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November 17, 1993

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Ms. Lois D. Cashell, Secretary  
Federal Energy Regulatory Commission  
825 North Capitol Street, N.E.  
Washington, D.C. 20426

RE: Filing of Letter Agreement Revising the Unit  
Power Sales Agreement among Florida Power  
Corporation and Southern Companies.

Dear Ms. Cashell:

We are hereby enclosing for filing on behalf of Southern Company Services, Inc. ("SCS"), acting as agent for Alabama Power Company, Georgia Power Company, Gulf Power Company, Mississippi Power Company, and Savannah Electric and Power Company (collectively referred to as "Southern Companies"), a Letter Agreement dated July 8, 1993 ("Letter Agreement") revising the Unit Power Sales Agreement dated July 19, 1988 among Florida Power Corporation ("FPC") and Southern Companies, as amended ("UPS Agreement"). Seven (7) copies of this transmittal letter and its enclosures are being supplied herewith. Please return to me in the enclosed self-addressed, stamped envelope an acknowledgement copy showing that the submittal has been filed with the Commission.

## Description of and Reasons for Revisions to the UPS Agreement:

The UPS Agreement provides for unit power sales from units owned by Alabama Power, Georgia Power, and Gulf Power to Florida Power Corporation during the period January 1, 1994 through May 31, 2010. The UPS Agreement (SCS Rate Schedule No. 66) was accepted by Commission order issued January 31, 1989 in Docket Nos. ER88-594-000, et al. Southern Company Services, Inc., 46 FERC ¶ 61,203 (1989).

Section 5.5 of the UPS Agreement governs the establishment of the initial return on common equity to be included in the formula

rates to determine production and transmission capacity charges. That section provides that the initial return on common equity in the UPS Agreement shall be set at 13.75%. The section also establishes a procedure whereby the parties would meet in the months prior to the commencement of sales in 1994 to determine whether the return remained appropriate for use in the Agreement. If the parties did not agree upon a return or if the parties agreed to revise the return, Southern Companies would make an appropriate filing with the Commission to establish the return to be used.

On May 2, 1991, the Commission initiated an investigation of Southern Companies' formula rate contracts incorporating a return on common equity of 13.75% or above in Docket No. EL91-29-000. Southern Company Services, Inc., 55 FERC ¶ 61,173, reh'g denied, 57 FERC ¶ 61,093 (1991). Southern Companies appealed that order to the Court of Appeals for the District of Columbia Circuit contending that the investigation was improperly instituted and thus invalid. The court ultimately denied Southern Companies' petition for review. Alabama Power Co. v. Federal Energy Regulatory Comm'n, 993 F.2d 1557 (D.C. Cir. 1993). Meanwhile, the investigation was pursued before an administrative law judge of the Commission. On August 24, 1992, the administrative law judge issued an Initial Decision, finding (among other things) that the Commission's Staff had failed to meet its burden of proof and that the 13.75% return on common equity component in the subject Agreement should not be changed. Southern Company Services, Inc., 60 FERC ¶ 63,013 (1992). This decision is currently pending on exceptions before the Commission.

Due to the uncertainties occasioned by these proceedings, the parties have agreed to amend and restate Section 5.5 of the UPS Agreement. The restated Section 5.5 provides a new procedure to establish the initial return on common equity for use in the UPS Agreement when sales commence on January 1, 1994. If, prior to or after the commencement of sales, the current return is left unchanged as a result of a final order of the Court of Appeals in Case No. 91-1595 or the ultimate resolution of the proceeding in Docket No. EL91-29-000, the initial return on common equity to be observed will be 13.75% with no refund obligation on the part of Southern Companies. If, prior to the commencement of sales, the return on common equity is changed by order of the Commission in Docket No. EL91-29-000, the initial return to be observed beginning January 1, 1994 will be the return established in such order. If, at the time of commencement of sales, the Commission has not issued an order in Docket No. EL91-29-000, the initial return to be observed beginning January 1, 1994 will be 13.75%, subject to refund (with interest) from the commencement of service, pending the establishment of a return by the Commission. Any reduction in the return on common equity ordered by the Commission will be made

subject to the ultimate resolution of the investigation, including any decision on rehearing or judicial order.

