to each prospective bidder identified by Gulf, advising them of the GULFIM.COM website, and inviting them to register and review the RFP documents. IM Attachment 2. The prospective bidders were also sent an announcement summarizing the RFP (IM Attachment 3) and Attachment J to the RFP, which detailed the RFP process. IM Attachment 4. That notification was sent on December 22, 2005<sup>2</sup>.

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2. Eleven of those emails were rejected, which we believe indicated the referenced marketer no longer employed an individ-

ual. We notified Gulf of the rejected firms and then contacted the marketers by telephone in order to find a different employee who would be responsible for considering solicitations. Of the 67 names provided to us by Gulf, 54 were registered users of the website, used for the Georgia Power RFPs.

On January 11, 2006, the IM conducted the first of two bidder conferences in Tallahassee. Staff from the Commission was present for the first bidder conference. The second conference was held on January 31, 2006, after the final RFP documents were released. Bidders could participate in-person or via live teleconferencing. The presentation materials were posted on the website so all conference participants, including those not in attendance, would have access to the same information at the same time. Attachment 5. Questions posed at each bidder conference were recorded and subsequently posted on the website, along with the answers. IM Attachment 6.

Bidders were not required to pre-qualify before bidding. Instead, Gulf identified a wide range of options to meet the identified credit requirements. This approach permitted bidders to match their credit assurance to the size, and risk, of their actual bid, rather than set credit requirements corresponding to the entire 500 MW of energy and capacity being sought.

Gulf required a bid fee to defray the cost of conducting the RFP. Bidders were required to pay a \$10,000 Evaluation Fee and an IM fee of \$5,000. A successful bidder also was required to reimburse Gulf for IM costs, up to \$250,000 over the initial \$5,000 IM fee. We believe this "success fee" structure is appropriate and is one we have found to be preferred by the merchant community.

Bidders were permitted to submit multiple bids with a single bid fee, provided the bids were for output from the same generating facility and same generation technology and size. Also, bids for the same site with multiple generating units could be submitted with one bid fee, if identified parameters were met.

Gulf required bidders to affirm that executing a PPA would not create a Variable Interest Entity (VIE). Gulf excluded debt imputation or an "equity adder" from the evaluation process. Both the VIE determination and debt imputation are found in RFPs of other utilities. Excluding the debt imputation negated a potential disincentive for bidder participation.

#### **IV. CODE OF CONDUCT**

Gulf and its affiliate, Southern Power, had written Codes of Conduct that established strict standards and protocols for the separation of affiliates during the 2009 RFP process. IM Attachment 7. The Codes of Conduct were reviewed by Accion Group and found to be appropriate in detail, content, and protocols. The Southern Power Code of Conduct has the same standards used in the RFPs in Georgia, which increased our confidence that the terms would be understood and respected. IM Attachment 8.

Gulf and Southern Power each conducted Code of Conduct training for all members of their re-

spective RFP teams. IM Attachment 9. As team membership changed, new members received the same training as original team members. Each Gulf Evaluation Team member and each Southern Power Bid Team member executed a sworn affidavit attesting to completion of the training and adherence to the requirements of the Code of Conduct. IM Attachment 10. When the RFP was completed, the members of the respective teams executed certificates avowing compliance with the Code of Conduct throughout the RFP. IM Attachment 11. All certificates by team members were filed with Accion Group.

As part of the Code of Conduct procedures, lists of all Evaluation Team members and the Southern Power Bid Team were posted on the web site. Also, the IM sent a copy of the Evaluation Team list to the Southern Power Bid Team, and the Bid Team list to the Evaluation Team.

In an effort to minimize inadvertent contact between Evaluation Team and bid Team members, Gulf identified physical areas in its offices that were "off-limits" to Bid Team members. IM Attachment 12. Because Southern Company Services (SCS) provided assistance to Gulf during the RFP, areas of SCS were also designated as off-limits to Bid Team members. Ibid. The IM provided the off-limits list to Southern Power and posted it on the GULFIM website. We believe this extra precaution was appropriate, and we are unaware of any improper contacts between members of the two teams.

From our contacts with members of each team we believe they were committed to strictly applying the Code of Conduct to avoid even the appearance of impropriety.

## V. WEBSITE OPERATION

Accion Group created and operated the GULFIM website as the medium for the delivery of RFP information. The web site successfully provided transparency for the RFP. The IM continues to maintain a confidential record of website use. The information includes which registered user accessed specific areas of the website, when they did so, who submitted questions, who submitted comments, etc. Only the IM has access to this information. Additionally, information exchanged between bidders and Gulf regarding specific bids is kept in confidential files.

The website was designed to provide all bidders:

- Access to the same information at the same time;
- The means to read all questions raised by bidders regarding the RFP documents, and the responses to those questions by Gulf;
- The ability to communicate concerns with the IM;
- A direct link to the homepage of Gulf; and,

- A means to confidentially provide suggestions for RFP document revisions without revealing information to competitors.

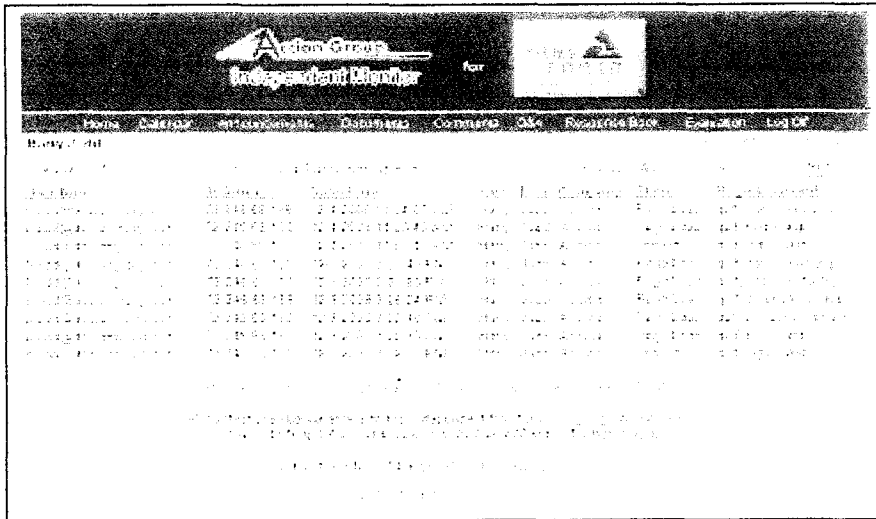
Except during the two public conferences, all pre-bid communications from bidders to Gulf were conducted through the website. By design, bidders submitted questions and comments through the website, and Gulf received them without knowing the source. All parties did this to encourage candor. Gulf provided answers to bidders' questions to the IM to post on the website. All answers were posted with the corresponding question and could be viewed by all registered users of the website. We reviewed all responses for completeness and clarity before posting them on the website. This approach prevented direct communication between Gulf and any bidder and assured all users that they were receiving the same information at the same time.

By using the website, bidders, regardless of their geographic location, had equal access to all RFP information. There were two categories of website users: bidders and non-bidders. Both categories of users had equal access to the information lodged on the website. Users of the website self selected the category in which they wished to be registered. Bidders were identified as representatives of entities with the financial and technical ability to deliver the required products if selected as a winning bidder. While all registered users of the website were given access to all of the same information, this designation permitted Gulf to know if a question or comment (see discussion below) was provided by a bidder or an interested party. There were no questions or comments submitted by non-bidders.

#### **a) Website Usage**

The IE kept a record of all activity on the website by the registrant. Precise date and time records were kept for each user for everything from an individual log-on to document downloads and the pages viewed by the registrant. This traffic was monitored and reviewed by the IM on a regular basis. The website was also used for the exchange of information between individual bidders and Gulf, after bids were submitted. The website records confirm that Gulf did not have direct communications with any bidder through the website before bids were received. The website records also confirm that all information relating to the RFP was available to all registered users.

### Example of Website Access

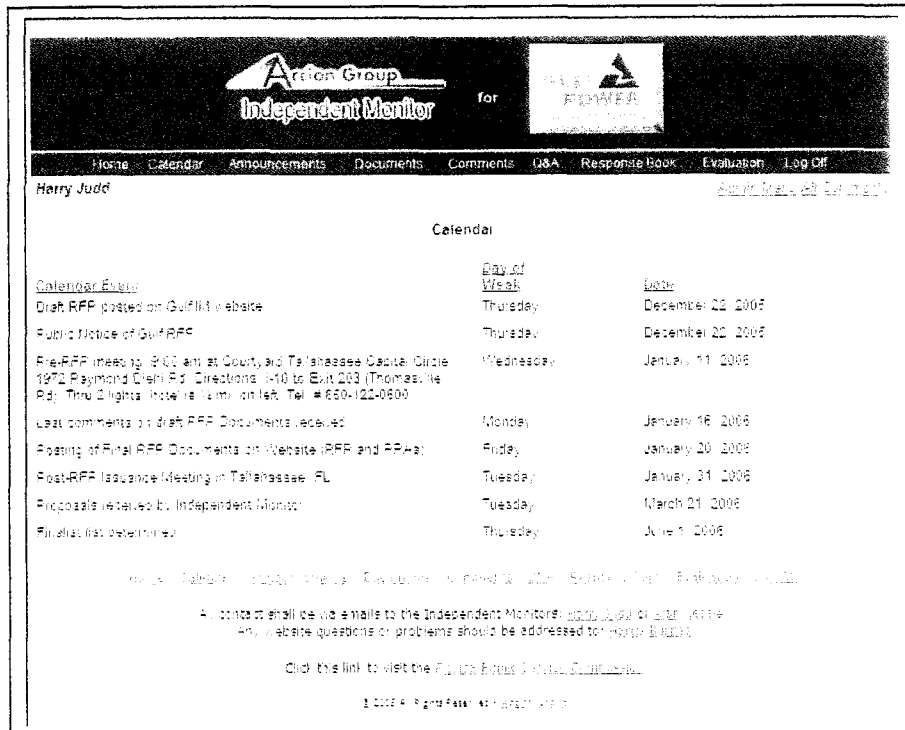


(Note: This screen capture shows only web site accesses by Mr. Judd in order to maintain confidentiality of bidders.)

### b) General Information

One of the primary functions of the website was to make all public information available to all users of the website at the same time. This public information included the RFP documents, the schedule, and announcements regarding the process.

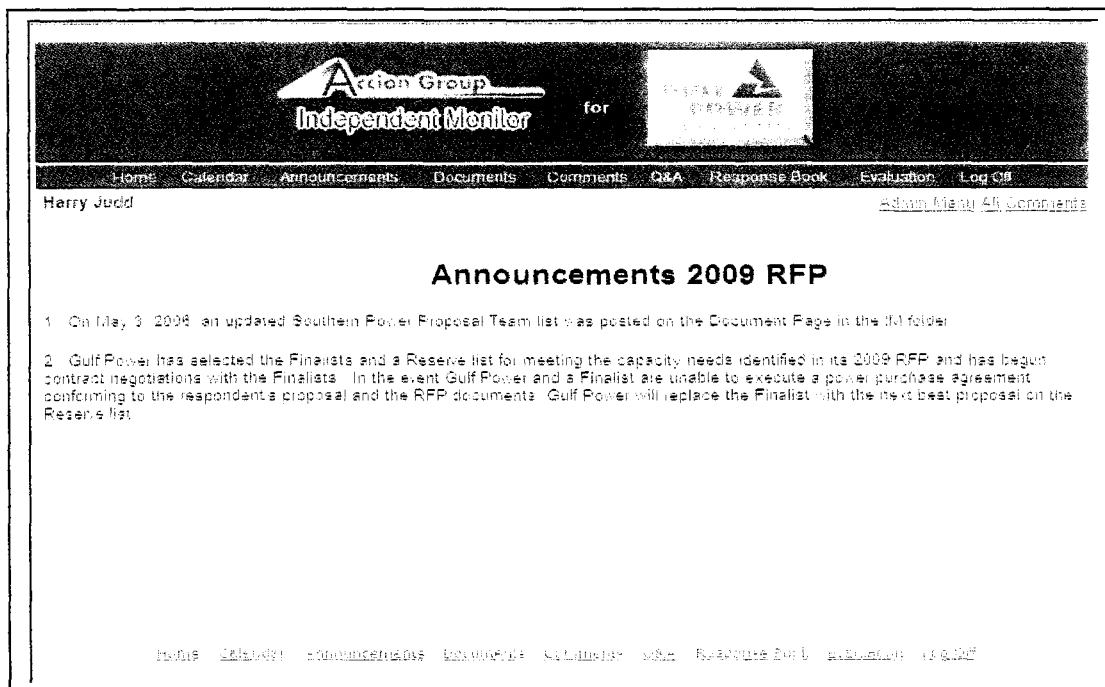
### Example of RFP Schedule



Non-registered users could view a portion of the website in order to provide information to the general public. Information in this section included the schedule of events, announcements, and information on how to register to become a registered user. Links to Gulf and Accion Group were also provided to the general public. Website access by non-registered individuals was anonymous.

The announcement page was updated when noteworthy events occurred, such as the upload of important documents, a significant scheduling change, or the release of a Commission order. As an example, the following is the announcement page after the initial bid review was completed.

### Example of Announcement Page




### c) Questions and Answers

The website provided a page through which registered users could anonymously submit questions. When a question was posted, it was immediately sent to Gulf, and an acknowledgement was sent to the party who submitted the question. The IM was also notified of the posting of all questions. Once posted, a question was accessible by any registered user. In turn, Gulf prepared a response and provided it to the IM for review and posting to the website. Gulf did not have the ability to directly post answers to questions. All questions and answers were available to all registered website users.

All registered users could view all questions and answers on the website.



## Example of Website Q&A Page


FOR

---

Home
Calendar
Announcements
Documents
Comments
Q&A
Registration/Sign Up
Registration
Log Off

Henry Judd User: Questions

All questions are automatically posted for all registered users to review.

PLEASE DO NOT IDENTIFY YOURSELF OR YOUR COMPANY WHEN POSTING QUESTIONS

All questions will be reviewed by the Independent Monitor and answered by Gulf. You will be notified by email when an answer to your question has been posted to the web site.

Gulf will use its best efforts to answer questions within an calendar day of posting.

Once an answer has been posted, click on the question to view the answer.

When posting a question, please select a category. When viewing questions and answers, clicking the category button will sort questions and answers by the category selected by the person who posted the question.

PLEASE DO NOT IDENTIFY YOURSELF OR YOUR COMPANY WHEN POSTING QUESTIONS

[View All the Questions/Answers](#)

ID	Category	Question	Date Asked	Answered For	Date Answered	View	Reply
4	Other	What happens when the RFP and a bid are used to bid the 2006 G... RFP. The bid is in the calculation of the bid... and is based from the bid... and is based from the bid... and is based from the bid... and is based from the bid...	4/18/2006 5:27p	4/18/2006 5:27p	-	1	0
3	Other	I did not bid the project... and is based from the bid... and is based from the bid... and is based from the bid...	2/14/2006 5:22p	2/14/2006 5:22p	-	1	0
2	Other	The RFP... and is based from the bid... and is based from the bid... and is based from the bid...	2/14/2006 5:04p	2/14/2006 5:04p	-	1	0
1	Other	The RFP... and is based from the bid... and is based from the bid... and is based from the bid...	1/11/2006 1:46p	1/11/2006 1:46p	-	1	0

All contact shall be via email to the Independent Monitor at [im@actiongroup.com](mailto:im@actiongroup.com).  
Any website questions or problems should be addressed to [im@actiongroup.com](mailto:im@actiongroup.com).

Click this link to visit the [Independent Monitor](#) website.

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The website automatically informed users when questions or comments were posted. The process for questions was as follows:

- A bidder posted a question;
- The question was automatically emailed to Gulf for a response;
- The question was automatically sent to the IM via email;
- An email was automatically sent to the bidder confirming receipt of the question;
- When Gulf completed a response to a question, Gulf e-mailed the response to the IM;
- The response was reviewed and posted by the IM on the website;
- The response was sent via email to the bidder who posed the question; and,
- The answer simultaneously became available on the website for viewing by all other registered bidders.

## d) Bidder Comments

Bidders were encouraged to submit comments on draft RFP documents. The website was designed to anonymously deliver all comments to Gulf for consideration.

### Example of Website Comment Page

**Action Group**  
**Independent Monitor**

Home Calendar Announcements Documents Comments O&A Response Book Evaluation Log Off

Harry Judd

#### RFP Comments

Registered users are invited to comment on the draft RFP and accompanying documents in two ways. One way is to post questions on the O&A page. All questions are automatically posted for all registered users to review. **PLEASE DO NOT IDENTIFY YOURSELF OR YOUR COMPANY WHEN POSTING QUESTIONS.** The other way to submit redlined comments on specific sections of the draft RFP and accompanying documents, Gulf and the IM will review all redlined submissions. Redlined comments will not be posted on the web site. Redlined comments may be reflected in subsequent versions of the draft and final RFP documents that may be posted on the document page for review after the pre-RFP conference.

**Respondents should file a summary** of any concerns or proposed changes to the revised draft RFP and Form PPA with specific reference to all sections that would be affected by each proposed change in addition to any discussion of proposed changes to any draft documents. Respondents are encouraged, but not required, to provide redlined document changes along with the comments.

When filing reports with the FPSC, the IM may include comments submitted on this web site, but will not disclose the source of comments in the IM Report.

To submit redlined comments, please do the following:

1. Download the draft document.
2. Copy the section on which you wish to comment as a separate document. Include the section number and the name of the document from which it was copied. Be sure to name the new document something distinct from the draft document from which it was taken. That way you can identify your comment for sending to Gulf.
3. Redline changes and additions.
4. At the end of the document, please provide a brief summary of the intent of the proposed change in bold and italic text.

**PLEASE DO NOT IDENTIFY YOURSELF OR YOUR COMPANY WHEN PROVIDING REDLINED COMMENTS.**

Use the button below to upload your redline comments concerning the draft RFP. To upload a file, click the Upload a File button, then browse your computer for the file and select it. When you click the Upload this file button, you will see a progress indicator for the file upload.

Once the file is uploaded, it will then be automatically sent via email to the Independent Monitor and Gulf. This email process may take some time depending on the size of the document which you are uploading. Do **NOT** close your browser or click with your mouse until the page refreshes and you see your file on the list that will appear at the bottom of the screen. Again, while you will see the name of your document, other registered users will not see your comment.

[Upload a File](#)

This folder does not contain any files.

[Home](#) [Calendar](#) [Announcements](#) [Documents](#) [Comments](#) [O&A](#) [Response Book](#) [Evaluation](#) [Log Off](#)

All contact shall be via emails to the Independent Monitor, cpm@imc.org, or cpm@imc.org.  
Any website questions or problems should be addressed to [imc@imc.org](mailto:imc@imc.org).

Click the link to view the full [Action Group](#) website.

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A record of all comments was captured and preserved. With comments bidders had the opportunity to propose specific changes to the pro forma PPAs. The comment process was:

- The bidder identified the RFP or PPA section that was the subject of the comment by copying the text to a separate document;
- Using "red lining", the bidder proposed deletions and additions to the text;
- The bidder added an explanation of what the proposed change would accomplish;
- The comment was uploaded to the website, which automatically forwarded an anonymous copy to Gulf;

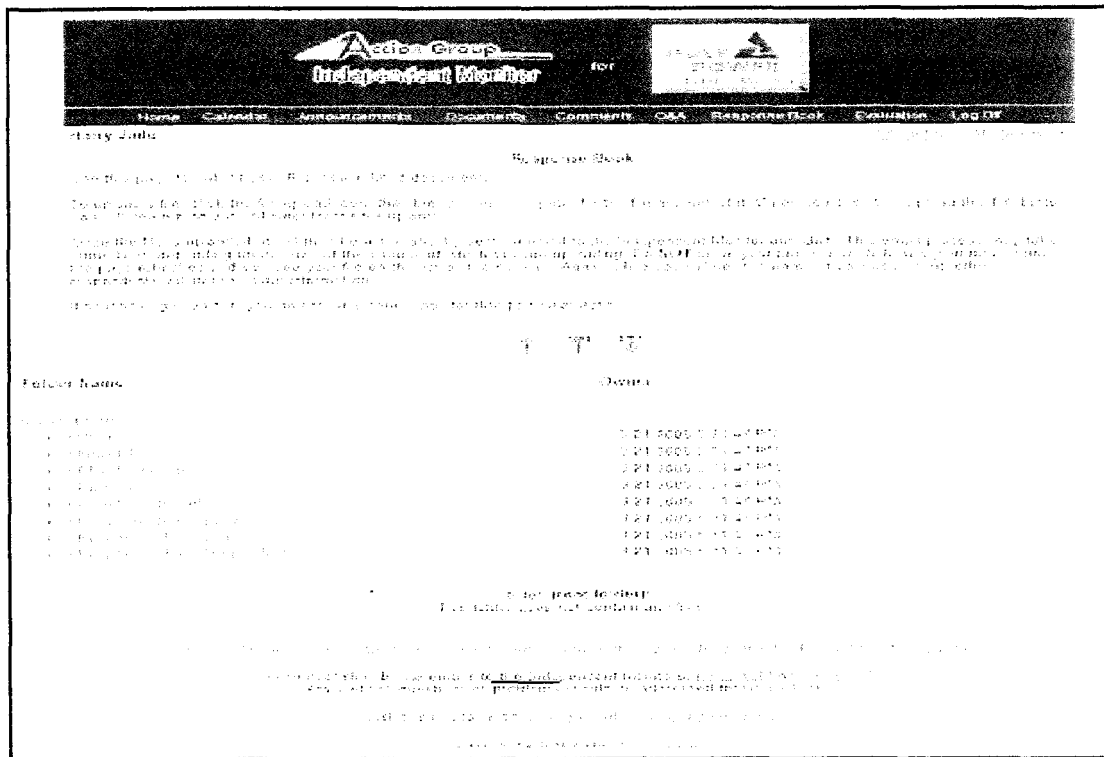
- The IM was notified whenever a comment was uploaded; and,
- The bidder received a receipt acknowledging the uploaded document.

A total of twenty-nine comments were submitted before the final RFP documents were posted. Gulf considered each comment and discussed the disposition of each with the IM before releasing the RFP or pro forma PPAs as final.

### e) Post-Proposal Exchanges

After proposals were received, the website was used to exchange information between Gulf and the marketer. Each bidder was assigned a Response Book to which the bidder could upload questions, responses, and documents for review by Gulf.

### Example of the Response Book



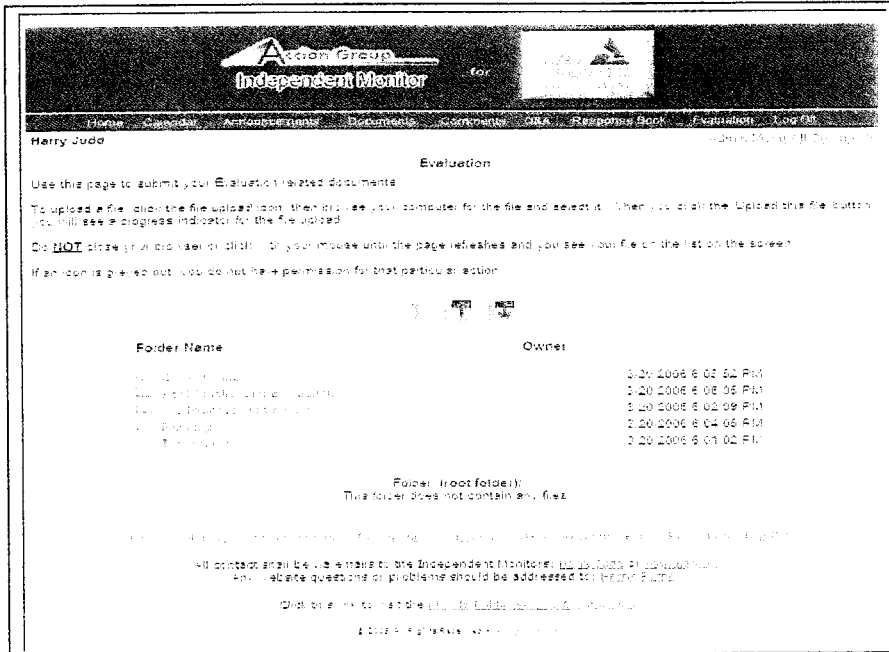
As with questions, Gulf delivered materials to the IM to be uploaded to a Response Book. All information uploaded to a Response Book was bid-related, and accordingly treated as confidential. Therefore, it was not available to other registered users.

All exchanges regarding bids were captured on the website to ensure a complete record of the bid review process. This confidential communications protocol provided for transparency in the proc-

ess, the ability to maintain and protect trade secrets, and the means to document equitable treatment of bidders.

### f) Website Evaluation Folders

#### Example of Evaluation Folders



At the request of the IM, Gulf uploaded evaluation summaries to specified, confidential folders. In addition to costs submitted by a bidder, transmission impact was included with the evaluation summaries. The evaluation documentation is preserved on the website to confirm the process used in reviewing proposals.

### g) Statistics on Use of The Website

The success of the website can be seen by the volume of traffic routed to the website.

- 4 questions were posed by bidders and answered via the website by Gulf. IM Attachment 13.
- 288 confidential exchanges occurred between bidders and Gulf via the website after bids were submitted.
- 6 different draft RFP documents were made available for download in the document section of the website.
- 29 comments were posted.
- 8 Registrants were approved.
- The registrants came from 7 States.

The GULFIM.COM website will remain on-line during the FPSC review process. All or any part of this information can be made available to the Commission under appropriate confidentially arrangements.

## **VI. RFP DOCUMENT DEVELOPMENT**

In order to conduct the RFP in conformity with the standards promulgated by the Commission and the FERC, Gulf prepared a detailed and comprehensive Request for Proposals to supply approximately 500 MWs of capacity and energy to Gulf with service commencing on June 1, 2009. The RFP sought bids for service with five year terms. Capacity could be supplied using any proven technology or fuel source, but had to be firm (committed) and available for dispatch as required by Gulf. The RFP permitted bidders to request either tolling, (where the buyer provides the fuel, pays the fuel cost, and assumes delivery risks) or non-tolling arrangements. The RFP provided details on all significant terms, including credit requirements, operational qualifications, and requested supplier experience. Gulf used as a template the RFP documents issued by its affiliate, Georgia Power Company (Georgia Power). The Georgia Power RFP documents were developed pursuant to a process proscribed by the Georgia Commission, which included oversight by an Independent Evaluator (IE), the participation of the Georgia Commission Staff, and significant input by energy merchants and other interested parties. Before Georgia Power Company could conduct the solicitation, the RFP and pro forma PPAs were reviewed and approved by the Georgia Commission. Each PPA described the operational requirements of the facilities and each of the terms and conditions required by Gulf. The RFP clearly stated that if the pro forma PPA was accepted by a potential bidder, Gulf was prepared to execute it without material change. Gulf, however, anticipated that the pro forma PPA would need to be changed in some ways to accommodate the operational characteristics of specific generating facilities.

Prior to the draft RFP and PPAs being released for comment, Gulf provided copies of those documents to the IM for review and comment. The IM made suggestions to Gulf regarding the proposed draft documents, many of which were incorporated into the draft version of the documents that were posted on the IM website on December 22, 2005.

As discussed in Section V (Website Operation), all registered users of the GULFIM website could ask questions of Gulf and propose revisions to the draft documents by submission through the website. Gulf's decision to incorporate or to reject each proposed change was reviewed with the IM. The revised RFP documents, including the pro forma PPAs, were posted on the IM website on February 17, 2006.

As part of the RFP process, Gulf made available certain information regarding Gulf operating characteristics and requirements. Because Gulf considered this material to constitute trade secrets,

Gulf required potential bidders to execute confidentiality agreements prior to releasing the information to them. Information about transmission requirements was available to bidders via the Southern System OASIS site, link to that site appears on the IM website.

Throughout the process of developing the RFP and related documents and information, Gulf was available for discussions with the IM, and Gulf was willing to amend the RFP documents to accommodate reasonable proposed revisions suggested by the IM or potential bidders. The RFP documents were not designed to unduly advantage or disadvantage any bidder, technology, or fuel source. Gulf developed and managed the RFP preparation fairly and effectively, and all final decisions relating to the terms and conditions of the RFP were made solely by Gulf. The terms and conditions used in the pro forma PPA are consistent with other PPAs used for long-term power. While Gulf elected to model the PPAs on ones created by Georgia Power, instead of those created by Edison Electric Institute or other sources, Accion Group and the potential bidders, found this to be both acceptable and unremarkable.

