

Annex A

AMENDMENT NO. 2
TO UNIT POWER SALES AGREEMENT
BETWEEN
GULF STATES UTILITIES COMPANY
AND
ALABAMA POWER COMPANY, GEORGIA POWER COMPANY,
GULF POWER COMPANY, MISSISSIPPI POWER COMPANY
AND SOUTHERN COMPANY SERVICES, INC.

THIS AMENDMENT made and entered into effective December 6, 1983 by and between GULF STATES UTILITIES COMPANY ("GSU") and ALABAMA POWER COMPANY, GEORGIA POWER COMPANY, GULF POWER COMPANY and MISSISSIPPI POWER COMPANY ("Southern Companies") and SOUTHERN COMPANY SERVICES, INC. ("SCS"), being Amendment No. 2 to the Unit Power Sales Agreement between GSU, Southern Companies and SCS, dated February 25, 1982, as amended by Amendment No. 1 dated May 12, 1982 (the "Agreement").

W I T N E S S E T H:

WHEREAS, GSU, Southern Companies and SCS entered into the Agreement pursuant to which Southern Companies undertook to sell to GSU and GSU undertook to purchase from Southern Companies capacity and energy from units as specified in the Agreement; and

WHEREAS, the parties, in order to achieve a complete settlement of the proceeding in Southern Company Services,

Inc., FERC Docket No. ER82-579-000, have agreed to amend the Agreement to reflect certain changes in the Agreement.

NOW, THEREFORE, in consideration of the premises and the covenants and agreements hereafter contained the parties hereto agree to amend the Agreement as follows:

1. The Agreement is hereby amended by deleting Section 2.2 (but retaining subsections 2.2.1 through 2.2.5) and substituting therefor the following Section 2.2:

2.2 Capacity to be Purchased and Sold: Subject to adjustments as provided in this Article II, APC, GaPC, GuPC and MPC hereby agree to sell and GSU hereby agrees that it will purchase capacity entitlement from the units specified in 2.1 above, in the amounts and in the contract periods set forth in the following schedule:

<u>Contract Period</u>	<u>Capacity (Megawatts)</u>
January 1, 1985 - December 31, 1985	400
January 1, 1986 - December 31, 1986	500
January 1, 1987 - December 31, 1987	600
January 1, 1988 - December 31, 1988	700
January 1, 1989 - December 31, 1989	700
January 1, 1990 - December 31, 1990	700
January 1, 1991 - December 31, 1991	700
January 1, 1992 - May 31, 1992	700

The parties recognize that long-range plans and forecasts which provide the basis for such sales and purchases of capacity are affected by many factors. Therefore:

2. The Agreement is further amended by adding the following Section 2.2.4:

2.2.4 Recognizing that the parties have amended Section 2.2 of the Agreement to reduce the unit power capacity to be sold by Southern Companies and purchased by GSU below that amount which was contained in the Agreement, and have further provided, in substitution, for the reduction in unit power capacity, for the sale by

Southern Companies and the purchase by GSU of less expensive capacity and energy under Schedule E (executed contemporaneously herewith) to the Interchange Contract dated February 25, 1982, the parties agree that the amount of unit power capacity to be purchased under Section 2.2 in each contract period by GSU is subject to being increased (but in no event decreased) beginning January 1, 1987 and every January 1 thereafter until and including the last contract period January 1, 1992 to May 31, 1992 should there be changes in circumstances as described below. Determination of the increases in sales and purchases of unit power capacity and corresponding decreases in sales and purchases of capacity and energy under Schedule E to the Interchange Contract during the contract periods beginning January 1, 1987 shall be based upon the following methodology:

(a) On or before December 10, 1986 and each December 10 thereafter during the term of this Agreement, GSU and SCS on behalf of Southern Companies will determine the avoided cost of oil and gas-fired energy to GSU ("avoided cost to GSU") during the immediately preceding 11 month period. The avoided cost to GSU shall be determined jointly by the parties by use of a mutually acceptable production cost simulation utilizing appropriate input data. The avoided cost to GSU shall be the cost that would have been incurred by GSU if it had replaced all purchases from Southern Companies under Section 2.2 and Schedule E up to 1,000 MW with its owned oil and gas-fired generation. The avoided cost to GSU for the 11 month period shall be expressed in dollars per megawatt hour.