The restated Section 5.5 further provides that during the three (3) month period following the issuance of a decision of the Court of Appeals in Case No. 91-1595 invalidating the investigation or an order of the Commission in Docket No. EL91-29-000, representatives of Southern Companies and FPC will meet to discuss whether the initial return remains appropriate for use. If the parties agree upon a new return, Southern Companies will make an appropriate filing with the Commission within fifteen (15) days of such agreement. If the parties are unable to agree upon an appropriate return, Southern Companies will file, within fifteen (15) days of the expiration of the three (3) month period, a return to be incorporated in the Agreement, together with a request that the Commission establish an appropriate return under the just and reasonable and non-discriminatory standard. With respect to any such filing, charges attributable to the return will be subject to refund from the date of the pleading. The parties retain their respective rights to seek changes in the return on common equity as established in the originally filed UPS Agreement.

The Commission has previously accepted virtually identical amendments to the Unit Power Sales Agreements among Southern Companies and Florida Power & Light Company and Jacksonville Electric Authority, respectively. See Letter Order issued May 11, 1993 in Docket No. ER93-489-000 and ER93-490-000. It bears noting that since the Letter Agreement with FPC was executed, the Court of Appeals for the District of Columbia Circuit has denied Southern Companies' petitions for rehearing and rehearing *en banc* in Case No. 91-1595. Thus, it appears that the court will not issue a final order in Case No. 91-1595 that invalidates the investigation. The court's action does not affect the need to adopt the restated Section 5.5, but simply indicates that one of the contingencies set forth in Section 5.5(i) will not occur.

Request for Waiver of Any Additional Filing Requirements:

Insofar as the restated Section 5.5 does not provide for a rate increase, it is subject to the abbreviated filing requirements of Section 35.13(a)(2)(ii) of the Commission's Regulations. In this connection, the information required by Section 35.13(a)(2)(ii) of the Commission's Regulations is enclosed to the extent that such information is relevant and available. In this regard, no additional information was requested in connection with the acceptance of similar filings in Docket Nos. ER93-489-000 and ER93-490-000. To the extent that other information may be required, it is respectfully requested that the Commission grant a waiver.

Requested Effective Date:

Southern Companies request that the Commission grant a waiver of the sixty (60) day notice requirement to allow the revisions to the UPS Agreement to become effective immediately. In this regard, Southern Companies note that the Commission has indicated that it will generally grant waivers of the sixty (60) day notice requirement for uncontested filings that do not involve a change in rates. Central Hudson Gas & Electric Corp., 60 FERC ¶ 61,106, p. 61,338 (1992). The Letter Agreement enclosed herewith does not change the rates to be paid under the UPS Agreement and, given FPC's agreement, is expected to be uncontested. Moreover, the Commission granted a waiver under identical circumstances in connection with the adoption of the restated Section 5.5 under the UPS Agreements with Florida Power & Light Company and Jacksonville Electric Authority. See Letter Order issued May 11, 1993 in Docket Nos. ER93-489-000 and ER93-490-000. For these reasons, the revisions should be allowed to become effective as of the date of this letter.

List of Documents Submitted with this Filing:

The following is a list of documents submitted with this filing:

(a) Letter Agreement dated July 8, 1993 revising the Unit Power Sales Agreement dated July 19, 1988 among FPC and Southern Companies.

(b) A form of notice suitable for publication in the Federal Register as required by Section 35.8 of the Commission's Regulations.

(c) A Certificate of Concurrence issued on behalf of Alabama Power Company, Georgia Power Company, Gulf Power Company, Mississippi Power Company, and Savannah Electric and Power Company.

Miscellaneous:

Authority for the filing of the enclosed Letter Agreement and the related Certificate of Concurrence on behalf of Alabama Power Company, Georgia Power Company, Gulf Power Company, and Mississippi Power Company is evidenced by letter dated December 27, 1963 from the Secretary of the Federal Power Commission to each of them, together with the Commission's order dated June 16, 1988 in Docket No. ER88-366-000 applicable to Savannah Electric and Power Company.

Federal Energy Regulatory Commission  
November 17, 1993  
Page 5

All requisite agreements to the revisions to the UPS Agreement and the filing thereof are evidenced by the respective parties' execution of the Letter Agreement. Should any additional information be required, it is requested that Mr. W. K. Newman, Vice-President, Southern Company Services, Inc., Post Office Box 2625, Birmingham, Alabama 35202, or the undersigned, be contacted at the earliest possible date so that such information can be supplied expeditiously.

Sincerely,



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Mark A. Crosswhite  
Attorney for Southern Company  
Services, Inc.