## **VII. EVALUATIVE TOOLS AND METHODOLOGIES**

Gulf adopted the evaluation process used by Georgia Power for its RFPs. The evaluation process was thoroughly reviewed by the GPSC Staff and approved by the Georgia Commission. Gulf relied on the expert advice and assistance from many of the same personnel who evaluated bids received in the Georgia RFPs. Transmission impact was evaluated by the same team that supported the evaluation of bids in the Georgia RFPs.

Accion Group confirmed that all data, assumptions, tools, models, and other bases for evaluating bids were established prior to bids being received. Before finalizing its evaluative tools and methodologies, Gulf provided the IM with access to its existing planning and power supply evaluation models. We confirmed that those models were the models used in the Georgia Power RFP and were the ones used in the normal course of Gulf's business. Notable among those tools was Strategist, a planning model used by Gulf and the other operating companies in the Southern Company system. Strategist is a commercially available model used throughout the utility industry, and one with which we are familiar. We reviewed Gulf's evaluation models and tested them for observable flaws or inherent biases. Gulf modified the models to specifically address the particular characteristics of its operating systems. These changes were mostly minor formatting adjustments. All of the changes made by the Company were reviewed and tested by the IM and found to be appropriate.

The assumptions in Gulf's evaluation model included load growth, fuel costs, transportation expense, and economic factors. These assumptions are used to compare bids based on final cost to Gulf, including the cost of capacity, fixed cost, start-up, generation, and transmission. IM Attachment 14. Be-

cause fuel costs could significantly impact the selection decisions, we paid particular attention to the reasonableness of the Company's fuel cost forecast. We reviewed the basis for Gulf's fuel forecasts and estimates of future fuel transportation costs and availability, and we interviewed the persons responsible for the forecasts. In preparing fuel forecasts, Gulf used fuel forward curves based on actual experience in the Southern Company System, and tested against commercially available data. Accion Group is satisfied that the forecasts used were appropriate and consistent with the fuel forecasts Gulf used in the normal course of business, including when planning for company-owned generating facilities.

Accion Group interviewed representatives of Gulf's financial planning group to assess the reasonableness and basis for the bidder credit requirements, and the underlying economic assumptions. We found the credit requirements to appropriately limit risk to Gulf and its customers, without presenting a barrier to participation by financially sound marketers. Similarly, we found the assumptions Gulf used to be generally consistent with publicly available forecasts of inflation and future power costs. All economic assumptions were subsequently reviewed and memorialized for future validation of Gulf's evaluation process.

The IM reviewed the process by which Gulf would assess the transmission impacts of bids. We confirmed that Gulf's approach was the same as that used in the Georgia Power RFP, which underwent regulatory review and acceptance by the Georgia Commission. We found the approach to be comprehensive and unbiased. It recognized both the potential transmission costs to be incurred as well as the benefit produced by each bid.

Once all models and data sets were finalized, we developed a set of "mock" bids, which were run through the evaluation models. This analysis included a high-level evaluation of the transmissions impacts and not the detailed transmission assessment performed on the short list bids. The results of the evaluation of the hypothetical bids were consistent with expected results. When the mock bids were run after the evaluation of actual bids was completed, the results were consistent with the original mock bid runs, except for the impact of certain minor changes to the models that were disclosed to, and discussed with the IM prior to being used.

The hypothetical mock bids reflected a mixture of technologies sited at a cross-section of likely locations from which service to Gulf could be provided. Preliminary transmission data for several locations specified was developed and used in the hypothetical mock bid evaluations. The mock bids are attached as IM Attachment 15.

## **VIII. INITIAL REVIEW AND BID ASSESSMENTS**

### **INITIAL REVIEW**

Bids were received and opened by the IM. After our preliminary review of completeness, we provided the bids to Gulf for evaluation. Initially Gulf reviewed all bids and began a process of data validation and clarification. That process involved the preparation of questions to bidders, and requests for additional information from bidders. These questions and requests focused on plant operational specifics or clarifications of proposed terms for necessary provisions, such as fuel supply. The questions also sought insights into bidder's positions relating to bidder proposed changes to the pro forma PPAs. Each question and request was transmitted through the GULFIM website.

**a) Bid Assessment**

Once Gulf completed its initial bid review, individual bids were modeled using the models developed by Gulf. Detailed descriptions of each bid were prepared and provided to the IM. As a first step, Gulf did a preliminary economic evaluation of each bid to estimate the cost of each bid on a normalized basis. All bids were evaluated using the methodology that had been reviewed by the IM. This preliminary evaluation took into account bid prices and forecast fuel costs. Concurrently with that analysis, each bid was reviewed by Southern Company Transmission Group personnel assigned to the evaluation team, and transmission impacts were developed.

Based on this analysis, a preliminary ranking of bids was developed. That ranking was provided to, and reviewed by, the IM. Once the preliminary analyses were completed, the bids were further evaluated by including detailed transmission evaluations and refined bid-specific fuel transportation costs. As additional bid-specific data was received from bidders, it was also factored into the economic evaluation. Upon completion of those analyses, the bids were run in Southern Company Services' dispatch model to determine the most beneficial portfolio of bids to accept.

In order to make its final selections, the results of the evaluation were compared on \$/KW basis. Each bid was valued over its term. This process allowed all bids to be compared in an equivalent manner. At each step the IM monitored and reviewed the work performed by Gulf. At no time did the IM determine that Gulf strayed from the evaluation process described in the RFP.

**b) Non Price Assessment**

All bids were also evaluated based on non-price terms. Most significant among those terms was the bidder's financial strength. Each bidder's creditworthiness was evaluated. Both bidders who submitted bids met the RFP established credit standard, and no bid was disqualified or rejected for failure to meet the credit standard established.

Environmental compliance issues also were considered in the non-price assessment. To the ex-



tent that compliance issues affected availability or reliability of a unit, those effects were modeled and the value of each bid to Gulf reflected those impacts. No bid was eliminated based solely on an environmental compliance concern.

#### **c) Fuel Cost Evaluation**

The RFP permitted bidders to submit either all-in cost bids or tolling bids. A tolling bid is one in which the buyer assumes the responsibility for providing the fuel to generate the required power. In the RFP, Gulf indicated that it would accept tolling arrangements under which Gulf provided gas, oil, or coal. When evaluating bids, Gulf used the approved fuel forecast the Company used in the normal course of business. That forecast was reviewed by the IM and tested in the models prior to the receipt of bids. The fuel forecast was used consistently throughout the evaluation process.

Part of the tolling costs is the transportation of the natural gas or other fuel supplied to the merchants' plants. In order to evaluate those costs, Gulf researched the incremental cost to transport the fuel from the wholesale delivery point to the facility proposed. Those cost estimates were reviewed by the IM and then incorporated into Gulf's overall cost evaluations.

#### **d) Transmission assessment**

Once the preliminary economic evaluation of each bid was completed, a preliminary assessment of the impact on the transmission grid was conducted. The net economic impact of each bid was then factored into the overall bid evaluation and the short list of bids was compiled.

The transmission assessment was conducted by Evaluation Team members from the Southern Company Services' Transmission Planning group. Prior to their conducting the assessment, the IM met with the Evaluation Team to review and validate the approach and criteria the transmission assessment would employ. The assessment focused on the benefits and incremental costs the system, and Gulf, would observe in the areas of transmission construction costs, line losses, reliability maintenance costs, and local area improvement costs. The net benefit or cost to the system was then factored into the economic evaluation and the individual bids ranked.

Gulf confirmed the transmission assessment approach to be the one employed by the Southern System, in the ordinary course of business, to evaluate the impacts of adding new generation loads. The approach is the same for new load owned by a Southern Company entity or for a request for access to the system's transmission grid pursuant to the established transmission tariffs.

We were familiar with the transmission assessment methodology used in this RFP due to our review of the same methodology as part of our IE responsibilities for the Georgia Commission. The

transmission assessment methodology employed by Gulf is identical to that used for the Georgia Power Company RFPs, which was reviewed by us and the Georgia Commission Staff and found to be appropriate. We found that Gulf applied the approach fairly to all bids. Based on our confirmation that the methodology was unchanged and was uniformly applied to review all bids, we are satisfied that the transmission assessment was conducted in an equitable and appropriate manner.

Once the detailed transmission assessment was completed, it was reviewed with Gulf and the IM. When both were satisfied that the assessment was thorough, the results were combined with the estimated generation costs to determine the overall ranking of the bids.

#### **e) Selection of short list**

After all bids were fully analyzed, two bids were placed on the "short list". That is, those bids for which final contract negotiation would be conducted. Prior to advising bidders of its short list decision, Gulf advised the IM of its final consolidated ranking of bids and its intended selection.

Both bidders were advised that a short list was established, but no winning bidder information or identification was provided to any party at that time. Bidders were asked only to schedule meetings to finalize contract language. Bidders were not told how many bidders submitted bids, how many bids were received, or how many bidders were on the short list. Gulf then conducted detailed negotiations with both winning bidders and executed PPAs to secure the energy and capacity it sought. The bids provided enough capacity to meet Gulfs' required needs. All negotiations between the bidders and Gulf were monitored by the IM.

Based on our observations, we believe that the selections were made based on a fair and impartial evaluation process.

### **IX. CONTRACT NEGOTIATIONS**

Gulf established several key points with each winning bidder at the outset. The first was that no bid price terms were negotiable. The second was that to the extent possible, the pro forma PPA was to be unchanged. Third, the changes were to be based on-site specific operating requirements; and finally, any changes that were not site-specific requirements had to be immaterial or provided no significant decrease in the value of the bid, as determined by Gulf.

While it was the intention of Gulf to offer all bidders a pro forma PPA that would not require significant amendment, that goal proved to be somewhat elusive. Complexities, such as facility operating constraints, corporate structure, and ownership rights, all had to be considered in order to accommodate the unique circumstances of the winning bidders. Those needs required Gulf to negotiate revisions

to the pro forma PPAs before executing contracts with the successful bidders. Individual bidder's unique credit structure, corporate structure, and facility operating requirements had to be specifically addressed before PPAs could be executed. Many of those issues required Gulf to consider the materiality of bidder-requested changes to essential provisions, and then determine whether the unique circumstances of a facility whether or the bidder justified amending the pro forma PPA. For example, pre-existing fuel procurement contracts and the corporate structure of a bidder presented unique requirements that were not compatible with the pro forma PPA. From observation, we believe Gulf made every attempt to minimize changes. Gulf did not entertain any proposed contract change that would refresh a bid price or alter the pricing component of any bid. All discussions, meetings, and telephone conferences between Gulf and the winning bidders were monitored by the IM. All information exchanges, including proposed revisions to the pro forma PPAs, were captured on the IM website. The IM had access to all draft contract forms exchanged by the parties and to all data exchanged to support the parties' negotiating positions.

Numerous telephone conferences and face-to-face meetings were conducted to reach final agreement on contract terms and language in each PPA. The vast majority of the changes to the pro forma PPA were site-specific. However, several terms and conditions that did not reflect site-specific requirements were requested. The majority of those changes were requested by Coral Energy. The second winning bidder, Southern Power Company, proposed changes that, for the most part, were site-specific requests. None of the changes accepted by Gulf, in either PPA, were found to materially alter the value of the bids submitted.

The resulting PPAs reflect fairly negotiated terms and do not, in the opinion of Gulf, materially alter the value of the product to be provided by either bidder. The IM does not believe that any of the revised terms or conditions unduly advantaged the winning bidders or were unreasonable.

## **X. FINDINGS & CONCLUSIONS**

Based on our observations, Accion Group believes the Gulf 2009 RFP, by design and practice, was fair to all marketers. The RFP was well advertised, and access to relevant RFP documents and information was readily available. Marketers had numerous means and opportunity to assist in the design of the RFP documents. Through comments, questions and answers, and the bidder conferences, bidders made their concerns known. All marketers had access to the same information. The RFP process was monitored by an independent third party, which assured bidders that the 2009 RFP was fair and transparent. Access to the IM gave bidders the means by which they could express concerns and have them addressed at all phases of the RFP process.

Gulf adequately described the processes it would use to evaluate bids and to qualify bidders.

The RFP clearly set forth comprehensive descriptions of the products the Company intended to acquire. The RFP and pro forma PPAs detailed the terms and conditions pursuant to which the Company would execute a contract.

We believe the bid evaluation model was structured and operated correctly, and that the process implemented was fair and conducted without bias. We confirmed that other than accepted minor adjustments, the evaluation model was unchanged throughout the evaluation process and was used consistently in evaluating each bid.

We found the RFP was conducted in conformity with the process Gulf adopted at the outset. Further, we believe the process conforms to the Commission's solicitation rule, notwithstanding that the rule is not applicable in this situation.

We did not observe bias in the application of Gulf's RFP process, including the evaluation of bids, towards or against any bid or bidder. We believe the evaluation of all bids was done in a fair manner, and the same evaluation standards being applied to all bids. We believe the evaluation model used by Gulf was fairly designed and applied. Negotiations between Gulf and individual bidders were conducted fairly and without information about competing bids being disclosed. In addition to reviewing all bid evaluations, the IM monitored all bid negotiations. We believe that a majority of the modifications to the pro forma PPA were appropriate and necessary to meet generation plant-specified requirements and the needs of both parties. The remaining amendments to the PPAs were not material, but were appropriate and did not alter the risks, benefits, or cost responsibilities of the contracting parties.

### **IM Report Attachments**

1. Screen capture of all documents
2. Screen capture of 12.22.05 email notice to bidders that the GulfIM website was available
3. Announcement sent to prospective bidders with the 12.22.05 email
4. Attachment J, as sent to prospective bidders
5. Copy of Bidder conference materials
6. Screen capture of all Questions and Answers
7. Southern Power Code of Conduct
8. Copy of the Gulf Code of Conduct
9. Code of Conduct training material
10. Code of Conduct compliance certificate
11. End of Process Code of Conduct Acknowledgement
12. Copy of the restricted area
13. Questions and Answers
14. Gulf Evaluation spread sheet template (showing detail of evaluation)
15. Mock Bids



**IM Attachment 1**

Item	Quantity	Description
<b>STAFF</b>		
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## IM Attachment 2

Gulf Web Site Live

File Edit View Tools Message Help

Reply Reply All Forward Print Delete Addresses

**From:** Harry Judd  
**Date:** Thursday, December 22, 2005 5:37 PM  
**To:** Monsahvatge, Ralph; DuBose, Billy T.; Randy Knepper; Hubbert, Randy; Pat White; Alan Kessler; Rozier, Garey C.; Grove, Ray W.; Bell, H. Homer; Harris Burpee  
**Subject:** Gulf Web Site Live

The Gulf Power RFP web site went live at 4:20 pm today. An email notification of the RFP and website was sent by this office to the list of persons provided by Gulf Power at 4:45 pm. As of 4:20, the temporary admin access given to Gulf Power team during the site construction phase has been rescinded.

Many thanks to all who put in the extra effort designing the web site, preparing documents, editing text, and all the hundreds of other details needed to make this happen in such a short period of time. Special thanks to you, Harris, for finding a way to get a secure certificate in an amazing 2 days! I probably don't want to know how you managed that.

Best for the holiday to all.

Harold T. Judd  
Accion Group  
244 North Main Street  
Concord, NH 03301  
Office 603/229-1644  
Cell 603/568-8207  
Fax 603/225-4923

d:\sic\h... Gulf Web Site Live

## IM ATTACHMENT 3

### Request for Proposals Generating Capacity

**Gulf Power Company (Gulf) is soliciting proposals for firm capacity and energy with commencement of deliveries beginning June 1, 2009.**

Gulf plans to issue a Request for Proposal (RFP) to acquire new supply-side resources beginning June 1, 2009. Gulf is utilizing an Independent Monitor (IM) to conduct all communications in connection with this solicitation. Accion Group has been retained as the IM and all communications concerning this solicitation should be directed to Accion. The initial draft documents, including the RFP and Form Purchase Power Agreements (PPAs) will be posted on the IM website on or about December 22, 2005. Parties interested in commenting on the draft documents and submitting proposals in response to this request may obtain further information and register to participate by visiting the IM website at [www.gulfim.com](http://www.gulfim.com).

Gulf is seeking a five (5) year contract or contracts for a total of 400 MW to 500 MW of capacity to meet its currently projected 2009 electric supply needs. Potential respondents should note that Gulf is projecting a need for peaking capacity, but non-peaking proposals may be submitted for consideration.

An RFP Discussion Session will be held January 11, 2006 in Tallahassee, Fl. to discuss the requirements of the RFP. The planned release date of the final RFP Documents (through posting of the RFP Documents on the IM website) is January 20, 2006. A post RFP Issuance meeting will be held January 31, 2006 in Tallahassee, Fl. to discuss data requirements and to assist potential respondents in understanding the RFP submittal process. Participants may attend either meeting in person or by teleconference. A tentative schedule of milestones and dates will be provided on the IM website on December 22, 2005.

Gulf reserves the right to reject all proposals and to modify, defer or cancel this RFP.



## IM Attachment 4

### Attachment J

**Gulf Power Company (Gulf) will utilize a RFP process as detailed below to select the most competitive capacity supplier to meet its future load requirements. Gulf is seeking 5 year proposals to supply 400 MW to 500 MW beginning in 2009. Gulf is developing a time schedule that will allow it to identify a short list of successful respondents and begin contract negotiations by June 1, 2006.**

#### **(a) Definitions of terms used in the RFP Process:**

1. "Commission" or "FPSC" means the Florida Public Service Commission.
2. "Independent Monitor" or "IM" means the entity selected by Gulf to monitor its RFP Process as described herein.
3. "Power Purchase Agreement" or "PPA" means a negotiated contract between Gulf and one of the finalist respondents to the RFP.
4. "RFP" means the notice of a Request For Proposals distributed to the marketplace by the IM under the RFP process identifying the needed resources and the time for providing those resources as set out in the RFP, or any amendment thereto.
5. "RFP Document" shall mean the collection of materials (including Form PPAs) distributed to interested respondents and pursuant to which the proposals shall be submitted and evaluated during the RFP Process.
6. "RFP Process" means the preparation and issuance of a Gulf RFP and all the activities subsequently associated therewith that are expected to terminate in the execution of a PPA between Gulf and one or more successful respondents, and in which an IM is utilized pursuant to and performs the functions described in this Proposed RFP/IM Structure.

#### **(b) Proposed RFP Process for Resources to Supply Gulf's 2009 Capacity Requirements**

1. Except for changes required to incorporate the following provisions providing for utilization of an Independent Monitor, the RFP Process will be conducted consistent with the provisions of Commission Rule 25-22.082, F.A.C., Selection of Generating Capacity.
  2. Gulf will contract with an IM to oversee and participate in the communication with potential respondents and actual respondents in the selection of generating resources to supply Gulf's 2009 capacity requirements. The contract with the IM will

clearly define the communications protocols consistent with this RFP Process document. Overall, the IM will ensure that the RFP communications process is fair and transparent and does not favor any respondent over another. The IM will retain records of all communications and be available to the Commission during the Commission's approval process for the resources selected by Gulf.

3. Prior to the receipt of proposals, Gulf will also provide to the IM a comprehensive evaluation framework including evaluation models, data, and mock evaluations to further enhance the transparency of its process and to be available to the Commission during the Commission's approval process.
- 4.

**(c) Role and Selection of an Independent Monitor.**

1. The IM will be retained by Gulf under a contract that is consistent with the RFP Process. The role and function of the IM in the RFP Process shall be as set forth herein.
2. No respondent or potential respondent shall have any communication with the IM or Gulf pertaining to the RFP, the RFP documents, the RFP process, the evaluation or the evaluation process or any related subjects except as those communications are specifically allowed by this proposed RFP/IM structure, or as are made publicly through the IM's website. However, the IM or Gulf may determine that Gulf and the IM should jointly communicate with one or more respondents after the receipt of proposals to facilitate the evaluation process. The IM shall keep a record of all communications with potential respondents and actual respondents.
3. The IM will work independently, but will make available any reports as required by the Commission. In carrying out its duties, the IM will work in coordination with the Commission and Gulf with regard to the RFP Process.
4. If the IM becomes aware of a violation of any requirements of the RFP Process, the IM shall immediately report that violation, together with any recommended remedy, to Gulf and the Commission.
5. Gulf will collect an Evaluation Fee of \$10,000 per proposal to defray Gulf's costs of evaluating the proposals. An IM Fee of \$5,000 per proposal will also be collected to defray Gulf's costs of securing the services of the IM. In addition, the successful respondent(s) will reimburse Gulf for the actual total cost of the IM less total IM Fees collected if insufficient funds are collected through the IM Fee to cover the IM services. The outstanding amount will be assessed on a per megawatt basis and collected promptly after the Commission approval of the PPA(s). Invoices for services rendered by the IM will be sent directly to Gulf for payment, which will be made directly to the IM.

**(d) Affiliate Communications.**

1. Any affiliate of Gulf that intends to submit a proposal in response to the RFP, shall identify its employees as well as any other persons acting for that affiliate or on its behalf in support of the development and submission of such proposal, and such employees and other persons shall be known collectively as a "Proposal Team".
2. The representatives of Gulf that will be designing and implementing the RFP and evaluating the proposals submitted in response to the RFP, as well as any other persons acting for

or on behalf of Gulf regarding any aspect of the RFP Process, shall be known collectively as the "Evaluation Team."

3. Any Proposal Team shall be separately identified and physically segregated from the Evaluation Team for purposes of all activities that are part of the RFP Process. The names and complete titles of each member of a Proposal Team and the Evaluation Team shall be filed with the IM and made publicly available on the IM Website. Subsequent additions to a Proposal Team and Evaluation Team shall be filed with the IM and disclosed in the same fashion.
4. There shall be no communications, either directly or indirectly, between a Proposal Team and the Evaluation Team regarding any aspect of the RFP Process, except (i) necessary communications as may be made through the IM as described further herein, and (ii) negotiations between a Proposal Team and the Evaluation Team for a final PPA in the event and then only after the Proposal Team has been selected by Gulf as the respondent with a successful proposal. The Evaluation Team will have no direct or indirect contact or communications with any respondent other than through the IM as described further herein, until such time as a successful proposal is selected by Gulf and negotiations for a final PPA have begun.
5. At no time shall any information regarding the RFP Process be shared with any respondent, including the Proposal Team, unless the identical information is shared with all respondents in the same manner and at the same time. Should any respondent, including a Proposal Team, attempt to contact a member of the Evaluation Team directly, such respondent shall be directed to the IM for all information and such communication shall be reported to the IM by the Evaluation Team member.
6. Each member of a Proposal Team shall execute an acknowledgement that he or she agrees to abide by the restrictions and conditions contained in paragraphs 3 through 5 above. At the PPA Execution Date, each member of the Proposal Team shall execute an acknowledgement that he or she has met the restrictions and conditions contained in paragraphs 3 through 5 above. These acknowledgements shall be filed with the IM by the Proposal Team within 10 days of their execution.
7. Each Evaluation Team member shall execute an acknowledgement that he or she agrees to abide by the conditions contained in paragraphs 3 through 5 above and, at the PPA Execution Date, shall execute an acknowledgement that he or she has met the restrictions and conditions contained in paragraphs 3 through 5 above. These acknowledgements shall be filed with the IM by the Evaluation Team within 10 days of their execution.

**(e) RFP Structure and Process.**

1. Design of the RFP.
  - i Gulf will be responsible for preparing the RFP Document, including RFP procedures, evaluation factors, credit and security obligations, Pro Forma Power Purchase Agreements ("Form PPAs"), and a solicitation schedule.
  - ii Gulf will utilize the following steps and procedures:

- (1) timely public notices of the issuance of the RFP,
- (2) filing a copy of the RFP with the Commission,
- (3) meeting with potential participants prior to issuance of the RFP to discuss potential requirements of the RFP, and
- (4) meeting with potential participants within two weeks after issuance of the RFP,

iii. Gulf is not proposing a new Gulf-owned generating unit to meet this capacity need. As a result, there will be no data regarding a self-build option included in the RFP documents.

2. Issuance of RFP and Respondent Communications.

i. Gulf shall issue the RFP by submitting the RFP and RFP Documents to the IM for posting on the IM website. At any time after the RFP is issued, through the time the successful proposal is selected by Gulf, the schedule for the solicitation may be modified by Gulf. Any such schedule modifications shall be communicated by the IM and posted on the IM website.

ii. The only respondent communications permitted prior to submission of proposals shall be conducted through the IM or jointly with the IM. Respondent questions and Gulf responses shall be posted on the IM website. To the extent such questions and responses contain competitively sensitive information for a particular respondent, this information may be redacted or restricted to view only by the respondent, as the IM may determine.

iii. Gulf may not communicate directly with any respondent regarding the RFP Process, the content of the RFP and RFP Document, or the substance of any potential response by a respondent to the RFP.

iv. Respondents shall submit proposals pursuant to the solicitation schedule contained in the RFP and RFP Document. Gulf and the IM shall have access to all proposals and all supporting documentation submitted by respondents in the course of the RFP Process.

v. Gulf may request further information from any respondent regarding its proposal. Any communications between Gulf and a respondent during the evaluation process shall be conducted through the IM. Gulf shall be informed of the content of any communications between the IM and a respondent.

vi. Gulf shall cause native load growth reservations to be made on the Southern Company OASIS for all proposals that are not otherwise capable of using an existing native load growth reservation for evaluation purposes.

vii. The IM and Gulf shall maintain a record of all communications between the IM and Gulf and respondents throughout the RFP process.

3. Evaluation of Responses to RFP.

i. Gulf's evaluation of the proposals received using the RFP Process will be based on its traditional methods of analysis. Gulf will conduct its evaluation in an appropriate manner, consistent with the principles and procedures contained in this RFP and Commission Rule 25-22.082, F.A.C., Selection of Generating Capacity.

ii. Prior to the receipt of proposals, Gulf shall submit to the IM its evaluation methodologies, evaluation models, database, and mock evaluations which will demonstrate the evaluation methodology. Gulf will conduct the actual evaluation in a manner consistent with the above described evaluation framework. The IM and Gulf shall maintain a record of such evaluation framework.

iii. Communications will be conducted on a confidential basis between the IM and individual respondents, and may include one or more face-to-face meetings between the IM, Gulf and a respondent to discuss the respondent's proposal. In particular, Gulf expects that such face-to-face meetings will be necessary with the most competitive respondents prior to selection of finalist list participants.

iv. The RFP Process shall be a single round of proposals. Respondents shall not be allowed to revise their proposals after submittal of the proposals to the IM. However, clarification of proposal components and correction of genuine errors will be allowed through communication with respondents through the IM.

v. The IM and Gulf shall establish proposal evaluation milestones at which Gulf will provide to the IM summary documents which document the state of the proposal evaluation. Such milestones may include preliminary proposal summaries, preliminary or interim proposal rankings, respondent screen reports, proposal rankings used to reduce the number of active proposals to a more competitive tier, finalist list rankings, and final proposal evaluations including supporting workpapers and documentation. The IM shall maintain such records and make them available to the Commission during the Commission's approval process.

4. Commission Approval of Resource(s).

i. Based on the pro-forma PPA included in the RFP Document, Gulf will negotiate a final PPA with the respondent for each resource it has selected. Any such PPA shall be expressly conditioned on the approval of the Commission.

ii. The IM shall be available to participate in the Commission's approval proceeding and testify regarding their role and responsibilities as the IM as defined herein.

## ***2009 Request for Proposals Post RFP Issuance Conference***

Gulf Power Company  
January 31, 2006



## **Summary of Key Changes**

- 2009 CC & CT PPAs
- 2009 CC PPA
- 2009 RFP



2

## Key Changes Initiated By

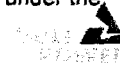
- **GULF RFP Respondent Initiated:**
  - Represents changes that were a result of comments on the Form PPAs that were received in the 2009 GULF RFP.
- **GPC RFP Respondent Initiated:**
  - Represents changes that were a result of comments on the Form PPAs that were received in the 2010/2011 GPC RFP.
- **GULF POWER Initiated:**
  - Represents changes that were initiated by GULF that are clarifications to the existing provisions in the Form PPAs.



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## 2009 CC & CT PPAs

- **GULF RFP Respondent Initiated:**
  - **Section 2.3.1 Conditions Subsequent** – inserted “of such order or action” to clarify the commencement of the 10 day period for the parties to meet and negotiate amendments.
  - **Section 5.1.4.3 Unavailability** – After notice of Alternate Resource, Buyer shall provide Seller with a good faith estimate of a projected schedule for the following week
  - **Section 7.1 and 7.2 Security and MAC** – removed minimum amount of Eligible Collateral required so appropriate amount can be determined, at sole discretion of Buyer, when and if such case occurs
  - **Section 8.3 Failure to Achieve RCOD** – change to liquidated damages if Seller does not meet RCOD. Seller will only incur damages if Buyer's costs are greater than what they would have been under the terms of the contract.