(b) On or before December 17, 1986 and each December 17 thereafter during the term of this agreement, SCS will compare the avoided cost to GSU to the composite average cost of purchases from Southern Companies under Section 2.2 and Schedule E during the same 11 month period to determine whether the unit power capacity will be increased (but in no event decreased) during the next succeeding contract period. The composite average cost of purchases shall be computed by the following formula:

COMPOSITE AVERAGE COST =

$$\frac{\text{FPUPS} + \text{FPSchE (expressed in dollars)}}{(8016 \times 0.9 \times \text{UPSCAP}) + (8016 \times \text{SchECAP} - \text{SchECR})}$$

Plus

$$\frac{\text{EPUPS} + \text{EPSchE (expressed in dollars)}}{\text{EUPS} + \text{ESchE}}$$

Where:

- FPUPS = Capacity charge paid by GSU to Southern Companies for unit power capacity under Section 6.2 of this Agreement during each of the preceding 11 months.
- FPSchE = Capacity charge paid by GSU to Southern Companies for Long Term capacity under Section E4.1.1 of Schedule E to the Interchange Contract during each of the preceding 11 months.
- UPSCAP = Amount of unit power capacity purchased by GSU under this agreement during the preceding 11 months expressed in MW.
- SchECAP = Amount of Long Term capacity purchased by GSU during the preceding 11 months under Schedule E to the Interchange Contract expressed in MW.
- SchECR = Any reduction in the amount of Long Term capacity and energy sales during the preceding 11 months under the provisions of Sections E3.4 or E3.5 of Schedule E to the Interchange Contract expressed in MWH.
- EPUPS = Energy charges by Southern Companies to GSU under Sections 6.3, 6.4, 6.5, 6.6 and 6.7 of this agreement for the preceding 11 months.
- EPSchE = Energy charges by Southern Companies to GSU under Section E4.1.2 of Schedule E to the Interchange Contract for the preceding 11 months.
- EUPS = Energy delivered by Southern Companies to GSU under the provisions of this agreement during the preceding 11 months expressed in MWH.
- ESchE = Energy delivered by Southern Companies to GSU

under the provisions of Schedule E to the Interchange Contract for the preceding 11 months expressed in MWH.

(c) In the event the avoided cost to GSU exceeds the composite average cost of purchases during the preceding 11 month period, Southern Companies shall calculate the amount of additional unit power capacity that could have been purchased by GSU in substitution for Schedule E capacity during the preceding 11 month period such that the recomputed composite average cost of purchases of capacity and energy would equal the composite average cost of purchases of capacity and energy plus one-half (1/2) the difference between the avoided cost to GSU and the composite average cost of purchases of capacity and energy. The amount of additional unit power capacity so determined will be rounded to the nearest one (1) MW increment. The recomputed amount shall take into account the difference in energy charges GSU would have experienced had additional unit power capacity been purchased during such preceding 11 month period in substitution for Schedule E capacity.

(d) Based on the foregoing calculation, Southern Companies shall have the right to increase the amount of unit power capacity sold by the amounts so calculated in paragraph (c) to GSU during the next contract period, up to a maximum of 1,000MW with a corresponding reduction in the amount of Schedule E capacity sales. If there is a scheduled increase in the amount of unit power capacity to be sold in the next contract period under the provisions of Section 2.2, the increase in capacity sale resulting from the calculation under this provision shall be reduced by that amount. In no event will the unit power sales to be made in the next contract period be less than that amount specified in Section 2.2 hereof or less than the amount of capacity of unit power sales made during the then current contract period whichever is greater.

3. The Agreement is further amended by adding the following Section 2.2.5:

2.2.5 The amount of capacity to be purchased and sold, as specified in the schedule contained

in Section 2.2 hereof, is subject to being reduced at the option of GSU in the event and to the extent that additional sales of unit power capacity are contracted by Southern Companies with other utilities or third parties located in the States of Louisiana and Texas. Since Southern Companies have existing interconnections with certain subsidiaries of Middle South Utilities, Inc., none of the subsidiaries of Middle South Utilities, Inc. shall be considered as a utility or third party located in the states of Louisiana and Texas for purposes of this section. If Southern Companies contract with such a utility or third party for a sale of additional unit power capacity, the sale specified in Section 2.2 hereof can be reduced in a like amount (at GSU's option) in the first full month the additional unit power capacity sale is in effect. Further GSU shall have the right to attempt to find a third party who will assume all or a portion of its obligation under this Agreement, provided that no assumption of responsibility by any third party shall relieve GSU of its obligations hereunder unless Southern Companies consent to relieve GSU of such responsibility based on the ability of the third party to provide equal security of performance. Such consent shall not be unreasonably withheld.