MAC:sa

cc: (w/encl)

Ms. Patricia A. Brown  
Legal Administrator  
Florida Power Corporation  
3201 Thirty-Fourth Street South  
St. Petersburg, Florida 33711

Southern Company Services  
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Telephone (205) 870-6462

William K. Newman  
Vice President  
Operating and Planning Services

July 8, 1993

Mr. P.C. Henry  
Senior Vice President, Energy Delivery  
Florida Power Corporation  
3201 34th Street, South  
St. Petersburg, Florida 33711

RE: Unit Power Sales Agreement dated July 19, 1988 between  
Florida Power Corporation and Southern Companies ("UPS  
Agreement")

Dear Mr. Henry:

By letter dated June 15, 1993, Florida Power Corporation ("FPC") indicated that it desired to discuss the equity return component incorporated in the formula rates of the subject UPS Agreement. Section 5.5 of the UPS Agreement provides a procedure for establishing the initial return on common equity to be observed when sales commence on January 1, 1994. As you are aware, the FERC commenced an investigation of (among other things) the equity return component in the subject UPS contract by order dated May 2, 1991 in Docket No. EL91-29-000. Southern Company Services, Inc., 55 FERC ¶ 61,173 (1991), reh'g denied, 57 FERC ¶ 61,093 (1991). Southern Companies appealed that order to the Court of Appeals for the District of Columbia Circuit, contending that the investigation was improperly instituted and thus invalid. On May 28, 1993, the Court ruled that the investigation was not improperly instituted; Southern Companies, however, intend to seek rehearing of that order. Alabama Power Co. v. FERC, Case No. 91-1595 (May 28, 1993). While the appeal was pending, the investigation was pursued before an administrative law judge of the FERC. On August 24, 1992, the administrative law judge issued an Initial Decision, finding (among other things) that the Staff had failed to meet its burden of proof and that the 13.75% return on common equity component in the subject UPS Agreement should not be changed. Southern Company Services, Inc., 60 FERC ¶ 63,013 (1992). This decision is currently pending on exceptions before the FERC.

Due to the uncertainties occasioned by these pending proceedings, representatives of FPC and Southern Companies have met and have agreed to amend and restate Section 5.5 of the subject UPS Agreement. Accordingly, Section 5.5 of the subject UPS Agreement is deleted in its entirety and the following Section 5.5 is substituted therefor:

Mr. P.C. Henry  
July 8, 1993  
Page 2

5.5 Establishment of Initial Return on Common Equity and Provisions for Change in Return on Common Equity: The initial return on common equity to be included in the formula rates to establish production and transmission capacity costs for unit power purchased and sold from the Miller Plant and Unit 3 of the Scherer Plant shall be determined as follows:

(i) if, prior to or after the commencement of sales under this Agreement, the current return on common equity component (13.75%) in the Agreement is left unchanged as a result of a final order of the Court of Appeals in Case No. 91-1595 or the ultimate resolution of the investigation in Docket No. EL91-29-000 (including any order on rehearing and judicial review), the initial return on common equity to be observed beginning January 1, 1994 will be 13.75%, with no refund obligation;

(ii) if, prior to the commencement of sales under this Agreement, the current return on common equity component in the Agreement is changed by order of the FERC in Docket No. EL91-29-000, the initial return on common equity to be observed beginning January 1, 1994 will be the return established by the FERC in that order; and

(iii) if, at the time of commencement of sales under this Agreement the FERC has not issued its order in Docket No. EL91-29-000, the initial return on common equity component to be observed beginning January 1, 1994 will be 13.75%, subject to refund (with interest) from the commencement of service, pending the establishment of a return by the FERC.

Any reduction in the return on common equity ordered by the FERC will be made subject to the ultimate resolution of the investigation (including any order on rehearing or judicial order). In any event, during the three (3) month period following the issuance of a decision of the Court of Appeals in Case No. 91-1595 invalidating the investigation or an order of the FERC in Docket No. EL91-29-000, representatives of Southern Companies and FPC shall meet to discuss whether such return on equity remains appropriate for use. If the parties hereto agree upon a new return on common equity to be incorporated in this UPS Agreement, Southern Companies will make an