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## 2009 CC & CT PPAs

- **GULF RFP Respondent Initiated:**

- Section 13.2.1 (13.1.1 in CT PPA) Scheduling – Buyer can not schedule energy if the Buyer fails to provide gas (tolling only) or is unable to receive delivery at the delivery point (Change made in this section is response to a comment in Section 16.1 Force Majeure)
- Section 13.2.4.3 (13.1.4.3 in CT PPA) Scheduling – clarified that the Schedule in place at time of notice of an Unavailability Event shall be the Schedule in place for the balance of the day
- Section 18.1.1 Change of Law – Change identifies latter of the filing of the application for an air permit or execution of the contract as the defining date for applying Change of Law provisions

Appendix A.A.2 – performance testing outside of 3/15 - 4/15 with the consent of both parties



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## 2009 CC & CT PPAs

- **GULF POWER Initiated:**

- Section 18.2 (i) Air Emissions – clarified that the maximum NOx allowances provided by Buyer to Seller will be based on the amount of energy delivered at Guaranteed Heat Rates
- Appendix A.B – inserted example to clarify how the Base Mode Value and Supplemental Mode Value Factors impact the capacity payment.
- Appendix B.C – clarified that Energy from startup to minimum output will be paid for at the Guaranteed Heat Rate at minimum output

Appendix C.E – Removed language appropriately stated in the PPA that is not a contractual term.



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## 2009 CC PPA

- **GULF POWER Initiated:**

- Appendix D.3 – clarified that each test will cover 2 hours at the full output capability of each mode of operation.
- Appendix I – inserted example to show how SAP is calculated for operation on AGC
- Appendix K – Added examples to further clarify the Financial Settlement procedures



7

## 2009 CC PPA Only

- **GPC RFP Respondent Initiated:**

- Definitions – added definitions for the following terms (relating to SAP for AGC):
  - Equivalent Unplanned (Forced) Derate Hours
  - Equivalent Hours
  - Forced Derate
- Appendix A.C.1 – inserted example to clarify how EFDH is calculated. Also, clarified that ARDH and FSH can be the equivalent hours during a Forced Derate.

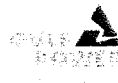


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## 2009 RFP

- Introduction – Turnkey does not meet the product definitions for this solicitation.
- #4 in “Instructions for Completing Forms” – clarified that capacity payments will not be adjusted to actual index values.
- #7 in “Instructions for Completing Forms” – modified to require V O&M to escalate at actual CPI, GDIPD, or ECI + or - an adjustment factor not to exceed 1%.



9

## RFP Timeline Going Forward

- March 21, 2006 – Proposals Due
- June 1, 2006 – Finalist List
- August 1, 2006 – PPA(s) Executed



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# QUESTIONS

11



## IM Attachment 6

GULF POWER COMPANY  
Pre RFP Meeting  
January 11, 2006  
Question 1  
Page 1 of 1

I. Will multiple users be able to log on the (web site) system at the same time?

ANSWER:

This answer is provided by the IM.

There is no limit to the number of persons who can log-on to the website using the same user ID and password. However, the IM discourages this practice. Each registered user is provided with a unique user ID and password. The website records all activity on the site by user. Use of the same website identify distorts those records by attributing all activity to one user.

When RFP responses are submitted, a "response folder" for each proposal will be created on the website. This folder will be used for the exchange of information specific to a proposal. As part of the RFP package, respondents will be asked to identify all persons working with the respondent who should have access to the proposal folder. The persons identified will be sent a new password, which will permit them to access their respective response folder. The IM strongly urges all respondents to refrain from sharing access to the response folder as pricing and potentially confidential information will be in the folder.

GULF POWER COMPANY  
Pre RFP Meeting  
January 11, 2006  
Question 2  
Page 1 of 1

2. What is the reasoning for the five year term?

ANSWER:

The five year term is consistent with our 2005 Ten-Year Site filed with the Florida Public Service Commission. This document is included on the Independent Monitor (IM) website. The need for 2009 is 400 – 500 Mw. The five year contract will allow Gulf Power to take advantage of a deep market in the short term and still have the flexibility to take advantage of emerging technologies (coal gasification, nuclear, clean coal) when our need has grown to a size that more closely fits a larger more economic base load unit. The five year contract also allows Gulf to explore the self build option in the 2014 time frame.

GULF POWER COMPANY  
Pre RFP Meeting  
January 11, 2006  
Question 3  
Page 1 of 1

3. Would Gulf consider a longer term?

ANSWER:

No. For the reasons discussed in question 2, Gulf Power feels a five year term is in the best interest of our customers.

GULF POWER COMPANY  
Pre RFP Meeting  
January 11, 2006  
Question 4  
Page 1 of 1

4. Would you post an IT troubleshooter contact for the web site?

ANSWER:

This answer is provided by the IM.

This question alludes to problems last summer with using Attachment A, a MS Excel spreadsheet, in the RFP in the Georgia 2009 RFP. Attachment A in the Gulf RFP is the same basic program being used in the Georgia 2010 RFP, modified for the specifics of the Gulf 2009 RFP. We believe the programming problems have been eliminated and that Attachment A works properly when using MS Excel 2000. At the same time, it is possible a respondent may experience difficulties if they are using an older version of MS Excel. Attachment A was designed to be fully functional with MS Excel 2000 and later versions. Potential respondents are strongly encouraged to develop test Attachment A inputs well in advance of the proposal due date to ensure that the actual input process will work smoothly.

Accion Group can be reached through the web site for assistance in making certain all forms used in the RFP work properly, including Attachment A. We will review all concerns directed to us with our IT staff and Gulf Power and provide a response as quickly as possible. Again, respondents are encouraged to experiment with Attachment A well in advance of preparing a proposal so that we will have time to address any concerns before proposals are due.

GULF POWER COMPANY  
Pre RFP Meeting  
January 11, 2006  
Question 5  
Page 1 of 1

5. In reference to Product No. 3 with only part of a unit being offered, is there a preference for a tolling versus non-tolling arrangement?

ANSWER:

As we discuss in RFP document, in the case of resources for which a respondent includes a non-tolling fuel plan in its proposal, then the respondent must provide complete details of its fuel arrangement and fuel plan with its proposal. Gulf notes that a respondent may or may not determine that a non-tolling arrangement is more appropriate to offer for a Product 3 offering since the respondent will also need to arrange fuel transportation and supply for the remaining capacity. In the event a tolling arrangement is proposed for Product 3, Gulf will make fuel arrangements for the reliable utilization of its capacity portion and would consider accepting assignment of any existing fuel transportation and supply obligations of the Seller (as described in the RFP).

Respondents proposing a non-tolling arrangement are encouraged to also provide a tolling proposal for the same facility (no additional Evaluation Fee or IM Fee). While Gulf generally prefers a tolling arrangement, the proposal evaluation will not include preferential treatment for either a tolling or non-tolling arrangement if the proposal otherwise meets the requirements of the RFP.



6. How strong is the preference for peaking capacity versus base load capacity?

ANSWER:

There is not a strong preference for either base load or peaking capacity. Base load capacity will be evaluated in the same manner as peaking capacity to determine the most economic proposal. Respondents are encouraged to review the Ten Year Site Plan and Attachment H.

The RFP contains language that sets out the framework regarding a Respondent's responsibility relative to transmission and interconnection. This section also highlights already known and documented transmission problem areas. Notwithstanding this language, every proposal will be reviewed based on its actual location and characteristics to determine if there are specific issues relative to the ease or difficulty of its delivery. No judgment as to the effective delivery of any resource can be made until the specifics of that offer are available for review and evaluation.

GULF POWER COMPANY  
Pre RFP Meeting  
January 11, 2006  
Question 7  
Page 1 of 1

7. For a facility in the Southern Company control area, how difficult is it to acquire transmission access for delivery of peaking resources into Gulf's area?

ANSWER:

The RFP contains language that sets out the framework regarding a Respondent's responsibility relative to transmission and interconnection. This section also highlights already known and documented transmission problem areas. Notwithstanding this language, every proposal will be reviewed based on its actual location and characteristics to determine if there are specific issues relative to the ease or difficulty of its delivery. No judgment as to the effective delivery of any resource can be made until the specifics of that offer are available for review and evaluation.

GULF POWER COMPANY  
Pre RFP Meeting  
January 11, 2006  
Question 8  
Page 1 of 1

8. What are the transmission issues for export from Mississippi Power Area?

ANSWER:

See answer to question 7.

The RFP contains language that sets out the framework regarding a Respondent's responsibility relative to transmission and interconnection. This section also highlights already known and documented transmission problem areas. Notwithstanding this language, every proposal will be reviewed based on its actual location and characteristics to determine if there are specific issues relative to the ease or difficulty of its delivery. No judgment as to the effective delivery of any resource can be made until the specifics of that offer are available for review and evaluation.

**IM Attachment 7**

**STANDARDS OF CONDUCT  
FOR SOUTHERN POWER COMPANY PROPOSAL TEAM MEMBERS  
DURING THE GULF 2009 RFP PROCESS**

1. Definitions.
  - (a) “Commission” shall mean the Florida Public Service Commission.
  - (b) “Evaluation Team” shall collectively mean the representatives of Gulf that will be designing and implementing the RFP and evaluating the proposals submitted in response to the RFP, as well as any other persons acting for or on behalf of Gulf regarding any aspect of the RFP Process.
  - (c) “Gulf” shall mean Gulf Power Company.
  - (d) “Independent Monitor” or “IM” shall mean the entity selected by Gulf to monitor its RFP Process.
  - (e) “PPA Execution Date” shall mean the date on which a power purchase agreement between Gulf and the winning bidder is executed pursuant to a RFP Process.
  - (f) “Proposal Team” shall collectively mean those employees of Southern Power Company and any other persons identified by Southern Power Company as acting for Southern Power Company or on its behalf in support of the development and submission of a proposal it intends to submit in response to the RFP.
  - (g) “RFP” shall mean the notice of a Request For Proposals distributed to the marketplace by the IM under the RFP process identifying the needed resources and the time for providing those resources as set out in the RFP, or any amendment thereto.
  - (h) “RFP Process” shall mean the preparation and issuance of a Gulf RFP and all the activities subsequently associated therewith that are expected to terminate in the execution of a PPA between Gulf and one or more successful respondents, and in which an IM is utilized pursuant to and performs the functions described in this Proposed RFP/IM Structure.
2. Any Proposal Team shall be separately identified and physically segregated from the Evaluation Team for purposes of all activities that are part of the RFP Process. The names and complete titles of each member of a Proposal Team and the Evaluation Team

shall be filed with the IM and made publicly available on the IM Website. Subsequent additions to a Proposal Team and Evaluation Team shall be filed with the IM and disclosed in the same fashion.

3. There shall be no communications, either directly or indirectly, between a Proposal Team and the Evaluation Team regarding any aspect of the RFP Process, except (i) necessary communications as may be made through the IM, and (ii) negotiations between a Proposal Team and the Evaluation Team for a final PPA in the event and then only after the Proposal Team has been selected by Gulf as the respondent with a successful proposal. The Evaluation Team will have no direct or indirect contact or communications with any respondent other than through the IM as described further herein, until such time as a successful proposal is selected by Gulf and negotiations for a final PPA have begun.
4. At no time shall any information regarding the RFP Process be shared with any respondent, including the Proposal Team, unless the identical information is shared with all respondents in the same manner and at the same time. Should any respondent, including a Proposal Team member, attempt to contact a member of the Evaluation Team directly, such respondent shall be directed to the IM for all information and such communication shall be reported to the IM by the Evaluation Team member.
5. Each member of a Proposal Team shall execute an acknowledgement (the form of which is attached hereto) that he or she agrees to abide by the restrictions and conditions contained in paragraphs 2 through 4 above. At the time that any new member is added to the Proposal Team, such new member shall execute an acknowledgment that he or she (a) agrees to abide by the restrictions and conditions contained in paragraphs 2 through 4 above, and (b) has not engaged in any communications that would have violated paragraphs 3 or 4 above if such new member had previously been a member of the Proposal Team. At the PPA Execution Date, each member of the Proposal Team shall execute an acknowledgement that he or she has met the restrictions and conditions contained in paragraphs 2 through 4 above. These acknowledgements shall be filed with the IM by the Proposal Team within ten (10) days of their execution.

**Standards of Conduct Acknowledgement**  
**(Proposal Team)**

I, \_\_\_\_\_, being duly sworn, hereby acknowledge:

1. I am employed by \_\_\_\_\_ and I serve as a member of the Proposal Team, as that term is defined in the attached "Standards of Conduct for Southern Power Company Proposal Team Members During the Gulf 2009 RFP Process" ("Standards of Conduct"), acting on behalf of Southern Power Company in support of the development and submission of a proposal to be submitted in response to the RFP to the 2009 RFP issued by Gulf Power Company.

2. I have read and understand the attached Standards of Conduct.

3. I hereby agree to abide by the requirements of Paragraphs 2, 3 and 4 of the attached Standards of Conduct.

4. If I am a new member being added to the Proposal Team, I hereby state that I have not engaged in any communications that would have violated Paragraphs 3 or 4 of the attached Standards of Conduct if I had been a member of the Proposal Team.

5. Should I become aware of any violation of the attached Standards of Conduct, I will promptly report any such violation to the Independent Monitor.

Signed: \_\_\_\_\_

Sworn to and subscribed before me, this  
\_\_\_\_ day of \_\_\_\_\_, 2006

\_\_\_\_\_  
Notary Public

**STANDARDS OF CONDUCT  
FOR GULF POWER COMPANY AND ITS AFFILIATES  
FOR THE 2009 RFP PROCESS**

1. Definitions. As used herein, the term:

- (a) **“Proposal Team”** shall collectively mean any affiliate of Gulf Power Company that intends to submit a proposal in response to the RFP, as well as any other persons acting for that affiliate or on its behalf in support of the development and submission of such proposal.
- (b) **“Commission”** shall mean the Florida Public Service Commission.
- (c) **“Independent Monitor”** or **“IM”** shall mean the entity or entities selected pursuant to Gulf Power Company’s RFP Process Document to monitor the RFP Process.
- (d) **“Evaluation Team”** shall collectively mean the representatives of Gulf Power Company that shall be evaluating the proposals submitted in response to the RFP, as well as any other persons acting for or on behalf of Gulf Power Company regarding any aspect of the RFP Process.
- (e) **“PPA Execution Date”** shall mean the date on which a power purchase agreement between Gulf Power Company and the winning respondent(s) is executed pursuant to the RFP Process.
- (f) **“RFP”** shall mean the notice of a request for proposals expected to be distributed to the marketplace on January 20, 2006 by the IM identifying the needed resources beginning in 2009.
- (g) **“RFP Process”** shall mean the preparation and issuance of the RFP and all the activities subsequently associated therewith that are expected to terminate in the execution of a PPA between Gulf Power Company and the winning respondent(s).

2. No later than January 20, 2006, the Proposal Team shall be separately identified and physically segregated from the Evaluation Team for purposes of all activities that are part of the RFP Process. The names and complete titles of each member of the Proposal Team and the Evaluation Team shall be reduced to writing and posted on the

IM website. Following January 20, 2006, at the time that any new member is added to either the Proposal Team or the Evaluation Team, the requirements of this paragraph 2 shall also be applied to such new member.

3. There shall be no communications, either directly or indirectly, between the Proposal Team and Evaluation Team pertaining to the RFP, the RFP documents, the RFP Process, the evaluation or the evaluation process or any related subjects, except (i) necessary communications as may be made through the IM and (ii) negotiations between the Proposal Team and the Evaluation Team for a final PPA in the event the Proposal Team has been selected by Gulf Power Company as the winning respondent. The Evaluation Team will have no direct or indirect contact or communications with any respondent(s) pertaining to the RFP, the RFP documents, the RFP Process, the evaluation or the evaluation process or any related subjects other than through the IM as described further herein, until such time as a winning proposal is selected by Gulf Power Company and negotiations for a final PPA have begun.

4. At no time shall any information regarding the RFP Process be shared with any respondent, including the Proposal Team, unless the precise same information is shared with all respondents in the same manner and at the same time.

5. On or before January 20, 2006, each member of the Proposal Team shall execute an acknowledgement (the form of which is attached hereto) that he or she agrees to abide by the restrictions and conditions contained in paragraphs 2 through 4 above. At the time that any new member is added to the Proposal Team after January 20, 2006, such new member shall execute an acknowledgement that he or she (a) agrees to abide by the restrictions and conditions contained in paragraphs 2 through 4 above, and (b) has not engaged in any communications that would have violated paragraphs 3 or 4 above if such new member had been a member of the Proposal Team as of January 20, 2006. At the PPA Execution Date, each member of the Proposal Team shall execute an acknowledgement that he or she has met the restrictions and conditions contained in paragraphs 2 through 4 above. These acknowledgements shall be provided to the IM by the Proposal Team within ten (10) days of their execution.



6. On or before January 20, 2006, each Evaluation Team member shall execute an acknowledgement (the form of which is attached hereto) that he or she agrees to abide by the restrictions and conditions contained in paragraphs 2 through 4 above. At the time that any new member is added to the Evaluation Team after January 20, 2006, such new member shall execute an acknowledgement that he or she (a) agrees to abide by the restrictions and conditions contained in paragraphs 2 through 4 above, and (b) has not engaged in any communications that would have violated paragraphs 3 or 4 above if such new member had been a member of the Evaluation Team as of January 20, 2006. At the PPA Execution Date, each member of the Evaluation Team shall execute an acknowledgement that he or she has met the restrictions and conditions contained in paragraphs 2 through 4 above. These acknowledgements shall be provided to the IM by the Evaluation Team within ten (10) days of their execution.

7. In the event any respondent, including the Proposal Team, attempts to contact a member of the Evaluation Team directly pertaining to the RFP, the RFP documents, the RFP Process, the evaluation or the evaluation process or any related subjects, such respondent shall be directed to the IM for all information and such communication shall be reported to the IM by the Evaluation Team member.

## Standards of Conduct Training for the RFP Process

2009 RFP for Gulf Power  
Company



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## Agenda / Outline

- Welcome
- Origin
- Purpose
- Important Dates
- Requirements
- Communications
- Communication Protocol
- Do and Don't
- Example Situations



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## Origin of Standards of Conduct

- The Standards of Conduct apply to Gulf Power Company (Gulf) Request For Proposals (RFP).
- Developed by Gulf for use in its 2009 RFP process.
- For Gulf's 2009 RFP, January 20, 2006 is the issuance date.



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## Purpose

Ensure that no prohibited communications take place between Gulf's Evaluation Team and an Affiliate Proposal Team or any other potential respondents.



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## Important Dates

- 12/22/05 Public Notice of RFP
- 1/11/06 Pre-RFP Issuance Conference
- 1/16/06 Deadline for Comments on Draft RFP Documents
- 1/20/06 Final RFP Documents Posted on IM Website
- 1/20/06 RFP Issuance Date



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## Important Dates

- 1/31/06 Post-RFP Issuance Conference
- 3/21/06 Receipt of Proposals
- 6/01/06 Determination of Finalist List
- 8/01/06 PPA(s) Executed



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## Designated 2009 RFP Work Locations

### Pensacola

- Gulf Corporate Bldg – One Energy Place
  - Fifth Floor from Fuel Department eastward through Generation Services Department

### Birmingham

- APC Headquarters Building – 600 North 18th Street, Birmingham
  - 16<sup>th</sup> Floor SCS Resource Planning Area
  - 13<sup>th</sup> Floor Restricted Area for Transmission Planning



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## Requirements

- Evaluation Team will have no direct or indirect contact, except through IM, with any respondent pertaining to:
  - Gulf's RFP
  - The RFP documents
  - The RFP process
  - The evaluation or the evaluation process
  - Any subjects related to RFP



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## Requirements

- RFP information requested by and given to one respondent must be shared with all other respondents in the same manner and at the same time.

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## After Finalist List Determination

- Evaluation team members re-read the Standards of Conduct and execute new Acknowledgement Forms at the PPA Execution Date.
- Copies of the Forms will be sent to the IM by the Evaluation Team after their execution.

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## Communications

- AT ALL TIMES Conduct yourself in a manner that ensures full compliance with the Standards of Conduct.
- Any violation, deliberate or accidental, that occurs must to be reported to the IM immediately.
  - Immediately notify Ray Grove (8-420-6695) or Homer Bell (8-420-6035).



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## Communications Between Evaluation Team Members

- All written communications should be marked:

**CONFIDENTIAL**

*AND*

**THIS DOCUMENT/E-MAIL CONTAINS RFP-RELATED  
INFORMATION SUBJECT TO GULF RFP  
STANDARDS OF CONDUCT**

This includes:

- hard documents
- electronic documents
- e-mail messages



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## Example Situations

*In the following examples, Proposal Team shall mean any potential respondent, affiliate Proposal Team member, or other prohibited party*

- Example 1
  - Should there be any documentation if an Evaluation Team member and Proposal Team member talk about non-RFP related issues?
- Answer
  - No. Communication of RFP related information is strictly prohibited and the focus of the Standards of Conduct.



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## Example Situations

- Example 2
  - What should be done if Evaluation Team RFP email was accidentally forwarded to a Proposal Team member?
- Answer
  - Attempt to recall the e-mail immediately.
  - Report the incident to Ray Grove and Homer Bell of the Evaluation Team immediately with a forwarded copy of the e-mail.
  - The IM will be promptly notified.



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## Example Situations

- Example 3
  - What should be done if a Proposal Team member is found at the location designated for RFP evaluation team work?
- Answer
  - Escort the person out of the designated location.
  - Determine where the person has been and with whom he has met.
  - Report incident to Ray Grove and Homer Bell.
  - The IM will be promptly notified by evaluation team management.

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## Example Situations

- Example 4
  - What should an Evaluation Team member do if a respondent contacts them directly about the RFP?
- Answer
  - Immediately direct the respondent to the IM Website.
  - Do NOT discuss any RFP related information with the respondent.
  - Report the incident to Ray Grove and Homer Bell.
  - The IM will be promptly notified by evaluation team management.

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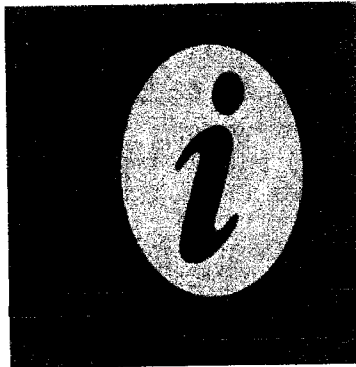
## Contact Information

- Ray Grove
  - Gulf Generation Services Department
  - [rwgrove@southernco.com](mailto:rwgrove@southernco.com)
  - 8-420-6295 or 850-444-6295
- Homer Bell
  - Gulf Generation Services Department
  - [hahbell@southernco.com](mailto:hahbell@southernco.com)
  - 8-420-6035 or 850-444-6035

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## Questions



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## Documents Provided

Copy of Presentation

Copy of RFP Process Document

Copy of Evaluation Team Members

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**IM ATTACHMENT 10**

**Gulf Power Company  
2009 RFP  
Standards of Conduct Acknowledgement**

I, \_\_\_\_\_, being duly sworn, hereby acknowledge:

1. I am employed by \_\_\_\_\_ and I serve as a member of the Evaluation Team, as that term is defined in the attached "Standards of Conduct for Gulf Power Company and its Affiliates for the 2009 RFP Process" ("Standards of Conduct"), to assist Gulf Power Company with the evaluation of proposals to be submitted in response to the 2009 RFP.
2. I have read and understand the attached Standards of Conduct.
3. I hereby agree to abide by the requirements of the attached Standards of Conduct.
4. If I am a new member being added to the Evaluation Team following January 20, 2006, I hereby state that I have not engaged in any communications that would have violated the attached Standards of Conduct if I had been a member of the Evaluation Team as of January 20, 2006.
5. Should I become aware of any violation of the attached Standards of Conduct, I will promptly report any such violation to the Independent Monitor.

Signed: \_\_\_\_\_

Sworn to and subscribed before me, this  
\_\_\_\_ day of \_\_\_\_\_, 2006

\_\_\_\_\_  
Notary Public

**IM ATTACHMENT 11**

**STANDARDS OF CONDUCT  
FOR GULF POWER COMPANY AND ITS AFFILIATES  
FOR THE 2009 RFP PROCESS**

1. Definitions. As used herein, the term:
- (a) **“Proposal Team”** shall collectively mean any affiliate of Gulf Power Company that intends to submit a proposal in response to the RFP, as well as any other persons acting for that affiliate or on its behalf in support of the development and submission of such proposal.
  - (b) **“Commission”** shall mean the Florida Public Service Commission.
  - (c) **“Independent Monitor”** or **“IM”** shall mean the entity or entities selected pursuant to Gulf Power Company’s RFP Process Document to monitor the RFP Process.
  - (d) **“Evaluation Team”** shall collectively mean the representatives of Gulf Power Company that shall be evaluating the proposals submitted in response to the RFP, as well as any other persons acting for or on behalf of Gulf Power Company regarding any aspect of the RFP Process.
  - (e) **“PPA Execution Date”** shall mean the date on which a power purchase agreement between Gulf Power Company and the winning respondent(s) is executed pursuant to the RFP Process.
  - (f) **“RFP”** shall mean the notice of a request for proposals expected to be distributed to the marketplace on January 20, 2006 by the IM identifying the needed resources beginning in 2009.
  - (g) **“RFP Process”** shall mean the preparation and issuance of the RFP and all the activities subsequently associated therewith that are expected to terminate in the execu-

tion of a PPA between Gulf Power Company and the winning respondent(s).

2. No later than January 20, 2006, the Proposal Team shall be separately identified and physically segregated from the Evaluation Team for purposes of all activities that are part of the RFP Process. The names and complete titles of each member of the Proposal Team and the Evaluation Team shall be reduced to writing and posted on the IM website. Following January 20, 2006, at the time that any new member is added to either the Proposal Team or the Evaluation Team, the requirements of this paragraph 2 shall also be applied to such new member.

3. There shall be no communications, either directly or indirectly, between the Proposal Team and Evaluation Team pertaining to the RFP, the RFP documents, the RFP Process, the evaluation or the evaluation process or any related subjects, except (i) necessary communications as may be made through the IM and (ii) negotiations between the Proposal Team and the Evaluation Team for a final PPA in the event the Proposal Team has been selected by Gulf Power Company as the winning respondent. The Evaluation Team will have no direct or indirect contact or communications with any respondent(s) pertaining to the RFP, the RFP documents, the RFP Process, the evaluation or the evaluation process or any related subjects other than through the IM as described further herein, until such time as a winning proposal is selected by Gulf Power Company and negotiations for a final PPA have begun.

4. At no time shall any information regarding the RFP Process be shared with any respondent, including the Proposal Team, unless the precise same information is shared with all respondents in the same manner and at the same time.

5. On or before January 20, 2006, each member of the Proposal Team shall execute an acknowledgement (the form of which is attached hereto) that he or she agrees to abide by the restrictions and conditions contained in paragraphs 2 through 4 above. At the time that any new member is added to the Proposal Team after January 20, 2006, such new member shall execute

an acknowledgement that he or she (a) agrees to abide by the restrictions and conditions contained in paragraphs 2 through 4 above, and (b) has not engaged in any communications that would have violated paragraphs 3 or 4 above if such new member had been a member of the Proposal Team as of January 20, 2006. At the PPA Execution Date, each member of the Proposal Team shall execute an acknowledgement that he or she has met the restrictions and conditions contained in paragraphs 2 through 4 above. These acknowledgements shall be provided to the IM by the Proposal Team within ten (10) days of their execution.

6. On or before January 20, 2006, each Evaluation Team member shall execute an acknowledgement (the form of which is attached hereto) that he or she agrees to abide by the restrictions and conditions contained in paragraphs 2 through 4 above. At the time that any new member is added to the Evaluation Team after January 20, 2006, such new member shall execute an acknowledgement that he or she (a) agrees to abide by the restrictions and conditions contained in paragraphs 2 through 4 above, and (b) has not engaged in any communications that would have violated paragraphs 3 or 4 above if such new member had been a member of the Evaluation Team as of January 20, 2006. At the PPA Execution Date, each member of the Evaluation Team shall execute an acknowledgement that he or she has met the restrictions and conditions contained in paragraphs 2 through 4 above. These acknowledgements shall be provided to the IM by the Evaluation Team within ten (10) days of their execution.

7. In the event any respondent, including the Proposal Team, attempts to contact a member of the Evaluation Team directly pertaining to the RFP, the RFP documents, the RFP Process, the evaluation or the evaluation process or any related subjects, such respondent shall be directed to the IM for all information and such communication shall be reported to the IM by the Evaluation Team member.