4. Amend Sections 5.3 and 5.4 of the Agreement by adding to both such sections the following sentence:

GSU and Southern Companies agree that neither party will seek a change which would be effective before December 31, 1985 under Section 206 in the case of GSU or Section 205 in the case of Southern Companies or otherwise, in the provisions of the formulary capacity and energy rates contained in this Agreement, the Unit Power Sale Manual and Unit Power Sale Informational Schedule. This provision shall not limit the right of either party to object to and contest in any appropriate proceeding the accuracy of any calculation or data or the proper interpretation of any provision the meaning of which is disputed in good faith by the parties.

5. Amend Section 6.0 of Exhibit B - Amendment No. 1 to the Unit Power Sale Periodic Rate Computation Procedure

Manual of Southern Companies constituting an Addendum to the Unit Power Sales Agreement to (i) delete the term "seventeen percent (17.0%)" and substituting therefor the term "sixteen percent (16.0%)" and (ii) delete the last sentence of such Section 6.0 and substitute therefor the following sentence:

Any such revisions shall be made in accordance with the provisions of Sections 5.3 and 5.4 of the Agreement.

6. Exhibit A - Amendment No. 1 to the Agreement is hereby stricken in its entirety and Exhibit A - Amendment No. 2, which is attached hereto and made a part hereof, is hereby substituted therefor. All references in the Agreement to Exhibit A shall hereafter be construed to refer to Exhibit A - Amendment No. 2.

7. All other terms and conditions of the Agreement shall remain in full force and effect.

[The next page to this Amendment No. 2
is the signature page, page 8]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 2 to the Unit Power Sales Agreement to be executed by their duly authorized officers effective as of the date first set forth above.

ATTEST:

R. E. Ely
Assistant Secretary

GULF STATES UTILITIES COMPANY

By J. E. Bondurant
J. E. Bondurant, Executive Vice President
Date: December 5, 1983

ATTEST:

[Signature]
Asst. Secretary

SOUTHERN COMPANY SERVICES, INC.

By R. O. Usry
R. O. Usry
Vice President
Date: 12/6/83

ATTEST:

Torothy D. Essig
Asst. Secretary

ALABAMA POWER COMPANY

By R. E. Huffman
R. E. Huffman
Vice President
Date: December 6, 1983

ATTEST:

[Signature]
Asst. Secretary

GEORGIA POWER COMPANY

By A. W. Dahlberg
A. W. Dahlberg
Vice President
Date: 12/6/83

ATTEST:

[Signature]
Secretary

GULF POWER COMPANY

By Earl B. Parsons Jr.
E. B. Parsons, Jr.
Vice President
Date: 12/6/83

ATTEST:

[Signature]
Asst. Secy

MISSISSIPPI POWER COMPANY

By H. H. Bell, Jr.
H. H. Bell, Jr.
Vice President
Date: 12-6-83

**ALLOCATION OF EXPECTED CAPACITY
FOR UNIT POWER SALES TO GSU**

EXHIBIT A
Amendment No. 2

		(MW)																				
		ALABAMA POWER COMPANY (APC)					GEORGIA POWER COMPANY (GaPC)					GULF POWER COMPANY (GuPC)				MISSISSIPPI POWER COMPANY (MPC)			TOTAL			
YEAR	PERIOD	X-----X					X-----X					X-----X				X-----X			SALES			
		MIL (1) 1	MIL (1) 2	MIL (1) 3	MIL (1) 4	ALA (1) TOT	SCH1 (1) 0.4	SCH1 (1) BB	SCH2 (1) 0.4	SCH2 (1) BB	SCH3 (1) 75.	SCH4 (1) 75.	GPC TOT	DAN1 (1) 50.	DAN2 (1) 50.	(182) 25.	(182) 25.	GULF TOT		DAN1 (1) 50.	DAN2 (1) 50.	MISS TOT
1984	JAN																					0
	FEB-MAY																					0
	JUN-DEC																					0
1985	JAN-APR	106				106	11	82	11	105			209	35	34			69	8	8	14	400
	MAY	106				106	11	82	11	105			209	35	34			69	8	8	14	400
	JUN-DEC	83	89			172	9	42	9	81			161	27	27			54	7	6	13	400
1986	JAN-MAY	82	111			193	11	73	11	97			192	43	42			85	15	15	30	500
	JUN-DEC	98	111			209	11	65	11	89			176	43	42			85	15	15	30	500
1987	JAN	78	114			192	12	62	12	88	103	277	44	43	35		122			9	9	600
	FEB-MAY	78	114			192	12	62	12	88	103	277	44	43	35		122			9	9	600
	JUN-DEC	103	114			217	12	54	12	79	104	261	40	38	35		113			9	9	600
1988	JAN-MAY	115	137			252	14	60	14	89	125	302	48	46	42		136			10	10	700
	JUN-DEC	123	137			260	14	50	14	80	125	283	53	52	42		147			10	10	700
1989	JAN	133	137			270	14	45	14	75	125	273	53	52	42		147			10	10	700
	FEB-APR	82	137			219	14	45	14	74	125	397			42	42	84					700
	MAY		82	137		219	14	45	14	74	125	397			42	42	84					700
	JUN-DEC		102	137		239	14	35	14	64	125	377			42	42	84					700
1990	JAN-MAY		112	137		249	14	29	14	60	125	367			42	42	84					700
	JUN-DEC		131	137		268	14	20	14	50	125	348			42	42	84					700
1991	JAN-APR	4	137	137		278	14	15	14	45	125	338			42	42	84					700
	MAY		4	137	137	278	14	15	14	45	125	338			42	42	84					700
	JUN-DEC		25	137	137	299	14	4	14	35	125	317			42	42	84					700
1992	JAN-MAY		35	137	137	309	14		14	29	125	307			42	42	84					700
	JUN-DEC																					0
1993	JAN-MAY																					0
	JUN-DEC																					0
1994	JAN-MAY																					0
	JUN-DEC																					0
1995	JAN-MAY																					0
	JUN-DEC																					0

Notes: (1) Mil 1 - Miller 1, Actual Commercial Operation 10-12-78, "Expected Capacity": 666MW
 Mil 2 - Miller 2, Expected Commercial Operation 5-1-85, "Expected Capacity": 666MW
 Mil 3 - Miller 3, Expected Commercial Operation 5-1-89, "Expected Capacity": 666MW
 Mil 4 - Miller 4, Expected Commercial Operation 5-1-91, "Expected Capacity": 666MW
 SCH 1 - Scherer 1, Actual Commercial Operation 3-19-82, "Expected Capacity": 808MW
 SCH1 BB - Buy-Back
 SCH2 - Scherer 2, Expected Commercial Operation 2-1-84, "Expected Capacity": 808MW
 SCH2 BB - Buy-Back
 SCH3 - Scherer 3, Expected Commercial Operation 1-1-87, "Expected Capacity": 808MW
 SCH4 - Scherer 4, Expected Commercial Operation 2-1-89, "Expected Capacity": 808MW
 Dan1 - Daniel 1, Actual Commercial Operation 9-6-77, "Expected Capacity": 512MW
 Dan2 - Daniel 2, Actual Commercial Operation 6-1-81, "Expected Capacity": 506MW

(2) In the event Gulf Power Company does not purchase a 25% interest in Scherer 3 and 4, or in the event Gulf purchases a different percentage interest, the allocations of Scherer 3 and 4 between Georgia Power Company and Gulf Power Company shall be adjusted accordingly.

**ALLOCATION OF EXPECTED CAPACITY
FOR UNIT POWER SALES TO G&U**

EXHIBIT A
Amendment No. 2

		ALABAMA POWER COMPANY (APC)					GEORGIA POWER COMPANY (GAPC)					GULF POWER COMPANY (GUPC)					MISSISSIPPI POWER COMPANY (MPC)			TOTAL		
		X-----X					X-----X					X-----X					X-----X					
YEAR	PERIOD	MIL ⁽¹⁾ 1	MIL ⁽¹⁾ 2	MIL ⁽¹⁾ 3	MIL ⁽¹⁾ 4	ALA ⁽¹⁾ TOT	SCH ⁽¹⁾ 0.4	SCH ⁽¹⁾ BB	SCH ⁽¹⁾ 0.4	SCH ⁽¹⁾ BB	SCH ⁽¹⁾ 75	SCH ⁽¹⁾ 75	GPC TOT	DAN ⁽¹⁾ 50	DAN ⁽¹⁾ 50	SCH ⁽¹⁾ 25	SCH ⁽¹⁾ 25	GULF TOT	DAN ⁽¹⁾ 50	DAN ⁽¹⁾ 50	MISS TOT	SALES
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	JUN-DEC																				0	
1993	JAN-MAY																				0	
	JUN-DEC																				0	
1994	JAN-MAY																				0	
	JUN-DEC																				0	
1995	JAN-MAY																				0	
	JUN-DEC																				0	

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