Mr. P.C. Henry  
July 8, 1993  
Page 3

appropriate filing with the FERC within fifteen (15) days of such agreement. In the event the parties hereto are unable to agree upon an appropriate return on common equity within the three (3) month period, Southern Companies will file, within fifteen (15) days subsequent to the expiration of the three (3) month period, a return on common equity to be incorporated into this UPS Agreement and Unit Power Sale Manual together with a request that the FERC establish an appropriate return on common equity to be observed by the parties hereto under the just and reasonable and non-discriminatory standard. With respect to any return on common equity reflected in a filing by Southern Companies following the three (3) month period, charges attributable to such return on common equity shall be subject to refund from the filing date of any pleading. The return on common equity established by the FERC in the event of failure to agree upon such return shall be subject to subsequent change by unilateral filing of Southern Companies under Section 205 of the Federal Power Act and regulations thereunder or by order of the FERC under Section 206 of the Federal Power Act upon complaint by FPC. As to any such subsequent changes, in the event that the FERC sets the return on common equity for hearing under Section 206, (i) the FERC's determination of the return on equity shall be rendered under the just and reasonable and non-discriminatory standard rather than under the public interest standard; and (ii) only in the event of a proceeding initiated by complaint of FPC, charges attributable to the return on common equity shall be subject to refund from the filing date of any pleading requesting such proceeding.



Mr. P.C. Henry  
July 8, 1993  
Page 4

If the foregoing correctly reflects our mutual agreement,  
please execute and return this letter for filing with the FERC.

Sincerely,

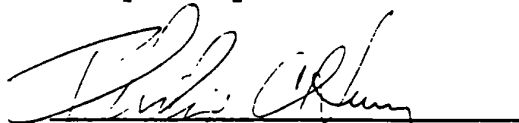


W.K. Newman  
Vice President

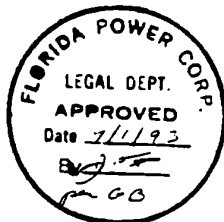
Southern Company Services, Inc.

As Agent for:  
Alabama Power Company  
Georgia Power Company  
Gulf Power Company  
Mississippi Power Company  
Savannah Electric and Power Company

Accepted by:



P.C. Henry  
Senior Vice President  
Florida Power Corporation



UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION

Southern Company Services, Inc.

Docket No. \_\_\_\_\_

NOTICE OF FILING

Take notice that on \_\_\_\_\_, 1993, Southern Company Services, Inc., acting on behalf of Alabama Power Company, Georgia Power Company, Gulf Power Company, Mississippi Power Company, and Savannah Electric and Power Company (collectively referred to as "Southern Companies"), submitted for filing a letter agreement dated July 8, 1993 revising the Unit Power Sales Agreement dated July 19, 1988 among Florida Power Corporation and Southern Companies. Specifically, the letter agreement contains an amended and restated Section 5.5, which governs the establishment of an initial return on common equity when the unit power sales commence on January 1, 1994.

Any person desiring to be heard or to protest said filing should file a motion to intervene or protest with the Federal Energy Regulatory Commission, 825 North Capitol Street, N.E., Washington, D.C. 20426, in accordance with Rules 211 and 214 of the Commission's Rules of Practice and Procedure (18 C.F.R. §§ 385.211 and 385.214). All such petitions should be filed on or before \_\_\_\_\_. Protests will be considered by the Commission to determine the appropriate action to be taken, but will not serve to make protestants parties to the proceedings. Any person wishing to become a party must file a motion to intervene. Copies of this filing are on file with the Commission and are available for public inspection.

\_\_\_\_\_  
Lois D. Cashell  
Secretary

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Southern Company Services, Inc.

Docket No. \_\_\_\_\_

CERTIFICATE OF CONCURRENCE

This is to certify that Alabama Power Company, Georgia Power Company, Gulf Power Company, Mississippi Power Company, and Savannah Electric and Power Company (collectively referred to as "Southern Companies") assent to and concur in the filing described below, which Southern Company Services, Inc. has filed, and hereby file this Certificate of Concurrence in lieu of the filing specified:

Letter Agreement dated July 8, 1993 revising the Unit Power Sales Agreement between Florida Power Corporation and Southern Companies dated July 19, 1988, as amended.

SOUTHERN COMPANY SERVICES, INC.

By

William K. Newman  
William K. Newman, Vice President

As Agent for:

ALABAMA POWER COMPANY  
GEORGIA POWER COMPANY  
GULF POWER COMPANY  
MISSISSIPPI POWER COMPANY  
SAVANNAH ELECTRIC AND POWER COMPANY

Dated 11/16/93