**Gulf Power Company**  
**2009 RFP**  
**Standards of Conduct Acknowledgement**

I, \_\_\_\_\_, being duly sworn, hereby acknowledge:

1. I am employed by \_\_\_\_\_ and I served as a member of the Evaluation Team, as that term is defined in the attached "Standards of Conduct for Gulf Power Company and its Affiliates for the 2009 RFP Process" ("Standards of Conduct"), assisted Gulf Power Company with the evaluation of proposals to be submitted in response to the 2009 RFP.

2. I previously executed an acknowledgement respecting the attached Standards of Conduct, whereby I agreed to abide by the requirements of Paragraphs 2 through 4 of the Standards of Conduct.

3. I hereby swear and affirm that I have abided by the requirements of Paragraphs 2 through 4 of the Standards of Conduct, and I have not engaged in any communications that violated such Standards of Conduct.

Signed: \_\_\_\_\_

Sworn to and subscribed before me, this  
\_\_\_\_ day of \_\_\_\_\_, 2006

\_\_\_\_\_  
Notary Public



**Gulf Power Company**  
**2009 RFP**  
**Standards of Conduct Acknowledgement**

I, \_\_\_\_\_, being duly sworn, hereby acknowledge:

1. I am employed by \_\_\_\_\_ and I served as a member of the Evaluation Team, as that term is defined in the attached "Standards of Conduct for Gulf Power Company and its Affiliates for the 2009 RFP Process" ("Standards of Conduct"), assisted Gulf Power Company with the evaluation of proposals to be submitted in response to the 2009 RFP.

2. I previously executed an acknowledgement respecting the attached Standards of Conduct, whereby I agreed to abide by the requirements of Paragraphs 2 through 4 of the Standards of Conduct.

3. I hereby swear and affirm that I have abided by the requirements of Paragraphs 2 through 4 of the Standards of Conduct, and I have not engaged in any communications that violated such Standards of Conduct.

Signed: \_\_\_\_\_

Sworn to and subscribed before me, this  
\_\_\_\_ day of \_\_\_\_\_, 2006

\_\_\_\_\_  
Notary Public

## IM Attachment 12

### GULF POWER COMPANY

#### Physical Restriction Areas

Gulf Power is designating the following Physical Restriction Areas as the working areas for the Evaluation Team. No parties from any respondent should enter this area until after the successful respondent has been notified for the 2009 RFP.

1. The South East corner of the 5th floor of the Gulf Power Headquarter in Pensacola, Florida. This area includes all offices on the south section of the 5th floor from the Fuels Department East to the Power Generation Services area. The evaluation area includes Fuel, Environmental Affairs, and Generation Services.
2. The Resource Planning Department offices located on the west end of the 16<sup>th</sup> Floor of the Alabama Power Company Headquarter Building, 600 North 18<sup>th</sup> Street, Birmingham, Alabama.
3. All Transmission Function areas of the Southern Operating Companies. Access to these areas, if any, will be conducted in compliance with the FERC Transmission Information Standards of Conduct.

## IM Attachment 13



for



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Sort By: Date Asked - Descending

**Ref #:** 4  
**Category:** Other  
**Asked:** 4/16/2006 8:27a  
**Posted:** 4/26/2006 1:05p  
**Question:** We recognize that the RFF is based on the RFF used for the 2003 Georgia Power RFF. The language in the calculation of SAP and MAP was changed from the 2003 Georgia RFF. Does this formula result in a change to the outcomes?  
**Answered:** 4/26/2006 1:05p  
**Answer:** The change in language was made to the CC RFF due to Gulf requiring AGC for CC's. The additional section was added to address how SAP will be calculated when a CC is on AGC. As a result, there should be no change to the outcomes of the SAP calculations.

[Close](#)

**Ref #:** 3  
**Category:** Other  
**Asked:** 2/14/2006 6:22p  
**Posted:** 2/15/2006 7:59a  
**Question:** I did not find the updated Attachment A file that was posted on the Documents section on February 13, 2006. The only Attachment A is the one dated 02/06/06.  
**Answered:** 2/16/2006 7:59a  
**Answer:** My culpa. The document was provided by Gulf and uploaded to the web site, but not released for viewing. This was corrected on February 16th.

[Close](#)

**Ref #:** 2  
**Category:** Other  
**Asked:** 2/14/2006 3:01p  
**Posted:** 2/27/2006 9:43a  
**Question:** The RFF requirement that a bidder hold open a bid until released by the SEs prevents a bidder from participating in any other RFFs for a year or more. Will the SEs permit the withdrawal of a bid if the bidder commits the energy and capacity to another buyer?  
**Answered:** 2/27/2006 9:43a  
**Answer:** The RFF will allow a respondent to withdraw a proposal if (a) it is released by Gulf or (b) if the respondent demonstrates that they have entered into a sale with another party, prior to being selected as a finalist in the Gulf Power solicitation. A respondent may continue to market the capacity and energy to other entities until Gulf notifies the respondent of selection as a finalist. Once notification of selection as a finalist is made, the respondent shall not continue to market the capacity and energy to other entities. The RFF document will be revised accordingly.

[Close](#)

**Ref #:** 1  
**Category:** Other  
**Asked:** 1/11/2006 3:49p  
**Posted:** 1/12/2006 10:37a  
**Question:** For Attachment A, if the proposal is for a peaking unit, should the Bidder only fill out the Other Modes Ratings area instead of the 2x1 and 1x1 mode?  
**Answered:** 1/12/2006 10:37a  
**Answer:** Yes, the Other Modes Ratings input sheet in Attachment A should be used to input data for Combustion Turbines. This guidance is found in the instructions tab under Other Unit Configurations. The Ratings input sheet will be modified to more clearly indicate that this is the sheet to be used for a CT proposal, as the potential respondent may incorrectly conclude

[Close](#)

All contact shall be via emails to the Independent Monitor at [ad@actiongroup.com](mailto:ad@actiongroup.com). Any website questions or problems should be addressed to [ad@actiongroup.com](mailto:ad@actiongroup.com).

[Click this link to visit the Action Group Website.](#)

1/10/06 4:00pm Action Group Website

## IM ATTACHMENT 14

Gulf 2009 RFP Evaluation Spread Sheet (With Mock Entries)

### GULF POWER 2009 RFP Sample Ranking including Transmission

<b>GULF 2009 RFP 5 Year Bid Ranking</b>	<b>Capacity</b>	<b>Fixed O&amp;M</b>	<b>Start-UP</b>	<b>Fixed Fuel</b>	<b>TOTAL Fixed Cost</b>	<b>LESS ENERGY SAVINGS</b>	<b>OTHER ADJMT</b>	<b>TOTAL GEN.</b>	<b>Trans. GRID</b>	<b>Trans. Losses</b>	<b>TOTAL Gen. &amp; Trans.</b>
<b>BID</b>	<b>(\$/kW)</b>	<b>(\$/kW)</b>	<b>(\$/kW)</b>	<b>(\$/kW)</b>	<b>(\$/kW)</b>	<b>(\$/kW)</b>	<b>(\$/kW)</b>	<b>(\$/kW)</b>	<b>(\$/kW)</b>	<b>(\$/kW)</b>	<b>(\$/kW)</b>
KeyLargo	208.38	0.00	20.22	49.74	278.33	80.57	0.00	197.76	1.23	2.04	201.03
Marathon	207.54	0.00	0.00	19.36	226.90	37.69	0.00	189.21	2.71	-1.01	190.91
KeyWest	215.43	0.00	42.03	35.55	293.01	87.36	0.00	205.66	0.30	5.12	211.08

## IM ATTACHMENT 15

### Independent Monitor's Mock Bids for Gulf 2009 RFP

Project "Key Largo"  
Santa Rosa County, Fla

Configuration: CC  
95deg Capability: 300 MW  
40deg Capability: 300 MW

Heat Rate:  
95deg

200 MW	8500 Btu/Kwh
250 MW	7800 Btu/Kwh
300 MW	7500 Btu/Kwh

Heat Rate:  
40deg

200 MW	8500 Btu/Kwh
250 MW	7800 Btu/Kwh
300 MW	7500 Btu/Kwh

Capacity Payment: \$70.00 level  
Fixed O&M: None  
VOM: \$2.00 (2009 esc @2.5%)

Start-up  
Fuel-based: \$6,000 / 5,000 / 4,000 (cold/warm/hot)  
Basis: \$10.00/mmBTU nat gas  
O&M start: \$15,000 (2009 esc 2.5%)

Project "Marathon"  
Mitchell County, Georgia

Configuration: 2 x 100 MW CT  
95deg Capability: 200 MW  
40deg Capability: 210 MW

Heat Rate:  
95deg

80 MW	10500 Btu/Kwh
100 MW	10000 Btu/Kwh

Heat Rate:  
40deg

80 MW	10500 Btu/Kwh
105 MW	10000 Btu/Kwh

Capacity Payment: \$65.00 (2009 escalating 3%)  
Fixed O&M: None  
VOM: \$4.00 (2009 esc @2.5%)

Start-up  
Fuel-based: \$1,000 / 1,000 / 1,000 (cold/warm/hot)  
Basis: \$ 9.00/mmBTU nat gas  
O&M start: \$3,000 (2009 esc 2.5%)

Project "Key West"  
Autauga County, Alabama

Configuration: CC  
95deg Capability: 400 MW  
40deg Capability: 400 MW

Heat Rate:  
95deg

240 MW	8500 Btu/Kwh
350 MW	7500 Btu/Kwh
400 MW	7200 Btu/Kwh

Heat Rate:  
40deg

240 MW	8500 Btu/Kwh
350 MW	7500 Btu/Kwh
400 MW	7200 Btu/Kwh

Capacity Payment: \$68.00 (2009 escalating 3%)  
Fixed O&M: None  
VOM: \$3.00 (2009 esc @2.5%)

Start-up  
Fuel-based: \$8,000 / 7,000 / 6,000 (cold/warm/hot)  
Basis: \$8.75/mmBTU nat gas  
O&M start: \$20,000 (2009 esc 2.5%)

## **Request for Proposals Generating Capacity**

**Gulf Power Company (Gulf) is soliciting proposals for firm capacity and energy with commencement of deliveries beginning June 1, 2009.**

Gulf plans to issue a Request for Proposal (RFP) to acquire new supply-side resources beginning June 1, 2009. Gulf is utilizing an Independent Monitor (IM) to conduct all communications in connection with this solicitation. Accion Group has been retained as the IM and all communications concerning this solicitation should be directed to Accion. The initial draft documents, including the RFP and Form Purchase Power Agreements (PPAs) will be posted on the IM website on or about December 22, 2005. Parties interested in commenting on the draft documents and submitting proposals in response to this request may obtain further information and register to participate by visiting the IM website at [www.gulfim.com](http://www.gulfim.com).

Gulf is seeking a five (5) year contract or contracts for a total of 400 MW to 500 MW of capacity to meet its currently projected 2009 electric supply needs. Potential respondents should note that Gulf is projecting a need for peaking capacity, but non-peaking proposals may be submitted for consideration.

An RFP Discussion Session will be held January 11, 2006 in Tallahassee, Fl. to discuss the requirements of the RFP. The planned release date of the final RFP Documents (through posting of the RFP Documents on the IM website) is January 20, 2006. A post RFP Issuance meeting will be held January 31, 2006 in Tallahassee, Fl. to discuss data requirements and to assist potential respondents in understanding the RFP submittal process. Participants may attend either meeting in person or by teleconference. A tentative schedule of milestones and dates will be provided on the IM website on December 22, 2005.

Gulf reserves the right to reject all proposals and to modify, defer or cancel this RFP.



# News

Contact: **John Hutchinson:** 850-444-6750, cell 850-324-0099  
**Lynn Erickson:** 850-444-6249, cell 850-293-4614  
**Media line:** 800-621-6688



December 27, 2005

## **Gulf Power seeks proposals to meet power supply for 2009**

Gulf Power Company is seeking power supply proposals for a five-year contract from qualified respondents to meet requirements for electric generating capacity beginning June 1, 2009.

A Request for Proposals (RFP) will be issued on January 20, 2006 for approximately 400 to 500 megawatts of electricity. Proposals must be submitted by March 21, 2006. Interested parties can obtain necessary information and are required to pre-qualify by accessing the web site of an independent monitor – Accion Group – at [www.gulfin.com](http://www.gulfin.com). All communications must be conducted through the independent monitor. Therefore, potential respondents are prohibited from contacting Gulf Power directly.

Gulf Power is a subsidiary of Southern Company, one of the nation's largest generators of electricity. The company is an investor-owned, tax-paying utility, serving almost 400,000 customers in 71 towns and communities in Northwest Florida. Gulf Power's rates are almost 10 percent below the national average, and are the lowest of the investor-owned utilities in Florida.

## **Gulf Power Company's Request for Proposals (RFP) Process**

**Gulf Power Company (Gulf) will utilize a RFP process as detailed below to select the most competitive capacity supplier to meet its future load requirements. Gulf is seeking 5 year proposals to supply 400 MW to 500 MW beginning in 2009. Gulf is developing a time schedule that will allow it to identify a short list of successful respondents and begin contract negotiations by June 1, 2006.**

### **(a) Definitions of terms used in the RFP Process:**

1. "Commission" or "FPSC" means the Florida Public Service Commission.
2. "Independent Monitor" or "IM" means the entity selected by Gulf to monitor its RFP Process as described herein.
3. "Power Purchase Agreement" or "PPA" means a negotiated contract between Gulf and one of the finalist respondents to the RFP.
4. "RFP" means the notice of a Request For Proposals distributed to the marketplace by the IM under the RFP process identifying the needed resources and the time for providing those resources as set out in the RFP, or any amendment thereto.
5. "RFP Document" shall mean the collection of materials (including Form PPAs) distributed to interested respondents and pursuant to which the proposals shall be submitted and evaluated during the RFP Process.
6. "RFP Process" means the preparation and issuance of a Gulf RFP and all the activities subsequently associated therewith that are expected to terminate in the execution of a PPA between Gulf and one or more successful respondents, and in which an IM is utilized pursuant to and performs the functions described in this Proposed RFP/IM Structure.

### **(b) Proposed RFP Process for Resources to Supply Gulf's 2009 Capacity Requirements**

1. Except for changes required to incorporate the following provisions providing for utilization of an Independent Monitor, the RFP Process will be conducted consistent with the provisions of Commission Rule 25-22.082, F.A.C., Selection of Generating Capacity.
2. Gulf will contract with an IM to oversee and participate in the communication with potential respondents and actual respondents in the selection of generating resources to supply Gulf's 2009 capacity requirements. The contract with the IM will clearly define the communications protocols consistent with this RFP Process document. Overall, the IM will ensure that the RFP communications process is fair and transparent and does not favor any respondent over another. The IM will retain

records of all communications and be available to the Commission during the Commission's approval process for the resources selected by Gulf.

3. Prior to the receipt of proposals, Gulf will also provide to the IM a comprehensive evaluation framework including evaluation models, data, and mock evaluations to further enhance the transparency of its process and to be available to the Commission during the Commission's approval process.

**(c) Role and Selection of an Independent Monitor.**

1. The IM will be retained by Gulf under a contract that is consistent with the RFP Process. The role and function of the IM in the RFP Process shall be as set forth herein.
2. No respondent or potential respondent shall have any communication with the IM or Gulf pertaining to the RFP, the RFP documents, the RFP process, the evaluation or the evaluation process or any related subjects except as those communications are specifically allowed by this proposed RFP/IM structure, or as are made publicly through the IM's website. However, the IM or Gulf may determine that Gulf and the IM should jointly communicate with one or more respondents after the receipt of proposals to facilitate the evaluation process. The IM shall keep a record of all communications with potential respondents and actual respondents.
3. The IM will work independently, but will make available any reports as required by the Commission. In carrying out its duties, the IM will work in coordination with the Commission and Gulf with regard to the RFP Process.
4. If the IM becomes aware of a violation of any requirements of the RFP Process, the IM shall immediately report that violation, together with any recommended remedy, to Gulf and the Commission.
5. Gulf will collect an Evaluation Fee of \$10,000 per proposal to defray Gulf's costs of evaluating the proposals. An IM Fee of \$5,000 per proposal will also be collected to defray Gulf's costs of securing the services of the IM. In addition, the successful respondent(s) will reimburse Gulf for the actual total cost of the IM less total IM Fees collected if insufficient funds are collected through the IM Fee to cover the IM services. The outstanding amount will be assessed on a per megawatt basis and collected promptly after the Commission approval of the PPA(s). Invoices for services rendered by the IM will be sent directly to Gulf for payment, which will be made directly to the IM.

**(d) Affiliate Communications.**

1. Any affiliate of Gulf that intends to submit a proposal in response to the RFP, shall identify its employees as well as any other persons acting for that affiliate or on its

behalf in support of the development and submission of such proposal, and such employees and other persons shall be known collectively as a "Proposal Team".

2. The representatives of Gulf that will be designing and implementing the RFP and evaluating the proposals submitted in response to the RFP, as well as any other persons acting for or on behalf of Gulf regarding any aspect of the RFP Process, shall be known collectively as the "Evaluation Team."
3. Any Proposal Team shall be separately identified and physically segregated from the Evaluation Team for purposes of all activities that are part of the RFP Process. The names and complete titles of each member of a Proposal Team and the Evaluation Team shall be filed with the IM and made publicly available on the IM Website. Subsequent additions to a Proposal Team and Evaluation Team shall be filed with the IM and disclosed in the same fashion.
4. There shall be no communications, either directly or indirectly, between a Proposal Team and the Evaluation Team regarding any aspect of the RFP Process, except (i) necessary communications as may be made through the IM as described further herein, and (ii) negotiations between a Proposal Team and the Evaluation Team for a final PPA in the event and then only after the Proposal Team has been selected by Gulf as the respondent with a successful proposal. The Evaluation Team will have no direct or indirect contact or communications with any respondent other than through the IM as described further herein, until such time as a successful proposal is selected by Gulf and negotiations for a final PPA have begun.
5. At no time shall any information regarding the RFP Process be shared with any respondent, including the Proposal Team, unless the identical information is shared with all respondents in the same manner and at the same time. Should any respondent, including a Proposal Team, attempt to contact a member of the Evaluation Team directly, such respondent shall be directed to the IM for all information and such communication shall be reported to the IM by the Evaluation Team member.
6. Each member of a Proposal Team shall execute an acknowledgement that he or she agrees to abide by the restrictions and conditions contained in paragraphs 3 through 5 above. At the PPA Execution Date, each member of the Proposal Team shall execute an acknowledgement that he or she has met the restrictions and conditions contained in paragraphs 3 through 5 above. These acknowledgements shall be filed with the IM by the Proposal Team within 10 days of their execution.
7. Each Evaluation Team member shall execute an acknowledgement that he or she agrees to abide by the conditions contained in paragraphs 3 through 5 above and, at the PPA Execution Date, shall execute an acknowledgement that he or she has met the restrictions and conditions contained in paragraphs 3 through 5 above. These acknowledgements shall be filed with the IM by the Evaluation Team within 10 days of their execution.

**(e) RFP Structure and Process.**

1. Design of the RFP.

i. Gulf will be responsible for preparing the RFP Document, including RFP procedures, evaluation factors, credit and security obligations, Pro Forma Power Purchase Agreements (“Form PPAs”), and a solicitation schedule.

ii. Gulf will utilize the following steps and procedures:

(1) timely public notices of the issuance of the RFP,

(2) filing a copy of the RFP with the Commission,

(3) meeting with potential participants prior to issuance of the RFP to discuss potential requirements of the RFP, and

(4) meeting with potential participants within two weeks after issuance of the RFP,

iii. Gulf is not proposing a new Gulf-owned generating unit to meet this capacity need. As a result, there will be no data regarding a self-build option included in the RFP documents.

2. Issuance of RFP and Respondent Communications.

i. Gulf shall issue the RFP by submitting the RFP and RFP Documents to the IM for posting on the IM website. At any time after the RFP is issued, through the time the successful proposal is selected by Gulf, the schedule for the solicitation may be modified by Gulf. Any such schedule modifications shall be communicated by the IM and posted on the IM website.

ii. The only respondent communications permitted prior to submission of proposals shall be conducted through the IM or jointly with the IM. Respondent questions and Gulf responses shall be posted on the IM website. To the extent such questions and responses contain competitively sensitive information for a particular respondent, this information may be redacted or restricted to view only by the respondent, as the IM may determine.

iii. Gulf may not communicate directly with any respondent regarding the RFP Process, the content of the RFP and RFP Document, or the substance of any potential response by a respondent to the RFP.

iv. Respondents shall submit proposals pursuant to the solicitation schedule contained in the RFP and RFP Document. Gulf and the IM shall have access to all proposals and all supporting documentation submitted by respondents in the course of the RFP Process.

v. Gulf may request further information from any respondent regarding its proposal. Any communications between Gulf and a respondent during the evaluation process shall be conducted through the IM. Gulf shall be informed of the content of any communications between the IM and a respondent.

vi. Gulf shall cause native load growth reservations to be made on the Southern Company OASIS for all proposals that are not otherwise capable of using an existing native load growth reservation for evaluation purposes.

vii. The IM and Gulf shall maintain a record of all communications between the IM and Gulf and respondents throughout the RFP process.

### 3. Evaluation of Responses to RFP.

i. Gulf's evaluation of the proposals received using the RFP Process will be based on its traditional methods of analysis. Gulf will conduct its evaluation in an appropriate manner, consistent with the principles and procedures contained in this RFP and Commission Rule 25-22.082, F.A.C., Selection of Generating Capacity.

ii. Prior to the receipt of proposals, Gulf shall submit to the IM its evaluation methodologies, evaluation models, database, and mock evaluations which will demonstrate the evaluation methodology. Gulf will conduct the actual evaluation in a manner consistent with the above described evaluation framework. The IM and Gulf shall maintain a record of such evaluation framework.

iii. Communications will be conducted on a confidential basis between the IM and individual respondents, and may include one or more face-to-face meetings between the IM, Gulf and a respondent to discuss the respondent's proposal. In particular, Gulf expects that such face-to-face meetings will be necessary with the most competitive respondents prior to selection of finalist list participants.

iv. The RFP Process shall be a single round of proposals. Respondents shall not be allowed to revise their proposals after submittal of the proposals to the IM. However, clarification of proposal components and correction of genuine errors will be allowed through communication with respondents through the IM.

v. The IM and Gulf shall establish proposal evaluation milestones at which Gulf will provide to the IM summary documents which document the state of the proposal evaluation. Such milestones may include preliminary proposal summaries, preliminary or interim proposal rankings, respondent screen reports, proposal rankings used to reduce the number of active proposals to a more competitive tier, finalist list rankings, and final proposal evaluations including supporting workpapers and documentation. The IM shall maintain such records and make them available to the Commission during the Commission's approval process.

4. Commission Approval of Resource(s).

i. Based on the pro-forma PPA included in the RFP Document, Gulf will negotiate a final PPA with the respondent for each resource it has selected. Any such PPA shall be expressly conditioned on the approval of the Commission.

ii. The IM shall be available to participate in the Commission's approval proceeding and testify regarding their role and responsibilities as the IM as defined herein.

**Gulf Power Company  
2009  
REQUEST FOR PROPOSALS**

January 20, 2006

**Introduction**

Gulf Power Company ("Gulf" or "Company") issues this Request For Proposals ("RFP") to acquire new supply-side resources beginning June 1, 2009. This RFP is governed by Gulf's RFP Process Document ("Process Document") that is shown as Attachment J. Respondents should note that Gulf is utilizing an Independent Monitor ("IM"), Accion Group, as the point of contact with respondents in this solicitation. All questions or comments should be submitted to the IM. All respondents should familiarize themselves with the Process Document, a copy of which is also located on the IM's website at [www.gulfim.com](http://www.gulfim.com).

Southern Power Company ("Southern Power"), an affiliate of Gulf, may submit proposals in response to this solicitation. Gulf is complying with the provisions in the Process Document that contain measures to segregate the Company's Evaluation Team and Southern Power's Proposal Team. Gulf has implemented specific controls to ensure that Evaluation Team and Proposal Team RFP-related information is confined to the appropriate Team. Additionally, prior to receipt of proposals, the Company is implementing process steps to ensure that all proposals from affiliates and non-affiliates are evaluated using a common methodology and applied in a manner that ensures that the affiliate receives no advantages in the evaluation.

The current projection of Gulf's needs is in the range of four to five hundred megawatts (400 - 500 MW). Gulf's 2005 Ten Year Site Plan that is on file at the Florida Public Service Commission ("FPSC"), and included in the Documents section of the [www.gulfim.com](http://www.gulfim.com) website, contains more details related to Gulf's need, which is primarily peaking in nature. Respondent proposals that include turnkey facilities will not be accepted. Attachment H is a redacted template for information that Gulf believes may be helpful in submitting a proposal. The information includes current need projections and capacity factor projections for gas-fired resources at various heat rates. Respondents are encouraged to obtain a copy of this trade secret information by completing the confidentiality agreement in Attachment I, and submitting it to the IM. The trade secret information will be available by January 31, 2006. This IRP projection does not foreclose respondents from submitting proposals for any type of resource (base load, intermediate, or peaking) utilizing any type of energy source including but not limited to coal, nuclear, oil, natural gas, biomass, wind, solar, and hydro. Qualifying Facilities ("QFs") less than ten megawatts (10 MW) need to seek guidance on participation in this RFP in accordance with the QF section herein.



• **GULF RFP**  
**January 20, 2006**

**Product Definition**

For purposes of this RFP, Gulf is interested in “summer only” and “year round” proposals for a five (5) year term from a dedicated (first-call) generating resource (the “Facility”). Unless a proposal specifies otherwise, for proposals offering multiple units in a single proposal, seller should indicate whether each unit may be selected separately by Gulf at the \$/kW capacity price and with the other pricing components included in the entire proposal. If a respondent desires to not offer such unit combinations, the respondent should clearly state so in the proposal. If the respondent desires to offer a different pricing structure for such unit combinations, the respondent must specifically identify this pricing in its proposal.

Only the following three (3) products are acceptable:

1. Designated Capacity (as defined in the PPA) and energy from a one hundred percent (100%) entitlement to the full output capability of one or more dedicated generating units;
2. A defined percentage entitlement (less than one hundred percent (100%)) to the full output capability of one or more dedicated generating units and the associated percentage Designated Capacity (as defined in the PPA) provided that the remaining output capability and the associated percentage Designated Capacity (as defined in the PPA) is fully committed to another party prior to the submission of respondent’s proposal. For example, if a respondent’s proposal offers three hundred megawatts (300 MW) from a five hundred megawatt (500 MW) facility, Gulf will accept the offer (sixty percent (60%)), provided that the remaining two hundred megawatts (200 MW) is fully committed to another party prior to the submission of the respondent’s proposal into this solicitation; or
3. A defined percentage entitlement (less than one hundred percent (100%)) to the full output capability of one or more dedicated generating units and the associated percentage Designated Capacity (as defined in the PPA) provided that such defined percentage entitlement meets Gulf’s four to five hundred megawatt (400 - 500 MW) need. For example, if a respondent’s proposal offers an eight hundred megawatt (800 MW) unit into Gulf’s solicitation of four to five hundred megawatts (400 - 500 MW), Gulf will only accept fifty to sixty two and one half percent (50% - 62.5%) of the unit such that Gulf’s need of four to five hundred megawatts (400 – 500 MW) is met.

**Delivery of Energy**

Capacity offered will have the most value if fully dispatchable and available for first-call twenty-four (24) hours per day and seven (7) days per week for the contracted period. Additionally, all Product 1 proposals sourcing from Facilities other than peaking units, base-loaded (must-run) units, or energy limited units must be capable of operating on Automatic Generation Control (“AGC”) unless the Facility is not and cannot be made

**GULF RFP**  
**January 20, 2006**

capable of AGC due to pre-existing contractual obligations in the event the seller purchases the unit output from a third party. Seller shall be responsible for all costs to make the unit respond to Gulf's AGC signals. Gulf shall have the right, but not the obligation, to dispatch the Facility in the AGC mode. Seller's pricing should contemplate such operation.

Delivery of energy to meet Gulf schedules must be from the Facility identified in a respondent's proposal in response to this RFP unless the Facility is physically unable to produce such energy. Gulf acknowledges that prior commitments for an existing Facility beyond June 1, 2009 may prevent a respondent from offering such Facilities under this RFP. In the interest of encouraging offers of such Facilities under this RFP, if due to the aforementioned reason a respondent's proposed primary Facility will not be available June 1, 2009, another interim resource may be proposed to fill the capacity need until such Facility is available, provided that the interim resource is clearly identified and committed; provided, further, Gulf will only allow interim resources with a megawatt capacity that is within the range of ten percent (10%) less to five percent (5%) more than the megawatt capacity of the primary Facility; provided, further, the period of time a respondent uses an interim resource to fulfill such capacity need may not exceed three (3) years for a five (5) year PPA term. In the case of a multiple resource proposal, there must be no change proposed in the amount of capacity offered over the term of the PPA beyond that described above, and all requirements of this RFP shall apply equally to both the primary and interim resources. Also, appropriate adjustments to the Attachment F Form PPAs will be made (*e.g.*, the date when permits must be obtained for the primary Facility).

**Proposal Evaluation**

Proposals submitted pursuant to this RFP (including any submitted by Gulf's affiliates) will be considered and evaluated together. Such evaluation will include a review of transmission and ancillary service requirements, as appropriate, to determine the total cost impacts. In the event that the proposals received by Gulf pursuant to this RFP do not offer favorable pricing, then Gulf may withdraw this RFP. Should Gulf determine that other options are more favorable than the best proposals received as a result of this solicitation, Gulf will pursue approval of such options with the FPSC to meet its capacity and energy needs identified in this RFP.

At the conclusion of the evaluation, respondents identified as finalists will be contacted for negotiations that may lead to the execution of a PPA. Please note that Gulf may revise its capacity need forecast to reduce, eliminate, or increase the amount of power sought, or change the schedule for this RFP, at any point during the RFP process or negotiations. Further, this RFP and the documents are subject to modification or withdrawal at any time in the sole discretion of Gulf.

**Firmness of Proposed Resources**

To be considered responsive, all proposals, including interim resources, must demonstrate an appropriate level of firmness. Respondents are required to provide the

**GULF RFP**  
**January 20, 2006**

proposed capacity and energy to Gulf from specific, dedicated generating unit(s) on an unencumbered first-call basis and priority.

In the event a respondent intends to supply the capacity offered in its proposal through purchase(s) from a third party (whether an affiliate or non-affiliate), such proposal must demonstrate that the generation source for the respondent's purchase(s) will provide Gulf with the same unencumbered first-call firmness discussed above as if the respondent owned such generating resources. In addition, appropriate provisions will be added to the Attachment F Form PPAs to ensure adequate protection of Gulf.

**Respondents' Evaluation Fees**

Gulf will collect an Evaluation Fee of \$10,000 per proposal to help defray Gulf's costs of evaluating the proposals. An IM Fee of \$5,000 per proposal will also be collected to defray Gulf's costs of securing the services of the IM. In addition, the successful respondent(s) will reimburse Gulf for the actual total cost of the IM less total IM Fees collected if insufficient funds are collected through the IM fee to cover the IM services. The outstanding amount will be capped at two hundred fifty thousand dollars (\$250,000) and shall be assessed on a per megawatt basis and collected promptly after the Commission approval of the PPAs. Invoices for services rendered by the IM will be sent directly to Gulf for payment, which will be made directly to the IM.

Respondents may submit multiple proposals in response to this RFP. Proposals for the same site and the same generation technology and size that are offered with options in the fuel plan and/or fixed cost components will be considered a single proposal. In addition, proposals for the same site containing options in the number of generating units offered or portions thereof will be considered a single proposal if the generation technology is the same and the operational parameters and variable pricing are the same in all proposals. In the event a respondent submits separate proposals that vary certain critical parameters, including but not limited to the site, output, electrical characteristics, and technology (*e.g.*: CT, CC, cogeneration, primary fuel), such respondent will be required to pay the Evaluation Fee and IM fee for each such proposal.

**Gulf's Reservation of Rights and Disclaimer**

Gulf reserves the right, without qualification and in its sole discretion, to reject as non-responsive any proposals received for failure to meet any requirement of this RFP in any material respect. Gulf also reserves the right to request that the IM contact any respondent for additional information. Gulf further reserves the right without qualification and in its sole discretion to decline to enter into a PPA with any respondent for any reason. By way of example and not by limitation, the following shall constitute non-responsive proposals: a proposal offering non-firm capacity, a demand-side proposal, an incomplete or non-specific proposal or a proposal that fails to materially comply with the provisions of a Form PPA attached hereto in Attachment F. The Evaluation Fee and IM Fee associated with a non-responsive proposal will not be refunded to the respondent.

Respondents submitting proposals do so without recourse against the IM, Gulf, their parent company, any of their affiliates or subsidiaries, or any director, officer, employee,

**GULF RFP**  
**January 20, 2006**

agent or representative of any of them, for any modification or withdrawal of this RFP, rejection of any proposal, failure to execute a PPA, or for any other reason. The Evaluation Fee and IM Fee submitted by any respondent will not be refunded (unless otherwise determined in the sole discretion of Gulf) in the case of any modification or withdrawal of this RFP, rejection of any proposal, or failure to execute a PPA.

**Tentative Solicitation Schedule**

<b>EVENT</b>	<b>DATE</b>
Final RFP Issued	January 20, 2006
Proposals Due	March 21, 2006
Finalist List Determination	June 1, 2006
Execute PPA	August 1, 2006

**Effectiveness of Proposals**

Each proposal must remain open for acceptance by Gulf from the date of submittal through September 4, 2006, unless released by Gulf. Once a proposal has been submitted to Gulf, such proposal may not be withdrawn.

**Submission of Proposals**

Each respondent must submit a signed original and seven (7) hard copies of each of its proposal(s), including the RFP Proposal Form (Attachments A and B), its response to the Respondent Questionnaire (Attachment C), and its proposed changes to Attachment F, which should include a mark-up of the Form PPA and a summary of such changes, if any, all in three and a half inch, three-ring binders with transparent pockets on the front cover and the spine, and two (2) electronic copies of each of its proposal(s) on a compact disc, and its Evaluation Fee and IM Fee (a check made payable to Southern Company Services, Inc.) to:

2009 Gulf RFP Team  
Accion Group, Inc.

***[NOTE TO RESPONDENTS: the submittal address will be provided prior to release of this RFP.]***

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Proposals must be received by no later than 4:00 PM Eastern Time on March 21, 2006. In the event of a discrepancy between the electronic form and the hardcopy form of the proposals submitted, the hardcopy form will be considered to be correct.

**Communications**

**PRIOR TO SUBMISSION OF PROPOSALS**

PURSUANT TO THE PROVISIONS OF THE PROCESS DOCUMENT, WHICH IS POSTED ON THE IM'S WEBSITE AT [www.gulfim.com](http://www.gulfim.com) AND INCLUDED HEREIN AS ATTACHMENT J, RESPONDENTS MUST NOT CONTACT ANY REPRESENTATIVE OF GULF REGARDING THIS RFP. ALL QUESTIONS OR RECOMMENDATIONS CONCERNING THIS RFP, THE PROPOSALS, OR PROPOSAL EVALUATIONS MUST BE SUBMITTED IN WRITING ONLY TO THE IM BY POSTING ON THE IM'S WEBSITE AT [www.gulfim.com](http://www.gulfim.com). THE RESPONDENTS' QUESTIONS AND THE IM'S RESPONSES SHALL BE POSTED ON THE IM'S WEBSITE. THE IM OR ANY REPRESENTATIVE OF GULF IS NOT PERMITTED TO HAVE ANY PRIVATE COMMUNICATION WITH ANY RESPONDENT.

**FOLLOWING THE SUBMISSION OF PROPOSALS**

PRIOR TO THE SELECTION OF THE SUCCESSFUL PROPOSAL(S), ALL COMMUNICATIONS WITH RESPONDENTS SHALL BE CONDUCTED THROUGH THE IM IN A MANNER CONSISTENT WITH THE RFP PROCESS DOCUMENT AND SHALL BE CONFIDENTIAL.

IN THE CASE OF DEFICIENCY NOTED UPON INITIAL SCREENING OF ANY PROPOSAL, THE IM WILL NOTIFY THE RESPECTIVE RESPONDENT OF ANY CURE PERIOD THAT WILL BE GRANTED TO SUCH RESPONDENT WITHIN WHICH SUCH DEFICIENCY MUST BE CURED. DEFICIENT PROPOSALS THAT ARE NOT GRANTED A CURE PERIOD WILL BE REJECTED AS NON-RESPONSIVE AND THE FEES SUBMITTED WITH SUCH PROPOSALS SHALL NOT BE RETURNED. THEREAFTER, THE COMPANY, THROUGH THE IM, MAY REQUEST THAT CERTAIN RESPONDENTS SUBMIT CORRECTIONS OF ANY ERRORS OR OMISSIONS CONTAINED IN ANY PROPOSAL OR TO CLARIFY A PROPOSAL. FURTHER, THE COMPANY, THROUGH THE IM, MAY REQUEST CERTAIN RESPONDENTS TO REVISE THEIR PROPOSALS IN CERTAIN RESPECTS IN ORDER TO OBTAIN THE BEST VALUE FOR GULF'S RATEPAYERS. SUCH REQUESTS MAY OR MAY NOT AFFORD THE RESPONDENT A CORRESPONDING OPPORTUNITY TO CHANGE ITS PRICE. IN ANY EVENT, THERE WILL BE NO OPPORTUNITY AFFORDED TO RESPONDENTS TO REFRESH OR REVISE THEIR INITIAL PROPOSALS ON THEIR OWN INITIATIVE.

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**Instructions for Completing Forms**

1. All proposals must be received by **March 21, 2006**. All proposals must be in the format set forth in the RFP Proposal Form (Attachments A and B), which must be completed in its entirety. In addition, all respondents must submit a detailed response to the Respondent Questionnaire (Attachment C) and any other information that has not been requested but is necessary for a thorough understanding and/or evaluation of the proposal. Any proposal that does not contain **all** of the required information by **March 21, 2006** will be subject to rejection as non-responsive by Gulf. It is each respondent's responsibility to submit additional information related to its proposal if such information will materially improve the value of its proposal or Gulf's understanding thereof.
2. Each proposal must be signed by an officer (*i.e.*, president, vice president, etc.) of the respondent's company.
3. Each proposal must include the Attachment F Form PPA that most closely applies to such proposal with (i) all blank spaces completely filled in except those that are to be completed by Gulf, (ii) any and all proposed changes to the Form PPA shown with specificity in a mark-up and accompanied by a summary of such changes, including the specific identification of any changes to the PPA being requested by a third party if the respondent is subject to a third party agreement, and (iii) a statement by the respondent that the terms and conditions of the applicable Form PPA as proposed by the respondent are acceptable to the respondent. Gulf has developed, and included in Attachment F, two (2) different Form PPAs, with consistent provisions, for five (5) year CT and CC proposals. These Form PPAs are also based on a number of assumptions that may or may not apply to a respondent's proposal(s). Examples of such assumptions are: the proposed project is a new build, it is located within the Southern Control Area, there is no interim resource proposed, fuel tolling is proposed, and the seller is not itself a creditworthy entity.

THIS SOLICITATION HAS BEEN DESIGNED TO SEEK A STANDARDIZED CAPACITY PRODUCT UTILIZING FORM PPAS WHICH SPECIFY THE TERMS AND CONDITIONS TO BE APPLIED. THE CONCEPTS AND MATERIAL PROVISIONS OF THE ATTACHMENT F FORM PPAS ARE NON-NEGOTIABLE EXCEPT AS PROVIDED IN THIS PARAGRAPH. RESPONDENTS' PROPOSALS MUST CONFORM TO THE FORM PPAS IN ALL MATERIAL RESPECTS EXCEPT WHERE THE FORM PPA ASSUMPTIONS DO NOT CONFORM TO THE SPECIFIC CHARACTERISTICS OF A PROPOSAL. FOR EXAMPLE, IF A RESPONDENT'S PROPOSAL CONFORMS WITH THE REQUIREMENTS OF THE RFP AND OFFERS AN EXISTING CT FACILITY TO BEGIN DELIVERY IN JUNE, 2010 WITH AN INTERIM RESOURCE TO FILL THE GAP FROM JUNE 2009 TO MAY 2010, THEN THE RESPONDENT MAY PROPOSE CHANGES TO THE APPLICABLE FORM PPA TO THE EXTENT NEEDED, AND ONLY TO THE EXTENT NEEDED, TO CONFORM A FORM PPA'S PROVISIONS TO (I) AN EXISTING FACILITY AS OPPOSED

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TO A NEW BUILD, AND (II) ADD AN INTERIM RESOURCE TO FILL THE GAP BETWEEN JUNE, 2009 AND MAY, 2010. GULF WILL CONSIDER THE RESPONDENT'S PROPOSED CHANGES AS PART OF THE EVALUATION OF THE PROPOSAL. GULF MAY PROPOSE ITS OWN CHANGES TO CONFORM THE FORM PPA TO THE RESPONDENT'S PROPOSAL AND MAY DISCUSS PROPOSED CHANGES WITH THE RESPONDENT BEFORE MAKING A DECISION ON THE RESPONDENT'S PROPOSAL. OF COURSE, DEPENDING ON THE TYPE OF PROPOSAL THAT A RESPONDENT IS OFFERING, MORE EXTENSIVE CHANGES TO A FORM PPA MAY BE NEEDED. FOR EXAMPLE, THE FORM PPA REFLECTS CHANGE OF LAW PROVISIONS ACCEPTABLE TO GULF BASED ON SUCH RISKS FOR NEW GAS-FIRED GENERATING FACILITIES ONLY. HOWEVER, GULF WILL NOT CHANGE OR NEGOTIATE ANY CHANGES TO THE CONCEPTS EMBODIED IN THE FORM PPA PROVISIONS WHERE SUCH CONCEPTS CAN BE APPLIED OR MOLDED TO A RESPONDENT'S PROPOSAL. IN ACCORDANCE WITH THIS PARAGRAPH, IF THE PROPOSAL IS CONDITIONED ON ANY CHANGES TO THE APPLICABLE FORM PPA, THEN THE RESPONDENT MUST EXPRESSLY SO STATE AND MUST PROVIDE THE SPECIFIC LANGUAGE CHANGES THAT THE RESPONDENT PROPOSES TO THE APPLICABLE FORM PPA BY BLACK-LINING THE COPY OF THE FORM PPA ATTACHED TO THE PROPOSAL SUCH THAT IT SHOWS THE SPECIFIC ADDITIONS (BOLD AND UNDERLINED) AND DELETIONS (STRIKE-THROUGH) THAT THE RESPONDENT PROPOSES.

4. The maximum yearly escalation for the capacity payment (including fixed O&M, if applicable) in any year will be limited to the greater of the projections shown in Attachment A of Consumer Price Index ("CPI") plus one percent (1%) or Gross Domestic Product Implicit Price Deflator ("GDPIPD") plus one percent (1%). The cumulative escalation over the life of the PPA will be limited to a maximum of the greater of Projected CPI or Projected GDPIPD. The minimum yearly escalation for the capacity payment will be limited to a minimum of zero percent (0%). The cumulative escalation over the life of the PPA will be limited to a minimum of zero percent (0%). A flat capacity payment (zero percent (0%) escalation) will be allowed. Note that the escalation of capacity payments for the term of the PPA will be fixed at the projected index values in Attachment A or the escalation rate provided by the bidder at the time of the bid and will not vary based on subsequent changes in any index.
5. If a respondent elects to have a fixed O&M payment separate from the capacity payment, then this amount must be entered in the RFP Proposal Form, Attachment A in the tab entitled "Generation Annual Monthly Info(A)." If the separate fixed O&M payment is escalated at a fixed percentage or at the Projected GDPIPD, Projected CPI or Projected Employment Cost Index Wages & Salaries, it will be subject to the limitations stated in Section 4 above. If the separate fixed O&M payment is escalated at the actual GDPIPD, actual CPI or

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actual Employment Cost Index Wages & Salaries, it will not be subject to the limitations stated above.

6. For proposals with multiple modes of operation, bidders must specify the guaranteed nominal capacity of each mode and quote a single capacity bid price for the entire output of the Facility and insert those capacities and that price into Attachment A. In the event during any contract year the capacities designated by mode are different from their respective guaranteed nominal capabilities by mode, an adjustment to the capacity payment will be made in a manner that reflects the value of each mode to the Companies. Such adjustment is described in Appendix A of the Form PPAs. In the event during any contract year the capacities designated by mode match their respective guaranteed nominal capabilities by mode, the capacity payment will match the single capacity bid price.
7. All energy prices must be quoted as indicated in the RFP Proposal Form, Attachments A and B, as dollars per megawatt-hour (\$/MWh) and/or dollars per hour (\$/hr) (as applied to variable operation and maintenance ("V O&M")) and as heat rates (as applied to fuel cost), including a specific published index and all adjustments, if applicable. V O&M must escalate at the actual CPI, actual GDPIPD or actual Employment Cost Index Wages & Salaries, plus or minus an adjustment factor not to exceed one percent.
8. All respondents must enter heat rate information, if applicable, consistent with one of the three heat rate entry methods for each of their units in the RFP Proposal Form, Attachment A in the tab entitled "Ratings (A)."
9. All proposals must be for a capacity equal to or greater than ten megawatts (10 MW).
10. Proposal prices must include all costs that the respondent expects Gulf to pay for the capacity and energy proposed. Any attempt by a respondent to increase prices after the proposal is submitted will be grounds for rejection of the proposal as non-responsive. Gulf will not be responsible for any other costs associated with the project, including but not limited to, station service, test energy, fuel for testing, gas lateral construction, electrical interconnection and all costs (including fuel) incurred necessary to accomplish synchronization.
11. Proposals must be in Microsoft Excel 2003 or later format.

**Confidentiality**

Gulf will take reasonable precautions and use reasonable efforts to protect any proprietary and/or confidential information contained in a proposal provided that the respondent clearly identifies such information as confidential on the page on which it appears. Gulf may, however, be required to make such confidential information available under applicable state and/or federal law to regulatory commission(s), their respective staff or other governmental agencies having jurisdiction over this matter. For example,



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Gulf expects that the final report of the IM that is submitted to the FPSC will contain certain confidential information. In addition, Gulf reserves the right to release such information to agents or contractors of Gulf, for the purpose of evaluating the proposals, or to regulated retail affiliates seeking similar supply-side resources, although such agents, contractors or regulated retail affiliates will observe the same care with respect to disclosure as Gulf. Gulf will notify the respondents when information is shared with regulated retail affiliates. Under no circumstances will the IM, Gulf, their parent company, affiliates, subsidiaries, and the officers, directors, employees, agents or representatives of any of them be liable to any party for any damages resulting from any disclosure of information provided in response to this RFP before, during or after the solicitation process.

**Availability; Alternate Delivery; Performance Security**

Gulf will rely, in part, on the contracted power supplied by the selected proposal to provide dependable and reliable electric service to meet the needs of its customers. Accordingly, Gulf will require stringent protection for the Company and its customers against failures by the respondent to deliver contracted capacity and energy in accordance with the PPA.

Any PPA Gulf enters into will contain provisions that require the respondent to forfeit a portion of the capacity payment for Facility availability (calculated on a seasonal basis) below the agreed-upon guaranteed level. In addition, availability during any seasonal period that is below sixty percent (60%) will result in a one hundred percent (100%) forfeiture of the capacity payment for that season, and will also subject the seller to a PPA default if the availability remains below sixty percent (60%) for a period of time as specified in the PPA.

In the event that the Facility is physically unable to meet the Gulf's schedules, and in order to avoid a commensurate reduction in the calculated availability of the Facility, the Form PPAs attached hereto contain provisions that give the successful respondent(s) the option to elect a financial settlement procedure for up to two (2) weeks followed by a physical alternate delivery option for the duration of a Facility outage. (See the Attachment F PPA forms, Section 5.1.4, for details of these alternate delivery and settlement rights).

Any Attachment F PPA that Gulf enters into must provide reasonable assurance that the Company will be able to readily recover its actual damages in the event of any default by the seller under a PPA. The PPA will require that the seller either (a) have a credit rating at least one notch above the ratings specified in the PPA definition of "Creditworthy" and have a Net Worth (as defined in the PPA) of at least five hundred million dollars (\$500,000,000.00), (b) supply a guaranty from an entity with a credit rating at least one notch above the ratings specified in the PPA definition of "Creditworthy" and with a Net Worth of at least five hundred million dollars (\$500,000,000.00) in a form acceptable to Gulf and, if the guaranty is capped, in the minimum amount required by the PPA, (c) where the creditworthiness and/or Net Worth requirements of subsections (a) or (b) are not satisfied, provide an evaluation of the seller's (or its guarantor's) creditworthiness

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and financial stability from an independent third party that is acceptable to Gulf which evaluation demonstrates, in the sole judgment of Gulf, that the seller (or its guarantor) has characteristics strongly suggestive of a credit rating above the lowest investment grade level, or (d) demonstrate that it can provide other collateral (*e.g.*, cash or a letter of credit) acceptable to Gulf in such form and in the minimum amount required by the PPA. Where a seller is relying upon subsection (a) above and such seller is "Creditworthy" under the PPA definition but is rated only at the lowest investment grade levels by one or more rating agencies, then such seller will be required to provide security collateral in an amount of fifty percent (50%) of the amount specified in Section 7.1 of the PPA and in the form of cash, a letter of credit or a guaranty that meets the requirements of subsection (b) above. Where a seller is relying upon subsection (b) above and such seller's guarantor is "Creditworthy" under the PPA definition but is rated only at the lowest investment grade levels by one or more rating agencies, then fifty percent (50%) of the amount specified in Section 7.1 of the PPA must be in the form of cash or a letter of credit, with the remaining fifty percent (50%) provided through the guaranty from such guarantor. In the event that seller or its guarantor, as applicable, experiences a Material Adverse Change (as defined in the PPAs) following the execution of the PPA, seller will be required to provide replacement Eligible Collateral (as defined in the PPAs). With respect to any default by a seller during the development of a selected project, the PPA will provide for a liquidated damages remedy for Gulf. The Attachment F PPA forms (*see* Articles 7 and 17) provide details concerning these security requirements and remedy provisions based on the assumption that the seller itself is not "Creditworthy" under the PPA definition. For all technology proposals other than natural gas-fired (or dual gas and oil fired) CT facilities, the security requirements applicable to CC facilities will be applied.

**Respondent's Qualification Screen and Project Development Requirements**

In addition to the requirements set forth in the "Proposal Evaluation" section of this RFP and Attachment C, if applicable, in the event a proposal to develop a new project is identified by Gulf as one of the most competitive proposals, the respondent will be required to submit within two (2) weeks of such selection a certification signed by an officer of the respondent to the effect that the respondent has the ability to implement such project, including a full description of all development activities completed or pending including, without limitation, negotiations for partnership agreements, equipment supplier agreements, financing, permitting, design work, etc. Gulf may require respondents to provide copies of such development documentation as a condition of further evaluation of their proposal(s). It will be the respondent's sole responsibility to obtain any financing associated with the project and any PPA entered into by Gulf shall not be contingent upon the respondent obtaining such financing.

**Interconnection and Transmission Requirements (Projects Located Inside the Southern Control Area)**

1. The costs and benefits of any network transmission system modifications to the Southern Control Area transmission system associated with reliably incorporating a proposal into the transmission grid will be considered in the evaluation. Southern Company Services, Inc., acting as agent for Gulf, will conduct

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transmission impact studies, as appropriate, to determine an estimate of such costs and benefits for inclusion in the proposal evaluation.

2. For the purpose of this RFP, each respondent should propose the discrete point of electrical interconnection for its project, which would define the point where the respondent's ownership of all transmission interconnection facilities into the transmission system terminates. In proposing the point of interconnection, the respondent will own all generation and transmission interconnection facilities from the respondent's generating equipment to the proposed point of interconnection. All transmission facilities beyond the proposed point of interconnection (into the network transmission grid) will be owned by the transmission provider.
  - a. The proposed point of electrical interconnection should be consistent with the expected point of electrical interconnection that would be established if the respondent was currently applying for formal interconnection.
  - b. If the respondent's Facility has an interconnection agreement in place or has applied for a formal interconnection, the respondent should provide a copy of the interconnection agreement or application and a summary of the status (interconnection granted, pending, etc.) of such interconnection.
  - c. Each respondent must supply a one-line diagram of the electrical system depicting the Facility's generator(s), generator step-up transformer(s), collector bus(es), high voltage circuit breaker(s) and connections to the transmission system. In addition, each respondent must clearly mark the proposed point of interconnection on such one-line diagram and clearly indicate the line of demarcation between the Facility and the transmission provider's facilities.
  - d. Gulf (through the IM) may suggest a different interconnection point (with respect to location and/or voltage) if this would result in more favorable economic consideration of the proposal being evaluated.
  - e. A stability concern has been previously identified in the southwest quadrant (SWQ) of the Southern system. This stability concern manifests itself as a possible system split in which a large portion of the Southern system could become electrically isolated from the rest of the Eastern Interconnect. Power system stabilizers (PSS) were added at several generating units to control the dynamic stability concern in the area. Generating unit additions in this area may require transmission system improvements. The economic evaluation of proposals sourced from generation within the SWQ will consider the cost of such transmission system improvements.  
(For details of this and any other potential transmission concerns, refer to: <http://www.weboasis.com/OASIS/SOCO/miscellaneous.htm>)
  - f. A stability concern has been previously identified in central and northern Alabama that is commonly referred to as the northwest quadrant (NWQ)

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of the Southern system. This stability concern manifests itself as a possible system split in which a large portion of the Southern system could become electrically isolated from the rest of the Eastern Interconnect. As a result, generation in the area and the subsequent flows from the western portion of the Southern system toward the east into Georgia are limited to eliminate the possibility of low voltages and stability concerns. Generator additions in this area of Southern may cause the need for high cost, long lead-time transmission improvements in order to accommodate their transmission service. The economic evaluation of proposals sourced from generation within the NWQ will consider the cost of these transmission system improvements.

(For details of this and any other potential transmission concerns, refer to: <http://www.weboasis.com/OASIS/SOCO/miscellaneous.htm>)

3. For the purpose of this RFP, respondents shall be responsible for all transmission interconnection costs from the generating equipment to the respondent's proposed point of interconnection in their proposal, as described in paragraph 2 above. Successful respondents are responsible for all costs they incur related to interconnection of their Facility to the Southern Control Area transmission system in accordance with their interconnection agreement.
4. Successful respondents will be required to enter into an interconnection agreement with a transmission provider by July 1, 2007. It is each respondent's responsibility to contact the appropriate transmission provider to obtain all relevant information regarding interconnection requirements for their Facility.
5. Successful respondents must demonstrate that they can reliably deliver energy to the respondent's proposed point of interconnection. The Company will accept no risk of failure to so deliver.
6. Proposals will only be accepted where Gulf determines that firm transmission service will be available to serve Gulf's loads by the commencement and throughout the term of the PPA. Respondents may desire to obtain additional information regarding the Southern Company transmission system and capabilities by using Southern Company's Open Access Same Time Information System ("OASIS") web site (located at <http://www.weboasis.com>).
7. Respondents should note that proposals sourced from the western part (Alabama, Mississippi, and the Florida panhandle) of the Southern Control Area transmission system may be more likely to have difficulty in meeting the transmission firmness requirements of this PPA, particularly if firm transmission arrangements are not already in place. Respondents should provide as part of their proposals any information that they have in this regard.

**Transmission Requirements (Projects Located Outside of the Southern Control Area)**

While Gulf prefers proposals that are directly connected to the Southern Company transmission system, proposals for Facilities located outside of the Southern Control Area

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will be considered. However, any respondent proposing a Facility located outside of the Southern Control Area must demonstrate that it has firm transmission service for the entire term of the PPA to deliver the entire capacity and energy of the Facility to the interface with the Southern Control Area. The PPA will include provisions that require the successful respondent(s) to (a) acquire firm physical transmission rights or equivalent financial transmission rights in the event delivery is through an existing or future regional transmission organization (“RTO”) or independent system operator (“ISO”), and (b) guarantee physical delivery of the Company’s energy entitlement from the Facility to the designated interface with the Southern Control Area. The successful respondent will be responsible for, and proposed prices must include, any costs associated with satisfying the foregoing requirements.

**Compliance with Laws; Regulatory Approvals**

1. It shall be the complete and sole responsibility of the respondent to take all necessary actions to satisfy any regulatory requirements, licenses and permits that may be imposed on the respondent by any federal, state or local governmental authority concerning the permitting, development, construction, operation, maintenance, addition, renewal, retirement and disposal of the Facility, or concerning the generation, sale and/or delivery of power. Gulf will cooperate with the successful respondent(s) to provide information or such other assistance, as may reasonably be requested by a respondent to satisfy such regulatory requirements. The respondent shall likewise provide such information and assistance to Gulf in connection with Gulf’s regulatory approvals.
2. In accordance with FPSC Rules, Gulf must petition the FPSC for the approval of any PPA entered into by the Company. The Company can only enter into a long-term purchase of electric power from any new steam generating facility constructed in Florida that is seventy five megawatts (75 MW) or larger upon a finding of need for such proposed generation facility. If Gulf’s need is met with existing capacity, newly constructed peaking capacity, or newly constructed capacity not located in Florida, then a finding of need would not be required. The obligations under the PPA shall be conditioned on the receipt of approval of the executed PPA without material modification from the FPSC and, if required, the Federal Energy Regulatory Commission. See the applicable Form PPA in Attachment F for the specific language concerning these conditions.

**Qualifying Facilities (“QFs”)**

The rights and opportunities for QFs to fulfill part of Gulf’s needs identified in this RFP are subject to the Public Utility Regulatory Policy Act of 1978 (“PURPA”) and the FPSC Rules concerning the treatment of QFs. For further information on the FPSC Rules governing QFs and the standard QF contract form, respondents should refer to Chapter 25-17 of the Florida Administrative Code, website at <http://fac.dos.state.fl.us>.

QFs that are less than ten megawatts (10 MW) shall not participate in this RFP process (and therefore should not submit any information to the IM) but must submit an intent to fulfill part of Gulf’s needs identified in this RFP by written notice submitted to the following individual by **March 21, 2006**:

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Susan Ritenour  
Secretary/Treasurer  
Gulf Power Company  
Telephone (850) 444-6231  
Facsimile (850) 444-6026

In the event a QF intends to provide such notice, such QF shall provide information suitable for Gulf to establish that the entity is a QF. The QF shall also provide Gulf the facility capacity, the expected energy output of the facility, the anticipated load profile of the facility, any ability to schedule output, and the anticipated term of the contract to be entered into between the QF and Gulf.

QFs ten megawatts (10 MW) or larger, may participate in this solicitation on the same basis as other respondents unless otherwise required by the applicable FPSC Rules.

**Environmental**

All respondents will be responsible for compliance with federal, state and local environmental regulations including, but not limited to nitrogen oxides ("NOx"), volatile organic compounds ("VOC"), and sulfur dioxide ("SO2") regulations. Seller under a gas-fired resource PPA shall not be required to use any of the NOx Allowances granted to the seller or other persons with respect to the Facility through any type of state or Federal set-aside program during the term of the PPA for Gulf's benefit. If such seller maintains compliance with regulations, the Company will supply seller with the actual number of allowances required by any regulatory requirement for emission of nitrogen oxides ("NOx Allowances") for energy purchased from seller and delivered from the gas-fired Facility pursuant to the PPA, subject to the following limitations:

- (i) Gulf shall not be required to provide NOx Allowances that are needed due to the Facility exceeding a NOx emission rate of 0.0093 lbs/MMBtu for a CC and 0.0334 lbs/MMBtu for a CT during gas-fired operation. During any oil-fired operation, Gulf will provide the actual NOx Allowances required to meet Gulf's schedules provided the respondent maintains compliance with regulations.
- (ii) Seller under the PPA shall be responsible for providing any required emissions offsets for VOC and/or NOx if, as of the execution date of the PPA, the gas-fired Facility is located in a designated ozone non-attainment area or corresponding area of influence, or an area that has been recommended for ozone non-attainment.
- (iii) For any gas-fired Facility that is located in an area that is or has been recommended for ozone non-attainment designation (or other location-specific environmental control) and becomes subject to more stringent environmental regulations with location-specific impact, the respondent is

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responsible for all costs associated with such regulations, *i.e.* no change of law price adjustment will be permitted.

- (iv) Any costs for compliance with Best Available Control Technology (“BACT”) or Lowest Achievable Emission Rate (“LAER”), as applicable, are the responsibility of the seller under the gas-fired resource PPA (*i.e.*, a determination of BACT or LAER by a regulatory agency shall not constitute a change in law).

With respect to proposals for non-gas-fired resources, Gulf will not be required to directly provide any emissions allowances, and respondents should price their proposals accordingly.

**Energy Price**

Respondents are encouraged to propose variable costs consistent with their actual realized variable costs plus a reasonable margin. The proposed heat rate should closely approximate anticipated heat rate with margin for degradation. If the proposed variable components are not consistent with design specifications of the Facility, Gulf may request, through the IM, that a respondent modify its proposal(s). This cost-based pricing approach should reflect, but is not limited to, the following components:

- Variable O&M
- Start Cost
- Heat Rate
- Fuel Commodity Cost

**Fixed O&M Price**

If a respondent elects to have a fixed O&M payment separate from the capacity payment, the proposed fixed O&M price must be consistent with the respondent’s actual realized costs plus a reasonable margin.

**Operating Flexibility**

Respondents of 2-on-1 CC Facilities must offer operation in the 1-on-1 mode if technically feasible by design. Operating in 1-on-1 mode entails the ability to operate a single CT, one HRSG and the steam turbine while the second CT is shutoff. Respondents of the Facility must offer cycling from 2-on-1 operation down to 1-on-1 mode and back up to 2-on-1 mode if technically feasible by design.

Respondents of 2-on-1 CC Facilities should offer 1-on-1 operation pricing based on the cost of operating in this mode. This should entail a start charge that accurately represents the cost of starting the Facility in the 1-on-1 mode and the cost of moving from 1-on-1 mode to 2-on-1 mode. Respondents should also provide heat rate curves consistent with the actual cost of 1-on-1 operation. If a respondent proposes a resource with other operational capabilities, such as 3-on-1, power augmentation, etc., then the respondent’s proposal must offer the operational flexibility consistent with the Facility capabilities and pricing based on the cost of providing such operational flexibility.

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Respondents may also propose a 1-on-1 CC Facility.

**Fuel Plan**

Gulf prefers a fuel tolling arrangement (*i.e.*, an arrangement in which Gulf as buyer is responsible for fuel supply and transportation) with respect to resources for which the respondent does not have a pre-existing fuel arrangement. With respect to resources for which the respondent does have a pre-existing fuel arrangement, Gulf generally prefers a fuel tolling arrangement with assignment of the pre-existing fuel arrangement. In the event a fuel tolling arrangement with assignment of the pre-existing fuel arrangement is proposed, this will be factored into the evaluation. The respondent should provide specific data regarding the costs and rates that will be assigned pursuant to the fuel arrangement as a proposed term. In the case of resources for which a respondent does have a pre-existing fuel arrangement and the respondent includes a non-tolling fuel plan in its proposal, then the respondent must provide complete details of its fuel arrangements and fuel plan with its proposal.

Respondents proposing non-tolling arrangements are encouraged to also provide a tolling proposal for the same Facility (no additional Evaluation Fee or IM Fee will be required). In order to minimize the risk of fuel supply interruptions for CC facilities, in addition to firm gas transportation, the successful respondent(s) will be required to either construct a fuel oil storage facility (including reliable replenishment capability), rely on Gulf to provide gas storage (in the case of a tolling arrangement), or propose a gas storage arrangement as part of respondent's fuel plan. In order to minimize the risk of fuel supply interruptions for CT facilities, the successful respondent(s) will be required to either construct a fuel oil storage facility (including reliable replenishment capability) or provide firm gas transportation.

If the respondent selects onsite fuel oil storage, the facilities and operation of such will be expected to comply with the following standard for both tolling and non-tolling proposals:

- Unless otherwise mutually agreed upon by the parties, seller shall acquire, permit, construct, own, operate and maintain all facilities, infrastructures and property interests necessary to meet the following standards:
  - For CC facilities, sufficient fuel oil storage capacity (including reliable replenishment capability) is required to operate the Facility for five (5) continuous days per week for two (2) consecutive weeks at sixteen (16) hours per day at full load.
  - For CT facilities, sufficient fuel oil storage capacity (including reliable replenishment capability) is required to operate the Facility for five (5) continuous days per week for six (6) consecutive weeks at eight (8) hours per day at full load.

The Parties will develop the additional requirements and objectives necessary to implement the foregoing standards as a part of the PPA.



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Tolling Proposals

- For proposal evaluation purposes, Gulf will develop an individual fuel plan for each tolling proposal to reliably and economically meet the fuel supply requirements for such proposals. Such projected fuel plans will be developed in a consistent and fair manner for all proposals.
- Gulf will be responsible for delivering to the agreed-upon gas delivery point sufficient quantities of natural gas necessary to generate energy pursuant to Gulf's energy schedules. Gulf shall bear the risk of loss of natural gas until it is delivered to the delivery point. The party responsible for causing any imbalances shall be responsible for payment of any imbalance charges assessed by the pipeline operator.
- Gulf shall procure and maintain the necessary quantities of fuel oil at the Facility to be used for generating energy to accommodate Gulf's scheduling instructions. Seller shall at all times bear the risk of loss of fuel oil procured by Gulf pursuant to the PPA once fuel oil is delivered to seller's fuel oil facilities. When seller uses fuel oil stored at the Facility to generate energy scheduled by Gulf under the PPA, the Company shall replenish such fuel oil in the storage facilities as necessary. Gulf and seller may mutually agree upon an equivalent contractual arrangement in which seller is responsible for procurement, maintenance and replenishment of fuel oil.

Non-Tolling Proposals

- A successful respondent that proposes a non-tolling fuel plan will not be excused from a failure to meet the Company's energy schedules as a result of the inability to provide natural gas to the Facility unless such an event affects dedicated firm transportation and constitutes a force majeure event under the applicable pipeline tariff, or is the result of an operational flow order that is not directed toward such respondent's failure to comply with the applicable pipeline tariff. Unless excused by the preceding sentence, such respondent shall be responsible to reimburse Gulf for their incremental replacement power costs. The PPA will also contain provisions such that if Gulf has substantial concerns about the reliability of the Facility due to the fuel plan, Gulf shall have the right to take over the fuel supply to the Facility.

**Proposal Evaluation**

1. Proposals that are considered to be adequately responsive to the requirements of this RFP will be ranked and screened according to price to eliminate proposals that are clearly not competitive before detailed modeling is performed. The majority of the evaluation will focus on price and reliability considerations (economic evaluation). A summary evaluation of the non-price attributes (*see* Attachment D) will be developed for the most competitive proposals resulting from the economic evaluation.
2. Each respondent must have adequate competence in project development (if project that is proposed has not achieved commercial operation at the time of

**GULF RFP**  
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proposal submittal) and operations. In addition to a demonstration of the respondent's financial competence, as discussed earlier (*see* "Performance Security"), each respondent must demonstrate in its proposal that it either (a) possesses significant expertise and experience in the development, permitting, financing, engineering, design, construction, testing, operation and maintenance of projects substantially similar to the Facility, or (b) in the absence of such expertise and experience in any such area, has binding arrangements in place with third parties who do possess the requisite expertise and experience and provide a certification from an independent, registered engineer acceptable to Gulf to the effect that the respondent's arrangements are sufficiently firm and binding as to provide a comparable level of experience and expertise to that set forth in subsection (a) of this paragraph. At a minimum, the Company will require the successful respondent(s) who enter into an Attachment F Form PPA for simple cycle CT or CC facilities to demonstrate that they possess, or have binding arrangements with others who possess, current experience in excess of three (3) years in operating and maintaining or arranging for the operation and maintenance of gas-fired combustion turbine and/or steam turbine generating facilities (other than the Facility) and, at the time of determination of its qualifications under this RFP, operates two or more gas-fired combustion turbine and/or steam turbine generating facilities (other than the Facility) located at separate generating sites with an aggregate capacity of six hundred megawatts (600 MW) or more. Respondents offering proposals sourcing from facilities using other generation technologies will be required to have substantial experience in the operation and maintenance of such facilities, or in the alternative, to have experience reasonably transferable to the operation and maintenance of such facilities.

3. Proposals that meet the preliminary responsiveness screens will be further evaluated using appropriate production costing methods and models to ensure that all material cost impacts are quantified. Capacity offered will have the most value if fully dispatchable and available for first-call twenty-four (24) hours per day and seven (7) days per week for the contracted period. Preference will be given to, and/or proposal evaluated cost adjustments will be made in the evaluation of proposals that offer shorter unit commitment notification and greater scheduling flexibility.
4. An appropriate selection of proposals meeting Gulf's requirements will be chosen and compiled into a finalist list for negotiations. Such finalist proposals will be re-evaluated together before Gulf finalizes any decisions regarding their choice of resource(s) to meet the identified needs. **THERE WILL BE NO OPPORTUNITY FOR RESPONDENTS TO REFRESH OR REVISE THEIR PROPOSALS FOLLOWING THE INITIAL SUBMISSION OF THE PROPOSALS**, except for any corrections, clarifications or revisions that may be requested by the IM or Gulf as discussed in the Communications section above.
5. Included herewith as Attachment G is an Overview of the Evaluation for Responses received during the RFP solicitation.

• • **GULF RFP**  
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**Attachment A - RFP Proposal Form**

*[NOTE TO RESPONDENTS: this Attachment A is located in a separate excel file]*

**Request for Proposals for Year 2009**  
**Guidelines for completing Attachment A**  
**Attachment A: Ratings, Fuel, GenerationAnnual\_MonthlyInfo, and Pricing\_Summary**  
**(Verify Pricing\_Summary)**

1. Please complete as thoroughly as possible all information on the following tabs by 03/21/2006

Tab Title

Instructive Notes

**Ratings (A)**

- \* This information is critical to the generation production cost evaluation.
- \* Select product type based on one of the product descriptions below:

**Product 1.** Designated Capacity (as defined in the PPA) and energy from a one hundred percent (100%) entitlement to the full output capability of one or more dedicated generating units;

**Product 2.** A defined percentage entitlement (less than one hundred percent (100%)) to the full output capability of one or more dedicated generating units and the associated percentage Designated Capacity (as defined in the PPA) provided that the remaining output capability and the associated percentage Designated Capacity (as defined in the PPA) is fully committed to another party prior to the submission of respondent's proposal. For example, if a respondent's proposal offers three hundred megawatts (300 MW) from a five hundred megawatt (500 MW) facility, Gulf will accept the offer (sixty percent (60%)), provided that the remaining two hundred megawatts (200 MW) is fully committed to another party prior to the submission of the respondent's proposal into this solicitation; or

**Product 3.** A defined percentage entitlement (less than one hundred percent (100%)) to the full output capability of one or more dedicated generating units and the associated percentage Designated Capacity (as defined in the PPA) provided that such defined percentage entitlement meets Gulf's five hundred megawatt (500 MW) need. For example, if a respondent's proposal offers a nine hundred megawatt (900 MW) unit into Gulf's solicitation of four to five hundred megawatts (400 - 500 MW), Gulf will only accept five hundred megawatts (500 MW) of this offer to meet its need.

\* Scheduling Increments must be either 50 or 25 MW. (See Article 13.1 of Form PPA for details on scheduling.) If the proposal offers AGC capability, please specify in the Scheduling Increments field.

\* For Base load and Peaking resources complete rating and heat rate information at 40° F and 95° F. (See "Other Unit Configurations" note below in italics.)

\* First year contract capacity rating will be based on demonstrated capacity at 95° F.

\* The Contracted Capacity range will be calculated as between 92% and 102.5% (See Appendix A Section A.1 of Form PPA for details) of the input Nominal Capability.

\* Energy produced by Seller and delivered to Buyer from startup to minimum output will be paid for at the Guaranteed Heat Rate at minimum output. Gulf recognizes that this may not completely compensate respondents for the cost incurred to reach minimum output. Therefore respondents should include any shortfall in the fuel startup charge.

\* The three heat rate entry methods are "ABC Coefficients", "Three Discrete Heat Rate Points", and "Populate All Heat Rate Points". Select an option and populate the corresponding yellow-shaded cells. The heat rate curve is produced at the bottom of each section. Use the "Populate All Heat Rate Points" option if needed to modify the curve that was calculated from the average heat rate points. The "Three Discrete Heat Rate Points" option requires inputting average heat rates at the three base mode levels specified in the same section

\* After entering heat rate information based on one of the three methods referred to above press the "RUN" button to execute macros which will compute the heat rate curve.

\* Energy produced during ramping from base mode to supplemental operating modes will be paid for at the guaranteed supplemental heat rate. The seasonal declarations will be used to determine the portion of energy produced by base mode and supplemental modes in an hour in which a supplemental mode was operated.

\* See Appendix A of Form PPA for details on contracted capacity range based on input nominal capability.

\* *Other Unit Configurations: Proposals for facilities with configurations other than two gas turbines and a steam turbine (i.e. 3 on 1, single CT, etc.) will need to change the title in cells C60 and C137 on the "Ratings (A)" tab to specify what is being offered. Additionally, optional operating modes (modes comprised of varying combinations of gas turbine and steam turbine configurations) need to be input into the boxes provided on the "Ratings (A)" tab starting in cells C212 and C288. If additional space is needed please duplicate the optional mode boxes to include other optional configurations.*

**Fuel (A)**

- \* Provide all information requested in yellow cells.

**GenerationAnnual\_MonthlyInfo (A)**

- \* Provide all information requested in yellow cells.

\* input a single capacity price for base mode output and any supplemental modes offered. Please refer to the RFP for specific instructions on pricing.

\* Select base year for each price input.

\* Select escalation reference for each price input - or choose "other" and enter a specific number. If price is levelized, choose "other" escalation reference and enter "0".

\* Enter information in the units as specified.

\* Enter capacity price seasonal weightings as a percentage (%); default rating can be found in the gray error above the yellow

**Gulf Power Company**  
**Request for Proposals for Year 2009 - Attachment A**

GENERAL INFORMATION	
Respondent Company Name	<input style="width: 90%;" type="text"/>
Project Name	<input style="width: 90%;" type="text"/>
Product Type <i>(Product descriptions can be found on the Ratings (A) tab)</i>	<input style="width: 90%;" type="text" value="Product 1"/>
Generation Type (Technology & Vendor)	<input style="width: 90%;" type="text"/>
Unit Type and Configuration (e.g. FA / 2 on 1)	<input style="width: 90%;" type="text"/>
Earliest In-Service Date	<input style="width: 90%;" type="text"/>
Scheduling Increments (MW)	<input style="width: 90%;" type="text" value="60"/>
Facility Location (including county and state):	<input style="width: 90%;" type="text"/>
Existing Line(s) or Substation(s) to which Interconnection is Requested:	<input style="width: 90%;" type="text"/>
Term of Contract (Years)	<input style="width: 90%;" type="text" value="5"/>
If OUTSIDE Southern Territory: MW delivered to Southern Interface Interface Delivery Point	<input style="width: 90%;" type="text"/>
Provide Single Line Diagram Showing GSUs, Breakers, Station Service Arrangement, and Proposed Interconnection with Distance in Miles to Existing Substation.	

RATINGS PER UNIT															
Complete the following information on potential PPA contract guarantees															
Number of Steam Turbines	<input style="width: 90%;" type="text"/>														
Number of Combustion Turbines	<input style="width: 90%;" type="text"/>														
	<table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="2" style="text-align: center;">Contracted Capacity Range <i>*per PPA Appendix A, Section A.1</i></th> </tr> <tr> <th style="width: 50%;"></th> <th style="width: 50%;"></th> </tr> <tr> <th style="text-align: center;">82% of Nominal</th> <th style="text-align: center;">102.5% of Nominal</th> </tr> </thead> <tbody> <tr> <td>Base Capacity</td> <td><input style="width: 90%;" type="text"/></td> </tr> <tr> <td>Tier 1 Supplemental</td> <td><input style="width: 90%;" type="text"/></td> </tr> <tr> <td>Tier 2 Supplemental</td> <td><input style="width: 90%;" type="text"/></td> </tr> <tr> <td>Total Capacity</td> <td><input style="width: 90%;" type="text"/></td> </tr> </tbody> </table>	Contracted Capacity Range <i>*per PPA Appendix A, Section A.1</i>				82% of Nominal	102.5% of Nominal	Base Capacity	<input style="width: 90%;" type="text"/>	Tier 1 Supplemental	<input style="width: 90%;" type="text"/>	Tier 2 Supplemental	<input style="width: 90%;" type="text"/>	Total Capacity	<input style="width: 90%;" type="text"/>
Contracted Capacity Range <i>*per PPA Appendix A, Section A.1</i>															
82% of Nominal	102.5% of Nominal														
Base Capacity	<input style="width: 90%;" type="text"/>														
Tier 1 Supplemental	<input style="width: 90%;" type="text"/>														
Tier 2 Supplemental	<input style="width: 90%;" type="text"/>														
Total Capacity	<input style="width: 90%;" type="text"/>														

**Gulf Power Company  
Request for Proposals for Year 2009 - Attachment A**

**2 on 1 RATINGS for Summer (95°F and 45% R.H.)**

Complete the following information on potential PPA contract guarantees  
Provide the following at site specific elevation

Total Nominal Capability (MW)\*   
Total Nominal Capability (MVA)\*

\*Subject to actual demonstration

Contract Guarantee @ 95°F ratings for Normal Base Mode

	<b>Base Mode Nominal Capability</b>
Minimum	<input type="text"/>
Intermediate	<input type="text"/>
Max Base	<input type="text"/>

Choose Heat Rate Entry Method

ABC Coefficients

ABC Coefficients:  $BTU/kWh = (A + B + C/p) * 1000$

A:   
B:   
C:

Result for Base Mode Heat Rate using Method:

<u>Capacity State (MW)</u>	0	<u>Heat Rate (BTU/kWh)</u>
30		

<b>Supplemental Heat Rates:</b>	<b>Average Incremental Heat Rate (BTU/kWh)</b>	<b>Suppl. Mode Nominal Capability (MW)*</b>
Tier 1 Supplemental	<input type="text"/>	<input type="text"/>
Tier 2 Supplemental	<input type="text"/>	<input type="text"/>

\*Subject to actual demonstration

**Gulf Power Company  
Request for Proposals for Year 2009 - Attachment A**

**2 on 1 RATINGS for Winter (40°F and 75% R.H.)**

Complete the following information on potential PPA contract guarantees  
Provide the following at site specific elevation

Total Nominal Capability (MW)\*   
 Total Nominal Capability (MVA)\*   
 \*Subject to actual demonstration

Contract Guarantee @ 40°F ratings for Normal Base Mode

	<b>Base Mode Nominal Capability</b>
Minimum	<input type="text"/>
Intermediate	<input type="text"/>
Max Base	<input type="text"/>

Choose Heat Rate Entry Method

ABC Coefficients:  $BTU/kWh = (Ap + B + C/p) * 1000$

A:   
 B:   
 C:

Three Discreet Heat Rate Points

Minimum	<input type="text"/>
Intermediate	<input type="text"/>
Max Base	<input type="text"/>

Result for Heat Rate using Method:

	0
<u>Capacity State (MW)</u>	<u>Heat Rate (BTU/kWh)</u>
30	

Supplemental Heat Rates:

	Average Incremental Heat Rate (BTU/kWh)	Suppl. Mode Nominal Capability (MW)*
Tier 1 Supplemental	<input type="text"/>	<input type="text"/>
Tier 2 Supplemental	<input type="text"/>	<input type="text"/>

\*Subject to actual demonstration

**Gulf Power Company  
Request for Proposals for Year 2009 - Attachment A**

**1 on 1 RATINGS for Summer (95°F and 45% R.H.)**

Complete the following information on potential PPA contract guarantees  
Provide the following at site specific elevation

Contract Guarantee @ 95°F ratings for Normal Base Mode

Base Mode Nominal Capability

Minimum
Intermediate
Max Base

Choose Heat Rate Entry Method ABC Coefficients

ABC Coefficients:  $BTU/kWh = (A + B + C/p) * 1000$

A: 

--

  
B: 

--

  
C: 

--

Three Discret Heat Rate Points

Minimum 

--

  
Intermediate 

--

  
Max Base 

--

Result for Heat Rate using Method:

<u>Capacity State (MW)</u>	0	<u>Heat Rate (BTU/kWh)</u>
30		

Supplemental Heat Rates:

	Average Incremental Heat Rate (BTU/kWh)	Suppl. Mode Nominal Capability (MW)*		
Tier 1 Supplemental	<table border="1"><tr><td> </td></tr></table>		<table border="1"><tr><td> </td></tr></table>	
Tier 2 Supplemental	<table border="1"><tr><td> </td></tr></table>		<table border="1"><tr><td> </td></tr></table>	

\*Subject to actual demonstration



**Gulf Power Company  
Request for Proposals for Year 2009 - Attachment A**

1 on 1 RATINGS for Winter (40°F and 75% R.H.)

Potential PPA contract guarantees  
Provide the following at site specific elevation

Total Nominal Capacity (MW)*	
Total Nominal Capacity (MVA)*	

Contract Guarantee @ 40°F ratings for Normal Base Mode

	<b>Base Mode Nominal Capability</b>
Minimum	
Intermediate	
Max Base	

Choose Heat Rate Entry Method    ABC Coefficients ▾

ABC Coefficients:  $BTU/kWh = (A \cdot p + B + C/p) \cdot 1000$

A:	
B:	
C:	

Three Discret Heat Rate Points

	Minimum
	Max Base

Result for Heat Rate using Method:

	0
<u>Capacity State (MW)</u>	<u>Heat Rate (BTU/kWh)</u>
30	

Supplemental Heat Rates:

	Average Incremental Heat Rate (BTU/kWh)	Suppl. Mode Nominal Capability (MW)*
Tier 1 Supplemental		
Tier 2 Supplemental		

\*Subject to actual demonstration

**Gulf Power Company  
Request for Proposals for Year 2009 - Attachment A**

**COMBUSTION TURBINE OR OTHER MODES RATINGS for Summer (95°F and 45% R.H.)**

Complete the following information on potential PPA contract guarantees

Provide the following at site specific elevation

Contract Guarantee @ 95°F ratings for Normal Base Mode

	<b>Base Mode Nominal Capability</b>
Minimum	<input type="text"/>
Intermediate	<input type="text"/>
Max Base	<input type="text"/>

Choose Heat Rate Entry Method

ABC Coefficients:  $BTU/kWh = (A \cdot p + B + C/p) \cdot 1000$

A:	<input type="text"/>
B:	<input type="text"/>
C:	<input type="text"/>

Result for Heat Rate using Method:

Capacity State (MW)

0  
Heat Rate (BTU/kWh)

- 1
- 2
- 3
- 4
- 5
- 30

Supplemental Heat Rates:

	Average Incremental Heat Rate (BTU/kWh)	Suppl. Mode Nominal Capability (MW)*
Tier 1 Supplemental	<input type="text"/>	<input type="text"/>
Tier 2 Supplemental	<input type="text"/>	<input type="text"/>

\*Subject to actual demonstration

**Gulf Power Company  
Request for Proposals for Year 2009 - Attachment A**

**COMBUSTION TURBINE OR OTHER MODES RATINGS for Winter (40°F and 75% R.H.)**

Complete the following information on potential PPA contract guarantees  
Provide the following at site specific elevation

Contract Guarantee @ 40°F ratings for Normal Base Mode

	Base Mode Nominal Capability
Minimum	<input type="text"/>
Intermediate	<input type="text"/>
Max Base	<input type="text"/>

Choose Heat Rate Entry Method     ▾

ABC Coefficients:  $BTU/kWh = (A + B + C/p) * 1000$

A:	<input type="text"/>
B:	<input type="text"/>
C:	<input type="text"/>

Three Discret Heat Rate Points

Minimum	<input type="text"/>
Intermediate	<input type="text"/>
Max Base	<input type="text"/>

Result for Heat Rate using Method:

	0		
<u>Capacity State (MW)</u>	<u>Heat Rate (BTU/kWh)</u>	<u>Average Incremental Heat Rate (BTU/kWh)</u>	<u>Suppl. Mode Nominal Capability (MW)*</u>
30			

Supplemental Heat Rates:

Tier 1 Supplemental	<input type="text"/>	<input type="text"/>
Tier 2 Supplemental	<input type="text"/>	<input type="text"/>

\*Subject to actual demonstration

Gulf Power Company  
Request for Proposals for Year 2009  
Attachment A

**FUEL SUPPLY PLAN - GAS OR OIL**

**PRIMARY FUEL SUPPLY**

Respondent Company Name

Project Name

Fuel Type

If Gas, provide the following:

Name of Interstate Pipeline Supplier

Direct Connect or Served Through LDC

Is the Lateral/Direct Connect in Service?

Are Lateral Costs Included in the Bid?

Lateral/Direct Connect Capacity (mmcf/d)

Pipeline Rate Zone

**TRANSPORTATION**

Select a transportation type

Transportation Type

Firm - Subject only to Force

Released Firm - Non-recallable

Released Firm - Recallable

Interruptible

Contract Pipeline quantity (mmBTU/day)

Peak Pipeline quantity (mmBTU/day)

Balancing Provisions

**PRICING**

Select a pricing structure

Pricing Structure

Tolling

Indexed

Either

**SECONDARY FUEL SUPPLY**

Fuel Type

Is Backup Fuel Oil Available?

YES  NO

If Backup Fuel Oil is Available:

Useable On-Site Capacity

Truck Unloading Capacity

Low or High Sulfur Fuel Oil

(Barrels)

Pricing:

Platt's Daily Oil Gram + adder

Other

Inventory Management Plan

Is cost of inventory included?

**FUEL SUPPLY PLAN - OTHER FUEL**

**If Fuel Type Is Other than Gas, Please Provide Detailed Fuel Supply Plan Outlining Pricing Structure, Quantity of Fuel Delivered, Quality of Fuel Delivered, and any other Necessary Information.**

Please Check if Completed

Gulf Power Company  
Request for Proposals for Year 2009  
Attachment A

Respondent Company Name  
Project Name




Facility Type: CC

FIXED COST INFORMATION	
Escalation Method for Capacity Price	CPI (Proposed)
Base Year for Capacity Price	
Capacity Price for Designated Base Capacity (\$/kW-year)	
Escalation Method for Fixed O&M Price	CPI (Actual)
Base Year For Fixed O&M Price	
Fixed O&M Price (\$/kW-year)	







**Description:** NIPA: Implicit price deflator - GDP, (Index 2000=100) ECI: Labor, Wages and Salaries - Private In: CPI: Urban Consumer - All Items, (Index 1982-84=100, SA)  
**Source:** BEA BLS: Productivity & Costs BLS  
**Geography:** United States United States United States  
**Last Updated:** 11/07/2005 11/07/2005 11/07/2005  
**Databank:** USFOR db USFOR db USFOR db  
**Special Code:** 09/30/05 09/30/05 09/30/05

	GDIPI/D (Projected)		ECI (Projected)		CPI (Projected)			
	Max Escalation		Max Escalation		Max Escalation			
2002		2002		2002		2002		
2003		2003		2003		2003		
2004	2.63%	2004	2.55%	2004	2.68%	2004		
2005	2.80%	2005	2.45%	2005	3.37%	2005		
2006	3.28%	2006	3.56%	2006	3.21%	2006		
2007	2.48%	2007	3.66%	2007	2.79%	2007		
2008	2.11%	2008	3.57%	2008	2.43%	2008		
2009	2.03%	2009	3.42%	2009	2.26%	2009		
2010	1.95%	3.24%	2010	3.40%	3.24%	2010	2.24%	3.24%
2011	1.95%	3.23%	2011	3.41%	3.23%	2011	2.23%	3.23%
2012	1.87%	3.24%	2012	3.43%	3.24%	2012	2.24%	3.24%
2013	1.89%	3.27%	2013	3.45%	3.27%	2013	2.27%	3.27%
2014	1.88%	3.26%	2014	3.44%	3.26%	2014	2.26%	3.26%
2015	1.88%	3.25%	2015	3.44%	3.25%	2015	2.25%	3.25%
2016	1.87%	3.22%	2016	3.43%	3.22%	2016	2.22%	3.22%
2017	1.86%	3.21%	2017	3.42%	3.21%	2017	2.21%	3.21%
2018	1.85%	3.19%	2018	3.41%	3.19%	2018	2.19%	3.19%
2019	1.84%	3.20%	2019	3.41%	3.20%	2019	2.20%	3.20%
2020	1.85%	3.21%	2020	3.42%	3.21%	2020	2.21%	3.21%
2021	1.89%	3.19%	2021	3.41%	3.19%	2021	2.19%	3.19%
2022	1.89%	3.17%	2022	3.41%	3.17%	2022	2.17%	3.17%
2023	1.87%	3.15%	2023	3.43%	3.15%	2023	2.15%	3.15%
2024	1.88%	3.14%	2024	3.44%	3.14%	2024	2.14%	3.14%
2025	1.86%	3.12%	2025	3.43%	3.12%	2025	2.12%	3.12%
2026	1.87%	3.14%	2026	3.44%	3.14%	2026	2.14%	3.14%
2027	1.84%	3.12%	2027	3.44%	3.12%	2027	2.12%	3.12%
2028	1.83%	3.13%	2028	3.44%	3.13%	2028	2.13%	3.13%
2029	1.84%	3.13%	2029	3.44%	3.13%	2029	2.13%	3.13%
2030	1.81%	3.12%	2030	3.44%	3.12%	2030	2.12%	3.12%
2031	1.81%	3.12%	2031	3.44%	3.12%	2031	2.12%	3.12%
2032	1.81%	3.12%	2032	3.44%	3.12%	2032	2.12%	3.12%
2033	1.82%	3.14%	2033	3.45%	3.14%	2033	2.14%	3.14%
2034	1.84%	3.15%	2034	3.46%	3.15%	2034	2.15%	3.15%
2035	1.84%	3.15%	2035	3.46%	3.15%	2035	2.15%	3.15%
2036	1.84%	3.15%	2036	3.46%	3.15%	2036	2.15%	3.15%
2037	1.84%	3.15%	2037	3.46%	3.15%	2037	2.15%	3.15%
2038	1.84%	3.15%	2038	3.46%	3.15%	2038	2.15%	3.15%
2039	1.84%	3.15%	2039	3.46%	3.15%	2039	2.15%	3.15%
2040	1.84%	3.15%	2040	3.46%	3.15%	2040	2.15%	3.15%
2041	1.84%	3.15%	2041	3.46%	3.15%	2041	2.15%	3.15%

Segment Ratios

- Heat Rate Options
- 1 Enter ABC Coefficients
- 2 Input Discreet Points
- 3 Calculate Over Segments

7  
15  
30

GULF RFP  
January 20, 2006

**Attachment B - RFP Proposal Form**

*[NOTE TO RESPONDENTS: this Attachment B is located in a separate excel file]*

**Guidelines for completing Attachment B**

**Attachment B: StabilityAnalysisInfo**

1. Attachment B data is required for any proposed or existing generation facility connected to any transmission provider in the Southern Control Area.
2. Complete all information on the following tab and provide by **March 21, 2006**.

**StabilityAnalysisInfo**

\* It is imperative that this information is received by the above due date in order to perform more detailed transmission study evaluations.

\* Generator information is needed for each unit.

Enter information per steam turbine and state the number of steam turbines.

Enter information per combustion turbine and state the number of combustion turbines.

If steam turbines are not being offered, type "N/A" in appropriate cells.

For examples of generator vendor datasheets, including reactive capability curve and saturation curve, and excitation system, please see the Worksheet with tab of GeneratorExamples.

Gulf Power Company  
Request for Proposals for Year 2009  
Attachment B  
[Required Data -see Instructions tab]

GENERAL INFORMATION	
Respondent Company Name	<input style="width: 90%;" type="text"/>
Project Name	<input style="width: 90%;" type="text"/>
Generation Type (Technology & Vendor)	<input style="width: 90%;" type="text"/>
Unit Type and Configuration (e.g. FA / 2 on 1)	<input style="width: 90%;" type="text"/>
Provide Generator Vendor Data sheets	<input type="checkbox"/> Check if completed
Provide Reactive Capability Curve @ 95°F	<input type="checkbox"/> Check if completed
Provide Generator Saturation Curves	<input type="checkbox"/> Check if completed
Provide Excitation System Block Diagram (gains, time constants and limits) in PSSE format	<input type="checkbox"/> Check if completed

Generator Data			
Number of Steam Turbines	<input style="width: 100%;" type="text"/>		
Number of Combustion Turbines	<input style="width: 100%;" type="text"/>		
	PER Steam Turbine	PER Combustion Turbine	Total Plant
Maximum Capacity (Gross) @ 95°F	(MW)		
Maximum Reactive Production Capability @ Max MW	(Mvar)		
Maximum Reactive Absorption Capability @ Max MW	(Mvar)		
Running Station Service Load @ Max MWs	(MW)		
	(MVAR)		
Generator Base MVA (Impedance Base)	(MVA)		
Rated Voltage	(kV)		
Rated Power Factor			
Inertia Constant w/ prime mover (provide R.P.M. if data is in lbs-ft <sup>2</sup> )	(wk <sup>2</sup> )		
	(lbs-ft <sup>2</sup> )		
	(R.P.M.)		
All applicable reactance values			
Saturated:			
	x'd		
	x'd		
	x'q		
Unsaturated:			
	xd		
	xq		
	x'd		
	x'q		
	x''d		
	xl		
All Applicable Time Constants			
	T'do		
	T''do		
	T'qo		
	T''qo		
Sequences Reactances			
Exciter Type			

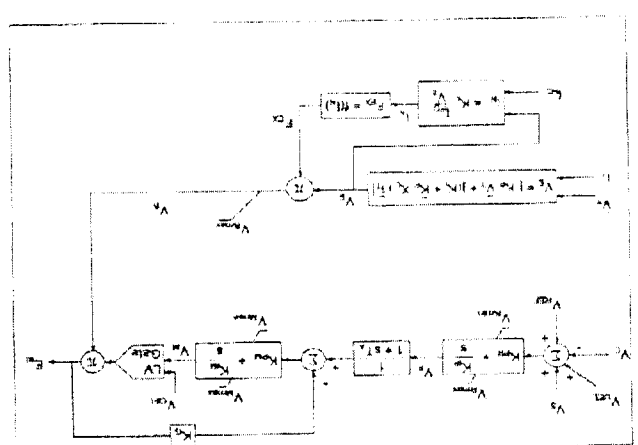
Generator Step-Up Transformer Data <sup>(1)</sup>			
Number of GSUs	<input style="width: 100%;" type="text"/>		
	PER Steam Turbine	PER Comb. Turbine	
Base for impedances	(MVA)		
Maximum MVA Rating	(MVA)		
Positive sequence impedance			
Resistance	(% or p.u.)		
Reactive	(% or p.u.)		
Zero sequence impedance			
Resistance	(% or p.u.)		
Reactive	(% or p.u.)		
Rated High Side Voltage	(kV)		
Rated Low Side Voltage	(kV)		
Available Tap Positions	(kV) Position 1		
	Position 2		
	Position 3		
	Position 4		
	Position 5		
Current Tap Position (kV)			

<sup>(1)</sup> This form is for two winding GSU(s). For three-winding GSU(s), disregard form and submit the test report, including load losses and impedances

**Generator Vendor Data Sheets**

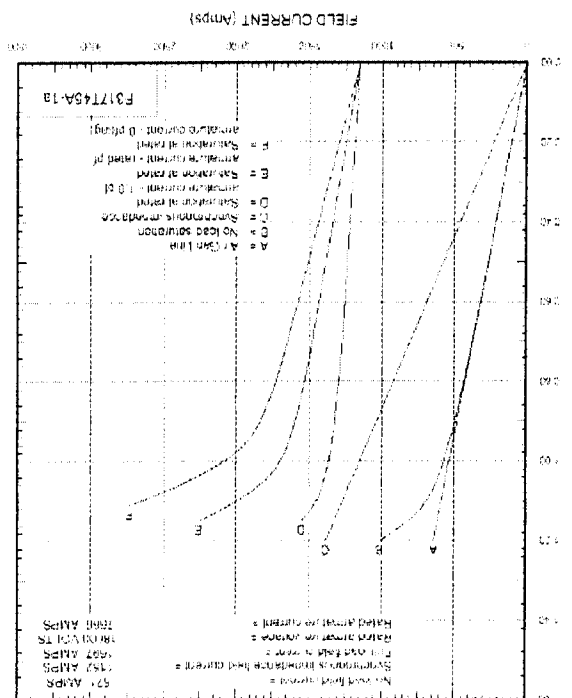
GENERATOR DATA SHEET  
 UNIT: PER UNIT ON 100% BASE  
 DATE: 01/15/2010  
 PROJECT: 330 MW UNIT 2  
 DRAWING: 330-GEN-001

Parameter	Value
Rated Power (MW)	330
Rated Voltage (kV)	18.0
Rated Current (A)	10912
Rated Power Factor	0.85
Excitation System	IEEE ST4B Model Format
Exciter Nominal Response at Rated Input	2.0
Exciter Model Parameters	EX2000 Busted Exciter Model Parameters
AV Rating	3600
PF	0.85
SCR	30
FFG at 100 C	0.47
FFG at 180 C	0.1807
A-FG amps	636
AVFL amps	1697
AV Rating	3600
PF	0.85
SCR	30
FFG at 100 C	0.47
FFG at 180 C	0.1807
A-FG amps	636
AVFL amps	1697

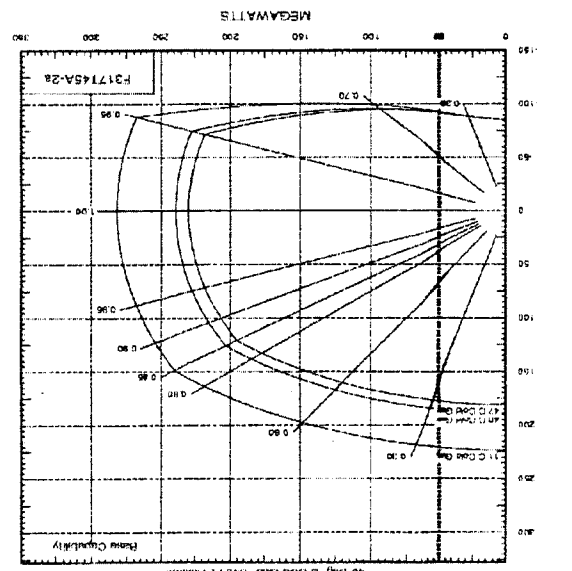


Parameter	Value
AV Rating	3600
PF	0.85
SCR	30
FFG at 100 C	0.47
FFG at 180 C	0.1807
A-FG amps	636
AVFL amps	1697
AV Rating	3600
PF	0.85
SCR	30
FFG at 100 C	0.47
FFG at 180 C	0.1807
A-FG amps	636
AVFL amps	1697

PER UNIT ARMATURE VOLTAGE AND CURRENT

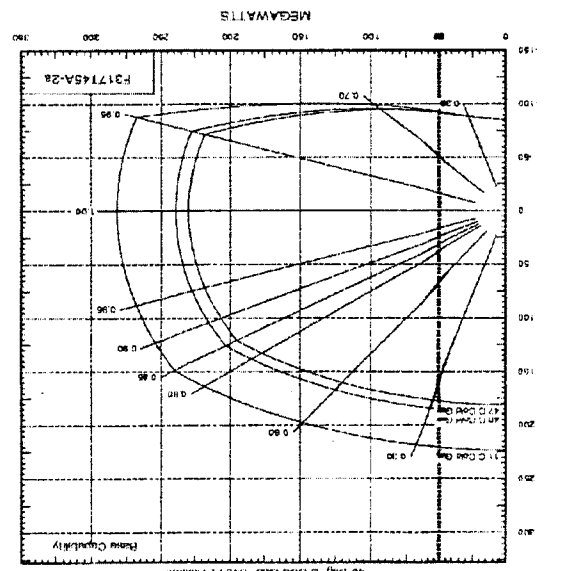


ESTIMATED SATURATION AND SYNCHRONOUS IMPEDANCE CURVES



ESTIMATED REACTIVE CAPABILITY CURVES

Saturation Curve



ESTIMATED REACTIVE CAPABILITY CURVES

**Attachment C - Respondent Questionnaire**

All respondents must supply the following information with respect to each resource (including interim resources) included in their proposal(s), as appropriate:

1. Provide documentation of your company's previous experience providing the proposed product.
2. Provide the following financial and credit information for your company and for your guarantor, if applicable:
  - a. Annual reports and Form 10-K for the past three (3) years. In the event these documents are not available, audited financial statements for the last three years will be accepted.
  - b. Dunn and Bradstreet identification number.
  - c. Credit rating of the respondent's (and guarantor's) senior debt securities.
  - d. Any additional documentation needed to determine your company's financial strength and/or the strength of any guarantor.
3. In the case of a proposal to develop a new project, describe the status of all activities necessary to fully develop and implement the project, such as negotiations for partnership agreements, equipment supplier agreements, EPC agreements, fuel supply agreements, if applicable, permitting (particularly the air permit and associated emission levels sought), financing, etc. Any and all contingencies must be described in detail.
4. In the case of a proposal to develop a new project, if the respondent cannot demonstrate to Gulf's reasonable satisfaction that the respondent possesses the requisite expertise and experience in providing or operating the proposed project, then such respondent shall provide a certification from an independent, registered engineer acceptable to Gulf to the effect that the respondent's arrangements are sufficiently firm and binding as to provide a comparable level of experience and expertise in developing and operating the entire proposed project.
5. Describe whether or not this capacity has been offered/committed in response to another RFP or otherwise and, if so, how it would be released to serve this proposed sale.
6. Describe the firmness of your offer and provide documentation that supports your description. Please note that if capacity offered in your proposal is based on purchase(s) from a third party, then you must demonstrate that the generation source(s) for these purchase(s) provide Gulf with the required firmness as if the respondent owned such generation source(s).
7. Provide the following information:

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- a. A U.S.G.S. 7 1/2-minute series topographic map indicating the plant location.
  - b. Each respondent must supply a one-line diagram of the electrical system depicting the Facility's generator(s), generator step-up transformer(s), collector bus(es), high voltage circuit breaker(s) and connections to the transmission system. In addition, each respondent must clearly mark the proposed point of interconnection on such one-line diagram and clearly indicate the line of demarcation between the Facility and the transmission provider's facilities.
  - c. A detailed description of the fuel and water supplies (including location and quantity available).
  - d. A thorough description of anticipated environmental impacts and compliance, including expected air emissions and required offsets if any, for both new and existing physical resources, for the full term of the proposal(s).
  - e. The unit's quick start capability. If proposing this feature, the unit must have the ability to go from first fire to synchronization in less than ten (10) minutes. Gulf as buyer will provide the successful respondent(s) with five (5) minutes notice to achieve first fire.
  - f. Unit design specifications for emissions rates, capacity for each operating mode, and maintenance requirements. Where applicable, such information shall be provided separately for gas operation and oil operation. For existing facilities, also provide recent historical information sufficient to demonstrate the emissions rates, capacity for each operating mode and maintenance.
  - g. For a new plant, a construction schedule with all major activities from award of contract to commercial operation.
8. Describe any minimum energy take for the PPA term.
  9. Describe any minimum schedule and down time for the Facility.
  10. For projects located outside the Southern Control Area, describe the transmission arrangements that have been or will be made to provide the firm transmission capacity necessary to deliver the power to the Southern Company transmission network. In the event transmission agreements are not in place, describe the status of the negotiations for those agreements.
  11. Describe any other limitations on the use or availability of the power.
  12. In the case of a proposal containing a non-tolling arrangement, state whether tolling would be acceptable. In the event tolling would be acceptable, state what price or other changes would be necessary for the proposal to be evaluated as a tolling proposal. Identify any pre-existing fuel arrangements and indicate whether

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and how the respondent will assign to the Company its pre-existing fuel arrangements.

13. Provide contact information (name, title, phone, email, fax) to serve as the single point of contact between the respondent and the IM for all communications after receipt of the proposal.



## Attachment D

### **Non-Price Considerations**

Although the majority of the evaluation will focus on price and reliability considerations, other non-price attributes will be considered.\*\* The following attributes are expected to form the primary basis for the non-price evaluations that will be considered for the most competitive proposals. Gulf has attempted to identify as completely as possible non-price considerations that could impact the proposal evaluation. However, it may be determined that other aspects of a respondent's proposal may negatively impact the overall proposal value. In such case, to the extent practicable, the respondent will be informed through the IM of the concern and given an opportunity to mitigate or cure the concern.

#### Respondent Qualifications

- ◆ Financial strength and credit rating of company making proposal and guarantor, if applicable
- ◆ Form and amount of performance security provided
- ◆ Financing structure of project (project financed, non-recourse, etc.)
- ◆ Technical competence (development and operation)

#### Schedule for Development of new resources

- ◆ Reasonableness
- ◆ Contingencies
- ◆ Current developmental status of the project

#### Resource Scheduling and Dispatch flexibility

- ◆ Lead time for dispatch schedules\*
- ◆ Ability to change schedules daily/hourly\*
- ◆ Quick start capability or curtailment
- ◆ Minimum schedule and downtime\*
- ◆ Minimum energy take\*
- ◆ Response to emergencies
- ◆ Dispatchability\*
- ◆ AGC capability

#### Fuel

- ◆ Type of fuel
- ◆ Risk of fuel supply interruption
- ◆ Price risk\*

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Environmental impact on existing system resources

- ◆ NO<sub>x</sub>, VOC and SO<sub>2</sub> compliance strategy
- ◆ Toxic release inventory emissions in the region
- ◆ Future permitting restrictions in the region for other industrial development
- ◆ Water requirements

PPA

- ◆ Any proposed additions, deletions, or modifications to the applicable Attachment F forms as permitted under the “Instructions for Completing Forms” section of the RFP.

Transmission

- ◆ Impact on transmission interface capability\*
- ◆ Transmission delivery risk\*
- ◆ Voltage control\*
- ◆ Other grid impacts\*

\*These energy-related attributes may be converted into an explicit price factor.

\*\*NOTE: Gulf reserves the right to convert any of the items included in this Attachment D into appropriate price and cost factors applied consistently with the overall evaluation framework and to all proposals on a non-discriminatory basis.

**Attachment E**

**Reserved.**

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## Attachment F

[Attach the following Form PPAs:

**F1: 5 year CC Project**

**F2: 5 year CT Project**

*[Note to Respondents: the foregoing PPA forms are based upon the following assumptions:*

- *the Facility is a new development*
- *the Facility (and any Alternate Resource) is a gas-fired (2-on-1 CC with two modes of operation or a CT project) facility located within the Southern Control Area*
- *fuel supply is based on a tolling arrangement without back-up fuel oil*
- *Seller under the PPA is the owner and operator of the Facility*
- *No interim resource is provided*
- *The delivery point is the interconnection point*
- *There are no transmission issues to be addressed*
- *The Facility provides AGC capability*
- *Seller is not a Creditworthy entity and provides performance security in the form of a parent guaranty, cash or a letter of credit.*
- *There is only one buyer of the entire capacity and energy of the Facility*
- *The PPA is based on a Product 1 proposal.*

*To the extent that these assumptions are not consistent with the respondent's proposal(s), respondents must (1) identify each specific difference that exists and (2) propose how the PPA would be changed in order to conform the PPA to their specific proposal(s).]*

**Attachment G**

**Overview of the Evaluation for Proposals**

The following is a general overview of Gulf's Proposal Evaluation Methodology.

*Proposal Term Length:*

Each proposal received will offer PPA term durations that comply with the following term:

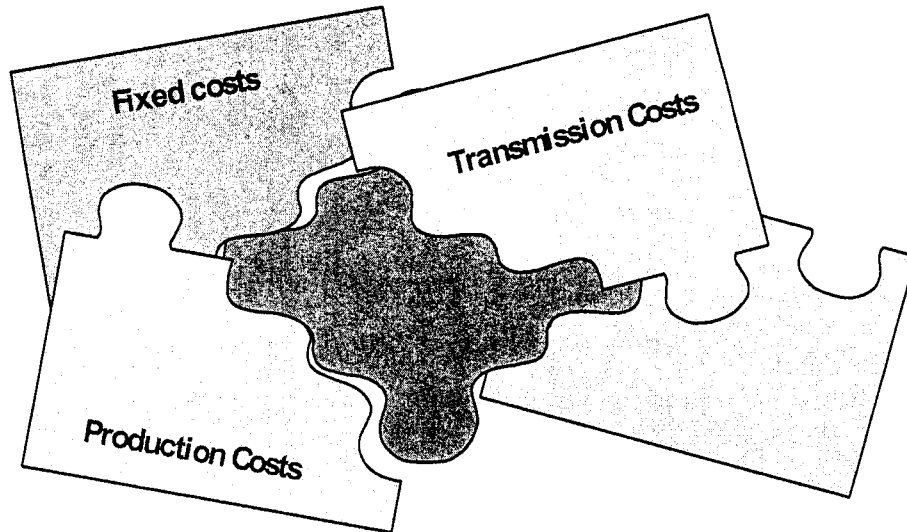
1. five years

**Total Cost Evaluation:**

*General Overview:*

Each proposal will be evaluated and ranked using a total cost analysis approach. Essentially, the total cost evaluation will rank each proposal on a net present value dollar per kilowatt (\$/kW) basis of both the generation and transmission aspects of the proposal. The generation cost is comprised of both the fixed cost associated with the PPA proposal and also the variable cost associated with the operational parameters of the PPA proposal.

## Bid Evaluation: Putting together all of the pieces



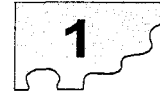
### ***Generation Costs – determining the Fixed Costs:***

The fixed generation cost will include:

1. The respondent's specified *capacity cost payment* (typically quoted in dollars per kilowatt (\$/kw) year).
2. The respondent's specified *fixed O&M payment* (typically quoted in dollars per kilowatt (\$/kw) year) that may be requested as a supplement to the capacity payment
3. Respondent's specified *start-up costs* (where start-up costs are modeled as fixed costs).
4. *Fuel pipeline costs*, which include the estimated costs for adequate firm natural gas transportation and natural gas storage.

Differences in seasonal capability for each proposal will be taken into account within the evaluation.

Evaluation Task:



Determine the Total Fixed Costs

	Capital (\$/kW-yr)	Fixed O&M (\$/kW-yr)	Start-up Charges (\$/kW-yr)	Fuel Demand Charge (\$/kW-yr)	Total Fixed Costs (\$/kW-yr)
2009	36.31	3.94	2.05	7.00	49.30
2010	64.47	6.93	4.31	12.12	87.83
2011	67.21	6.99	4.50	12.24	90.94
2012	70.02	7.06	4.69	12.36	94.13
2013	73.14	7.14	4.88	12.49	97.65
2014	31.92	3.01	2.09	5.25	42.27

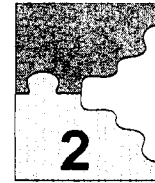
*Generation Costs – determining the Production Cost Savings*

The variable generation cost will include:

1. Fuel cost
2. Variable O&M
3. Proposal dispatch characteristics

A production cost computer simulation of each proposal is required to estimate the operational savings associated with operating each proposal with the system dispatch. Each proposal's contribution to reducing the aggregate annual system generation fleet fuel and variable cost can be calculated by comparing a cost simulation that includes the proposal against a reference simulation (without the proposal). The variable cost components of each proposal are modeled within the production cost simulation. In addition to variable fuel cost and Variable O&M, proposal operating characteristics include efficiency (heat rate), scheduled maintenance requirements and projected availability. In general, the production cost simulation is conducted to calculate the projected annual production cost savings on a per kilowatt capacity basis for the term of the proposal.

Evaluation Task:  
Determine the Production Cost Savings



	Total Fixed Costs (\$/kW-yr)	Production Cost Simulation Reference Case (\$000)	Production Cost Simulation Including Bid (\$000)	Calculated Production Cost Savings (\$/kW-yr)	Net Generation Costs (\$/kW-yr)
<b>2009</b>	49.30	2,862,473	2,841,670	<b>34.67</b>	<b>14.63</b>
<b>2010</b>	87.83	3,018,062	2,991,550	<b>44.19</b>	<b>43.64</b>
<b>2011</b>	90.94	3,190,181	3,164,102	<b>43.47</b>	<b>47.47</b>
<b>2012</b>	94.13	3,473,485	3,448,784	<b>41.17</b>	<b>52.96</b>
<b>2013</b>	97.65	3,676,681	3,655,631	<b>35.08</b>	<b>62.57</b>
<b>2014</b>	42.27	1,602,467	1,593,343	<b>15.21</b>	<b>27.06</b>

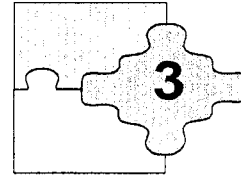
$$\text{Production Cost Savings (\$/kW-yr)} = \frac{[\text{Annual Production Cost Reference} - \text{Annual Production Cost incl. Bid}]}{[\text{capacity size of the Bid}]}$$

*Net Generation Cost: Calculating the Net Generation Cost of a Proposal*

As stated previously, the production cost simulation is conducted to achieve the annual production cost savings. The calculation of the net generation cost for each proposal is simply a two step process: First, the proposal fixed costs are calculated annually on a dollar per kilowatt basis and then, on an annual basis, the per kilowatt production cost savings are subtracted from the fixed costs resulting in the annual net generation per kilowatt costs. Finally, the final net generation cost is the accumulated net present value of the annual net generation costs.



Evaluation Task:  
Determine the Present Value of  
the Generation Costs



	<b>Net Generation Costs (\$/kW-yr)</b>	<b>PV Factor</b>	<b>PV of Net Generation Costs (\$/kW-yr)</b>	<b>Accumulated PV of Net Generation Costs (\$/kW-yr)</b>
<b>2009</b>	<b>14.63</b>	0.8505	12.44	<b>12.44</b>
<b>2010</b>	<b>43.64</b>	0.7844	34.23	<b>46.67</b>
<b>2011</b>	<b>47.47</b>	0.7234	34.34	<b>81.01</b>
<b>2012</b>	<b>52.96</b>	0.6671	35.33	<b>116.34</b>
<b>2013</b>	<b>62.57</b>	0.6152	38.49	<b>154.83</b>
<b>2014</b>	<b>27.06</b>	0.5674	15.35	<b>170.18</b>

\*8.433% discount rate was used to create the Present Value Factors

**Transmission Costs**

**Evaluation of Transmission Impacts of Proposals**

An assessment of the transmission impact of each proposal is an integral part of the total cost analysis. Each proposal is evaluated from a transmission network perspective in order to assess:

1. The additional network transmission investment required to deliver the proposed generation to system load on a firm basis during the term of the PPA, and
2. The increase (or decrease) in transmission system energy losses due to the operation of the proposal.

Each proposal is analyzed using transmission system computer simulation models to determine if additional transmission network improvements are required to accommodate the project. For proposal evaluation purposes, the proposal is assessed the yearly amortized cost of the transmission improvements for the term of the PPA. If the proposal results in the ability to defer a planned transmission improvement during the term of the PPA, within the load area being analyzed, the proposal is credited with the appropriate deferral of amortized costs.

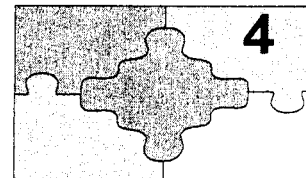
Respondents' proposals that interconnect "electrically" close to major unconstrained transmission facilities or where the proposal is located in areas of major load (net of generation) will tend to have lesser transmission facilities costs compared to proposals that are located in areas that are "electrically" remote from major transmission facilities or located within areas with constrained transmission facilities, or located in areas with generation significantly in excess of area load.

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The transmission simulation models include future projections of transmission facilities and planned self-build generation to maintain grid reliability in areas of major load (net of generation). Respondents' proposals to locate projects in these areas will not be given a credit in the transmission cost evaluation reflecting deferral of new bulk transmission facilities to import power to the area where the integrated generation/transmission plan embedded in the transmission simulation models resolves broad area power import issues. However, respondents should note that proposals located in areas of major load (net of generation) would tend to receive a more favorable transmission facilities cost evaluation (since power export capability from the area will not be required) than proposals located in areas that have generation significantly in excess of area load where power export capability from the area may be required.

In addition, each proposal is analyzed to determine whether operation of the proposal increases or decreases the transmission system energy losses. Each proposal is assessed an annual cost (or credit) associated with its projected impact on the transmission system energy losses. Respondents should note that proposals located in areas of major load (net of generation) are more likely to receive a lower transmission system energy loss cost (or larger credit) than proposals located in areas that have generation in excess of area load.

**Evaluation Task:**  
**Determine the Transmission Costs**

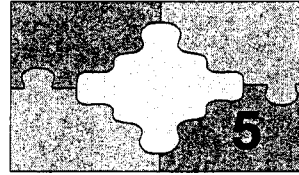


- **Network Improvements** = \$12.57 million (515 MW capacity)
  - => \$24.4/kW improvement - 5yrs of DFR (1<sup>st</sup> year rev req = \$4.75/kw)
- **Annual Losses** were provided on annual dollar per kilowatt basis (5yr simulation)

	Network Improvement RevReq	PV Factor	Network Improvement PV Cost 15.51/ kw	Losses (\$/kW-yr)	PV Factor	Losses PV Cost (3.96)/ kw	Transmission Cost 11.55 / kw
2009	4.75	0.8505	4.04	(1.00)	0.8505	(0.85)	
2010	4.47	0.7844	3.51	(1.08)	0.7844	(0.85)	
2011	4.20	0.7234	3.04	(1.14)	0.7234	(0.82)	
2012	3.95	0.6671	2.64	(1.16)	0.6671	(0.77)	
2013	3.71	0.6152	2.28	(1.09)	0.6152	(0.67)	
2014	0.00	0.5674	0.00	0.00	0.5674	0.00	

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Evaluation Task:  
Determine the Net Evaluated Cost



<b>Acc PV Net Generation Cost</b>	<b>170.18</b>
•Acc PV Direct Transmission Costs	15.51
•Acc PV Transmission Losses	( 3.96)
<b>Acc PV Net Transmission</b>	<b><u>11.55</u></b>
<b>TOTAL</b>	<b>181.73</b>

*Portfolio Analysis*

All of the proposals will be evaluated and ranked using a consistent methodology that identifies the best proposals on the basis of net present value of total cost per kilowatt (kW). In order to satisfy the capacity need targeted in the RFP, it is likely that more than one proposal will be selected. Portfolio analysis will be required to determine the best package (combination of two or more) of proposals that satisfy the capacity need. For proposals offering multiple units in a single proposal, each unit or group of units may be selected separately by Gulf at the terms proposed by seller. However, if a respondent desires to not offer such unit combinations, or elects to offer different pricing for such unit combinations, the respondent must specifically identify this pricing in its proposal. Gulf is not required to purchase from all units included in a proposal unless respondent specifically includes such limitation in its proposal.

In the portfolio analysis, the best proposals will be packaged together into several combinations or “portfolios.” Each of the resulting portfolios will be evaluated using a total cost approach that is consistent with the methodology used to evaluate each individual proposal. In the portfolio phase, a production cost simulation and a transmission cost analysis are required to evaluate the cost impacts resulting from any interaction that may result from packaging several proposals into a portfolio.

**Attachment H**

The following reference may be helpful in submitting a proposal in Gulf's RFP:

The current cumulative megawatt (MW) capacity need projections for Gulf are:

	Total	CC	Cumulative Mix of additions CT
2009	[Redacted]	[Redacted]	[Redacted]
2010	[Redacted]	[Redacted]	[Redacted]
2011	[Redacted]	[Redacted]	[Redacted]
2012	[Redacted]	[Redacted]	[Redacted]
2013	[Redacted]	[Redacted]	[Redacted]
2014	[Redacted]	[Redacted]	[Redacted]
2015	[Redacted]	[Redacted]	[Redacted]

These projections are highly dependent upon cost and performance parameters.

The current Southern electric system generation planning studies indicate that natural gas-fired technologies are expected to be added to meet Gulf's need for additional generation beyond 2015 as well. Electric energy sales and peak demand for Gulf are expected to increase at approximately \_\_\_\_\_ percent (\_\_\_\_ %) per year after 2015.

The following capacity factor information may be of assistance in preparing your proposal:

The following are capacity factor projections for a single natural gas-fired resource integrated into the Southern Electric System with a VOM (Variable O&M) charge of \_\_\_\_\_ dollars per megawatt-hour (\$\_\_\_\_\_/MWH) and a heat rate as specified below:

	Heat Rate:	Capacity Factors		
	7,000	8,500	10,000	11,500
2009	[Redacted]	[Redacted]	[Redacted]	[Redacted]
2011	[Redacted]	[Redacted]	[Redacted]	[Redacted]
2013	[Redacted]	[Redacted]	[Redacted]	[Redacted]
2015	[Redacted]	[Redacted]	[Redacted]	[Redacted]
2017	[Redacted]	[Redacted]	[Redacted]	[Redacted]
2019	[Redacted]	[Redacted]	[Redacted]	[Redacted]
Average annual number of starts:	[Redacted]	[Redacted]	[Redacted]	[Redacted]

**Attachment I**

**Confidentiality Agreement**

**CONFIDENTIALITY AGREEMENT**

This **CONFIDENTIALITY AGREEMENT** (the "Agreement") is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, 2006 (the "Effective Date"), by and between **GULF POWER COMPANY**, a Delaware corporation ("Gulf"), and [\_\_\_\_\_] ("Respondent") (Gulf and Respondent collectively the "Parties");

**WITNESSETH:**

**WHEREAS**, Gulf is in the process of formulating and issuing the "Gulf Power Company 2009 Request for Proposal" (the "2009 RFP") to acquire new supply-side resources beginning June 1, 2009;

**WHEREAS**, Respondent desires to obtain Confidential Information of Gulf for the purpose of analyzing the 2009 RFP with the intention of creating and submitting a proposal to Gulf to fulfill at least a portion of Gulf's 2009 RFP;

**WHEREAS**, as an inducement for Gulf to provide their Confidential Information directly to Respondent, the Parties desire to enter into this Agreement;

**NOW, THEREFORE**, for and in consideration of the foregoing recitals, the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, Gulf and Respondent hereby agree as follows:

1. Definitions. "Confidential Information" shall mean the "Redacted" information in Attachment H of the 2009 RFP (as identified therein) and all documents, materials and information in whatever format related thereto that Gulf agrees to provide the Respondents in connection with the 2009 RFP. Confidential Information shall also include information that is copied or transferred to notes from Confidential Information by persons acting pursuant to this Agreement and all working copies, computer data storage, digests, summaries or abstracts prepared from this material. Confidential Information does not include (i) information that is now in or hereafter enters the public domain through no action on Respondent's part in violation of the terms or conditions hereof, (ii) information that Respondent can demonstrate was in Respondent's possession at the time of disclosure and was not acquired by Respondent directly or indirectly from Gulf on a confidential basis; or (iii) information disclosed by Gulf to others on an unrestricted, non-confidential basis.

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2. Non-disclosure. Respondent acknowledges that improper and/or unauthorized use or disclosure of Confidential Information could cause irreparable harm to Gulf. Accordingly, Respondent agrees to keep (and agrees to ensure that any person whom it is permitted under this Agreement to provide such Confidential Information shall keep) all Confidential Information strictly confidential pursuant to this Agreement. Respondent agrees that without the prior written consent of Gulf or a decision of the FPSC that the information either can be used without restriction or with specified restrictions, Confidential Information will not be disclosed in whole or in part, to any person or entity in violation of this Agreement. The Respondent agrees that the only individuals who will be permitted access to Confidential Information will be those employees of Respondent and its affiliates and independent consultants, specifically assigned by Respondent to analyze and prepare a proposal in response to the 2009 RFP and who have first signed a copy of the attached Exhibit 1 and returned such signed copy to Gulf ("Information Recipient"); such individuals shall not include Respondent's attorneys. The Respondent shall inform all Information Recipients, in advance, of the confidential nature of the Confidential Information and in advance shall register on the IM's website. The Respondent shall cause all Information Recipients to comply with the requirements of this Agreement and shall be responsible and legally liable under this Agreement for any violation of this Agreement by any Information Recipient.

3. Permitted Use. Respondent may use the Confidential Information solely for the purpose of analyzing the 2009 RFP and preparing a proposal in response to the 2009 RFP, and not for any other purpose. Except as provided in Paragraph 6 below, Respondent agrees that it will not file with the FPSC or any other governmental entity any of the Confidential Information under this Agreement, unless it has first given Gulf at least five (5) days written notice that it intends to file such Confidential Information. Respondent further agrees that such filing will only be made after the Parties have considered alternative methods for accomplishing the purpose for which the information is being filed and have determined that filing Confidential Information is the only method for achieving such purpose. Respondent further agrees that in the event such Confidential Information is filed with the FPSC or any governmental entity, Respondent shall make best efforts to obtain protection from disclosure pursuant to the trade secret provisions applicable to such agency to ensure that the Confidential Information is protected from public disclosure.

4. No Representation or Warranties. Gulf makes no representation or warranties as to the accuracy or completeness of any of the Confidential Information and shall have no liability whatsoever relating to or resulting from the use of the Confidential Information or any errors or omissions therefrom.

5. Directors, Officers, Employees and Affiliates. The Parties hereby agree that their directors, officers, employees and affiliates will be bound by this Agreement even if they are not permitted access to the Confidential Information, and the Parties agree to be responsible for the actions, uses and disclosures of their respective directors, officers, employees, affiliates, consultants, agents and advisors.

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6. Compelled Disclosure. In the event Respondent or any Information Recipient becomes legally compelled to disclose any of the Confidential Information, that person will provide Gulf with prompt written notice so that Gulf may seek a protective order or other appropriate remedy. In the event such protective order or other appropriate remedy is not obtained, such person will furnish only that portion of Gulf's Confidential Information that is legally required and such person will cooperate with Gulf's counsel to enable Gulf to obtain a protective order or other reliable assurance that confidential treatment will be accorded the Confidential Information that is subject to disclosure.

7. Governing Law. This Agreement shall be governed in all respects, whether as to validity, construction, capacity, performance or otherwise, by and under the laws of the State of Florida (without giving effect to principles of conflicts of laws).

8. Severability. All provisions of this Agreement are severable, and the unenforceability or invalidity of any of the provisions of this Agreement shall not affect the validity or enforceability of the remaining provisions of this Agreement.

9. Term. The term of this Agreement shall commence on the date hereof and shall terminate forty-five (45) days following the last final order in the approval proceeding related to the 2009 RFP, or any appeal taken with respect thereto. Notwithstanding such termination, Respondent and all persons authorized by this Agreement to be in possession of Confidential Information shall continue to abide by the terms of this Agreement with respect to all Confidential Information for a period of three (3) years from the date of the aforementioned termination; provided, however, that with respect to any Confidential Information that constitutes "trade secret" under applicable law, the covenants herein shall apply for the life of the trade secret. Within five (5) days of the termination of this Agreement, Respondent and all persons authorized by this Agreement to be in possession of Confidential Information shall return all Confidential Information (including information that is copied or transferred to notes from Confidential Information by persons acting pursuant to this Agreement and all working copies, computer data storage, digests, summaries, or abstracts prepared from this material) to Gulf or certify that such Confidential Information has been permanently destroyed.

10. Remedies. Respondent and all Information Recipients expressly understand and agree that in the event of any breach or threatened breach of this Agreement, Gulf shall be entitled to all remedies available at law or in equity. In the event of litigation relating to this Agreement, if a court of competent jurisdiction determines in a manner not subject to appeal that the Respondent or any of the Respondent's affiliates, officers, directors, employees, consultants, agents, advisors, personnel or Information Recipients have breached this Agreement, the Respondent shall be liable to pay Gulf the legal fees and costs incurred by Gulf in relation to such litigation.

11. Waiver. No waiver of any provision of this Agreement, or of a breach hereof, shall be effective unless it is in writing, signed by the Party waiving the provision, or the breach hereof. No failure or delay of Gulf in exercising any right, power or privilege under this Agreement shall operate as a waiver hereof, nor shall a single or

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partial waiver of a breach of this Agreement constitute a waiver of a subsequent breach hereof.

12. Counterparts; Fax Signature. This Agreement may be executed in multiple counterparts, each of which, when executed and delivered, shall be deemed an original, but all of which shall constitute one and the same instrument. Any signature page of any such counterpart, or any facsimile transmission thereof, may be attached or appended to any other counterpart to complete a fully executed counterpart of this Agreement, and any facsimile transmission of any signature of a Party shall be deemed an original and shall bind such Party.

**IN WITNESS WHEREOF**, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date and year first above written.

**[RESPONDENT]**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**GULF POWER COMPANY**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_



EXHIBIT 1

AGREEMENT OF CONFIDENTIALITY

(1) I have read the Confidentiality Agreement (“Agreement”) entered into on this \_\_\_\_\_ day of \_\_\_\_\_, 2006, by Respondent and Gulf, and I am aware of the meaning and contents of said Agreement. I have been given a copy of that Agreement and hereby agree to be bound by the Agreement.

(2) I understand that all documentary information that I receive, and all working copies, computer data storage, digests, summaries, notes or abstracts prepared from this material, are to remain in my personal custody until all such material is returned to Respondent or certified as destroyed in accordance with this Agreement.

NAME	SIGNATURE	DATE
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
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_____	_____	_____
_____	_____	_____
_____	_____	_____

**Attachment J**

**Gulf Power Company's Request for Proposals (RFP) Process**

**Gulf Power Company (Gulf) will utilize a RFP process as detailed below to select the most competitive capacity supplier to meet its future load requirements. Gulf is seeking 5 year proposals to supply 400 MW to 500 MW beginning in 2009. Gulf is developing a time schedule that will allow it to identify a short list of successful respondents and begin contract negotiations by June 1, 2006.**

**(a) Definitions of terms used in the RFP Process:**

1. "Commission" or "FPSC" means the Florida Public Service Commission.
2. "Independent Monitor" or "IM" means the entity selected by Gulf to monitor its RFP Process as described herein.
3. "Power Purchase Agreement" or "PPA" means a negotiated contract between Gulf and one of the finalist respondents to the RFP.
4. "RFP" means the notice of a Request For Proposals distributed to the marketplace by the IM under the RFP process identifying the needed resources and the time for providing those resources as set out in the RFP, or any amendment thereto.
5. "RFP Document" shall mean the collection of materials (including Form PPAs) distributed to interested respondents and pursuant to which the proposals shall be submitted and evaluated during the RFP Process.
6. "RFP Process" means the preparation and issuance of a Gulf RFP and all the activities subsequently associated therewith that are expected to terminate in the execution of a PPA between Gulf and one or more successful respondents, and in which an IM is utilized pursuant to and performs the functions described in this Proposed RFP/IM Structure.

**(b) Proposed RFP Process for Resources to Supply Gulf's 2009 Capacity Requirements**

1. Except for changes required to incorporate the following provisions providing for utilization of an Independent Monitor, the RFP Process will be conducted consistent with the provisions of Commission Rule 25-22.082, F.A.C., Selection of Generating Capacity.
2. Gulf will contract with an IM to oversee and participate in the communication with potential respondents and actual respondents in the selection of

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generating resources to supply Gulf's 2009 capacity requirements. The contract with the IM will clearly define the communications protocols consistent with this RFP Process document. Overall, the IM will ensure that the RFP communications process is fair and transparent and does not favor any respondent over another. The IM will retain records of all communications and be available to the Commission during the Commission's approval process for the resources selected by Gulf.

3. Prior to the receipt of proposals, Gulf will also provide to the IM a comprehensive evaluation framework including evaluation models, data, and mock evaluations to further enhance the transparency of its process and to be available to the Commission during the Commission's approval process.

**(c) Role and Selection of an Independent Monitor.**

1. The IM will be retained by Gulf under a contract that is consistent with the RFP Process. The role and function of the IM in the RFP Process shall be as set forth herein.
2. No respondent or potential respondent shall have any communication with the IM or Gulf pertaining to the RFP, the RFP documents, the RFP process, the evaluation or the evaluation process or any related subjects except as those communications are specifically allowed by this proposed RFP/IM structure, or as are made publicly through the IM's website. However, the IM or Gulf may determine that Gulf and the IM should jointly communicate with one or more respondents after the receipt of proposals to facilitate the evaluation process. The IM shall keep a record of all communications with potential respondents and actual respondents.
3. The IM will work independently, but will make available any reports as required by the Commission. In carrying out its duties, the IM will work in coordination with the Commission and Gulf with regard to the RFP Process.
4. If the IM becomes aware of a violation of any requirements of the RFP Process, the IM shall immediately report that violation, together with any recommended remedy, to Gulf and the Commission.
5. Gulf will collect an Evaluation Fee of \$10,000 per proposal to defray Gulf's costs of evaluating the proposals. An IM Fee of \$5,000 per proposal will also be collected to defray Gulf's costs of securing the services of the IM. In addition, the successful respondent(s) will reimburse Gulf for the actual total cost of the IM less total IM Fees collected if insufficient funds are collected through the IM Fee to cover the IM services. The outstanding amount will be assessed on a per megawatt basis and collected promptly after the Commission approval of the PPA(s). Invoices for services rendered by the IM

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will be sent directly to Gulf for payment, which will be made directly to the IM.

**(d) Affiliate Communications.**

1. Any affiliate of Gulf that intends to submit a proposal in response to the RFP, shall identify its employees as well as any other persons acting for that affiliate or on its behalf in support of the development and submission of such proposal, and such employees and other persons shall be known collectively as a "Proposal Team".
2. The representatives of Gulf that will be designing and implementing the RFP and evaluating the proposals submitted in response to the RFP, as well as any other persons acting for or on behalf of Gulf regarding any aspect of the RFP Process, shall be known collectively as the "Evaluation Team."
3. Any Proposal Team shall be separately identified and physically segregated from the Evaluation Team for purposes of all activities that are part of the RFP Process. The names and complete titles of each member of a Proposal Team and the Evaluation Team shall be filed with the IM and made publicly available on the IM Website. Subsequent additions to a Proposal Team and Evaluation Team shall be filed with the IM and disclosed in the same fashion.
4. There shall be no communications, either directly or indirectly, between a Proposal Team and the Evaluation Team regarding any aspect of the RFP Process, except (i) necessary communications as may be made through the IM as described further herein, and (ii) negotiations between a Proposal Team and the Evaluation Team for a final PPA in the event and then only after the Proposal Team has been selected by Gulf as the respondent with a successful proposal. The Evaluation Team will have no direct or indirect contact or communications with any respondent other than through the IM as described further herein, until such time as a successful proposal is selected by Gulf and negotiations for a final PPA have begun.
5. At no time shall any information regarding the RFP Process be shared with any respondent, including the Proposal Team, unless the identical information is shared with all respondents in the same manner and at the same time. Should any respondent, including a Proposal Team, attempt to contact a member of the Evaluation Team directly, such respondent shall be directed to the IM for all information and such communication shall be reported to the IM by the Evaluation Team member.
6. Each member of a Proposal Team shall execute an acknowledgement that he or she agrees to abide by the restrictions and conditions contained in paragraphs 3 through 5 above. At the PPA Execution Date, each member of the Proposal Team shall execute an acknowledgement that he or she has met

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the restrictions and conditions contained in paragraphs 3 through 5 above. These acknowledgements shall be filed with the IM by the Proposal Team within 10 days of their execution.

7. Each Evaluation Team member shall execute an acknowledgement that he or she agrees to abide by the conditions contained in paragraphs 3 through 5 above and, at the PPA Execution Date, shall execute an acknowledgement that he or she has met the restrictions and conditions contained in paragraphs 3 through 5 above. These acknowledgements shall be filed with the IM by the Evaluation Team within 10 days of their execution.

**(e) RFP Structure and Process.**

1. Design of the RFP.

i. Gulf will be responsible for preparing the RFP Document, including the evaluation factors, credit and security obligations, Pro Forma Power Purchase Agreements (“Form PPAs”), and a solicitation schedule.

ii. Gulf will utilize the following steps and procedures:

- (1) timely public notices of the issuance of the RFP,
- (2) filing a copy of the RFP with the Commission,
- (3) meeting with potential participants prior to issuance of the RFP to discuss potential requirements of the RFP, and
- (4) meeting with potential participants within two weeks after issuance of the RFP,

iii. Gulf is not proposing a new Gulf-owned generating unit to meet this capacity need. As a result, there will be no data regarding a self-build option included in the RFP documents.

2. Issuance of RFP and Respondent Communications.

i. Gulf shall issue the RFP by submitting the RFP and RFP Documents to the IM for posting on the IM website. At any time after the RFP is issued, through the time the successful proposal is selected by Gulf, the schedule for the solicitation may be modified by Gulf. Any such schedule modifications shall be communicated by the IM and posted on the IM website.

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ii. The only respondent communications permitted prior to submission of proposals shall be conducted through the IM or jointly with the IM. Respondent questions and Gulf responses shall be posted on the IM website. To the extent such questions and responses contain competitively sensitive information for a particular respondent, this information may be redacted or restricted to view only by the respondent, as the IM may determine.

iii. Gulf may not communicate directly with any respondent regarding the RFP Process, the content of the RFP and RFP Document, or the substance of any potential response by a respondent to the RFP.

iv. Respondents shall submit proposals pursuant to the solicitation schedule contained in the RFP and RFP Document. Gulf and the IM shall have access to all proposals and all supporting documentation submitted by respondents in the course of the RFP Process.

v. Gulf may request further information from any respondent regarding its proposal. Any communications between Gulf and a respondent during the evaluation process shall be conducted through the IM. Gulf shall be informed of the content of any communications between the IM and a respondent.

vi. Gulf shall cause native load growth reservations to be made on the Southern Company OASIS for all proposals that are not otherwise capable of using an existing native load growth reservation for evaluation purposes.

vii. The IM and Gulf shall maintain a record of all communications between the IM and Gulf and respondents throughout the RFP process.

3. Evaluation of Responses to RFP.

i. Gulf's evaluation of the proposals received using the RFP Process will be based on its traditional methods of analysis. Gulf will conduct its evaluation in an appropriate manner, consistent with the principles and procedures contained in this RFP and Commission Rule 25-22.082, F.A.C., Selection of Generating Capacity.

ii. Prior to the receipt of proposals, Gulf shall submit to the IM its evaluation methodologies, evaluation models, database, and mock evaluations which will demonstrate the evaluation methodology. Gulf will conduct the actual evaluation in a manner consistent with the above described evaluation framework. The IM and Gulf shall maintain a record of such evaluation framework.

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iii. Communications will be conducted on a confidential basis between the IM and individual respondents, and may include one or more face-to-face meetings between the IM, Gulf and a respondent to discuss the respondent's proposal. In particular, Gulf expects that such face-to-face meetings will be necessary with the most competitive respondents prior to selection of finalist list participants.

iv. The RFP Process shall be a single round of proposals. Respondents shall not be allowed to revise their proposals after submittal of the proposals to the IM. However, clarification of proposal components and correction of genuine errors will be allowed through communication with respondents through the IM.

v. The IM and Gulf shall establish proposal evaluation milestones at which Gulf will provide to the IM summary documents which document the state of the proposal evaluation. Such milestones may include preliminary proposal summaries, preliminary or interim proposal rankings, respondent screen reports, proposal rankings used to reduce the number of active proposals to a more competitive tier, finalist list rankings, and final proposal evaluations including supporting workpapers and documentation. The IM shall maintain such records and make them available to the Commission during the Commission's approval process.

4. Commission Approval of Resource(s).

i. Based on the pro-forma PPA included in the RFP Document, Gulf will negotiate a final PPA with the respondent for each resource it has selected. Any such PPA shall be expressly conditioned on the approval of the Commission.

ii. The IM shall be available to participate in the Commission's approval proceeding and testify regarding their role and responsibilities as the IM as defined herein.

# Gulf Power 2009 RFP

Ranking (05-03-2006) NPV 2005\$

	<b>Cost Ranking <u>(\$/KW)</u></b>
<b>Dahlberg CT</b>	<b>121.24</b>
<b>Baconton CT</b> (oil operation)	<b>146.21</b>
<b>Baconton CT</b> (gas operation)	<b>149.63</b>
<b>TUNA CC</b>	<b>177.67</b>

\*\* TUNA is the codename for an undisclosed project that was submitted into the Gulf Power 2009 RFP



# Gulf Power 2009 RFP

## Portfolio vs. Self-Build CT 5 YR Economic Carrying Charge

	Generation (\$/KW)	Transmission (\$/KW)	SUBTOTAL (\$/KW)	Generation Flexibility (\$/KW)	TOTAL (\$/KW)	Difference (\$ Millions)
	-----	-----	-----	-----	-----	-----
<b>PORTFOLIO</b>	<b>133.93</b>	<b>14.95</b>	<b>148.88</b>	<b>(14.28)</b>	<b>134.60</b>	
<b>SELF-BUILD</b>	<b>150.44</b>	<b>TBD</b>	<b>150.44</b>	<b>0.00</b>	<b>150.44</b>	
					-----	-----
<b>Savings</b>					<b>15.84</b>	<b>7.7</b>

\*\* NPV 2005\$

# Gulf Power 2009 RFP

## Portfolio vs. Self-Build CT 5 YR Revenue Requirements

	<b>Generation (\$/KW)</b>	<b>Transmission (\$/KW)</b>	<b>SUBTOTAL (\$/KW)</b>	<b>Generation Flexibility (\$/KW)</b>	<b>TOTAL (\$/KW)</b>	<b>Difference (\$ Millions)</b>
	_____	_____	_____	_____	_____	_____
<b>PORTFOLIO</b>	<b>133.93</b>	<b>14.95</b>	<b>148.88</b>	<b>(14.28)</b>	<b>134.60</b>	
<b>SELF-BUILD</b>	<b>218.91</b>	<b>TBD</b>	<b>218.91</b>	<b>0.00</b>	<b>218.91</b>	
<b>Savings</b>					<b>84.31</b>	<b>41.1</b>

\*\* NPV 2005\$