

BALCH & BINGHAM

ATTORNEYS AND COUNSELORS

POST OFFICE BOX 306

BIRMINGHAM, ALABAMA 35201

(205) 251-8100

WRITER'S OFFICE

1710 SIXTH AVENUE NORTH
BIRMINGHAM, ALABAMA 35203

FACSIMILE (205) 226-8798

DIRECT DIAL TELEPHONE

(205) 226-3472

March 25, 1993

SUZANNE ASHE
MARK A. CROSSWHITE
ANDREW J. SINOR, JR.
LEONARD C. TILLMAN
DORMAN WALKER
ALEX B. LEATH III
CAVENDER C. KIMBLE
DANIEL M. WILSON
JULIA S. MCINTYRE
LOIS S. WOODWARD
KAREN K. HUNSICKER
DAVID B. CHAMPLIN
MICHAEL D. FREEMAN
PATRICIA A. HAMILTON
JAMES H. HANCOCK, JR.
ROBIN G. LAURIE
JESSE S. VOGTLE, JR.
DONALD R. JONES, JR.
CHRISTIE C. MORGAN
JOHN S. BOWMAN, JR.
GREGORY S. CURRAN
KELLY KING KELLEY
DANA L. THRASHER
JOHN D. BUCHANAN
GINA B. COX
VICTORIA FRANKLIN-SISSON
NANCY K. LADD
FELTON W. SMITH
GLENN G. WADDELL
JOHN M. WOOD
SUZANNE ALLDREDGE

LESLIE M. ALLEN
JAMES E. BRIDGES III
DEBRA R. CARTER
GREGORY C. COOK
MARCEL L. DEBRUGE
DAVID L. DENSON
LYLE D. LARSON
COLIN H. LUKE
PHILLIP A. NICHOLS
EDWINA C. ROGERS**
R. BRUCE BARZE, JR.
DAVID B. BLOCK
MATTHEW W. BOWDEN
COURTNEY L. DODGE
CINDY A. HOLLAND
LARRY S. LOGSDON
RANDALL D. McCLANAHAN
C. GRADY MOORE III
LISA J. SHARP
TERRI ELENA WILSON

COUNSEL

JOSEPH M. FARLEY
EDWARD M. ROGERS, JR.

SCHUYLER A. BAKER
(1915-1990)

* ADMITTED TO PRACTICE
IN D.C. ONLY

** ADMITTED TO PRACTICE IN
PENNSYLVANIA AND D.C. ONLY

S. EASON BALCH
JOHN BINGHAM
M. POLAND NACHMAN, JR.
FRANK H. HAWTHORNE
HAROLD WILLIAMS
MAURY D. SMITH
WILLIAM J. WARD
HAROLD A. BOWRON, JR.
CAREY J. CHITWOOD
A. KEY FOSTER, JR.
JOHN S. BOWMAN
THOMAS W. THAGARD, JR.
CHARLES M. CROOK
STERLING G. CULPEPPER, JR.
JOHN DAVID SNODGRASS
EDWARD S. ALLEN
WARREN H. GOODWYN
ROBERT A. BUETTNER
JAMES O. SPENCER, JR.
C. HAMPTON BOLES
WILLIAM GLADDEN
MICHAEL L. EDWARDS
MARSHALL TIMBERLAKE
WALTER M. BEALE, JR.
RODNEY O. MUNDY
JAMES F. HUGHEY, JR.
S. EASON BALCH, JR.
JOHN P. SCOTT, JR.
S. ALLEN BAKER, JR.
J. FOSTER CLARK
STANLEY M. BROCK

RANDOLPH H. LANIER
DAVID R. BOYD
JOHN RICHARD CARRIGAN
WILLIAM E. SHANKS, JR.
T. DWIGHT SLOAN
S. REVELLE GWYN
JAMES H. MILLER III
WILLIAM H. SATTERFIELD
STEVEN G. MCKINNEY
STEVEN F. CASEY
MALCOLM N. CARMICHAEL
MARK J. RIEDY
RICHARD L. PEARSON
JAMES A. BRADFORD
DAN H. MCCRARY
WILLIAM P. COBB, II
ALAN T. ROGERS
JAMES A. BYRAM, JR.
WILLIAM S. WRIGHT
SUSAN B. BEVILL
JOHN J. COLEMAN, III
JOHN F. MANDT
M. STANFORD BLANTON
T. KURT MILLER
J. THOMAS FRANCIS, JR.
TIMOTHY J. TRACY
CLARK R. HAMMOND
VIRGINIA S. BOLIEK
W. JOSEPH MCCORKLE, JR.
KARL R. MOOR
WILL HILL TANKERSLEY, JR.

BY HAND DELIVERY

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 Jacksonville Electric Authority 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 February 19, 1993 ("Letter Agreement") revising the Unit Power Sales Agreement dated August 17, 1988 among Jacksonville Electric Authority ("JEA") and Southern Companies, as amended ("UPS Agreement"). As required by the Commission's Regulations, six (6) copies of this transmittal letter, the Letter Agreement, and other documents are being submitted.

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 JEA during the period June 1, 1993 through May 31, 2010. The UPS Agreement (SCS Rate Schedule No. 68) was accepted by Commission order issued January 31, 1989 in Docket No. ER88-595-000. Southern Company Services, Inc., 46 FERC ¶ 61,203 (1989).

BALCH & BINGHAM

Ms. Lois D. Cashell
March 25, 1993
Page 2

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. As originally filed, that section provided that the initial return on common equity in the UPS Agreement would be the same return incorporated in a UPS Agreement dated May 19, 1982 among JEA and Southern Companies ("1982 UPS Agreement"), which return is currently set at 13.75%. The section also established a procedure whereby the parties would meet in the months prior to the commencement of sales in 1993 to determine whether the return incorporated in the 1982 UPS Agreement 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 have appealed that order to the Court of Appeals for the District of Columbia Circuit, contending that the investigation was improperly instituted and thus invalid. Alabama Power Co. v. Federal Energy Regulatory Comm'n, Case No. 91-1595 (D.C. Cir.) (pending). 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 1982 UPS Agreement and 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 pending proceedings, the parties have agreed to amend and restate Section 5.5. 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 June 1, 1993. 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

BALCH & BINGHAM

Ms. Lois D. Cashell
March 25, 1993
Page 3

June 1, 1993 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 June 1, 1993 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 JEA 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.

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. 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,

BALCH & BINGHAM

Ms. Lois D. Cashell
March 25, 1993
Page 4

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 JEA's agreement, is expected to be uncontested. For these reasons, the revisions should be allowed to become effective immediately.

List of Documents Submitted with this Filing:

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

(a) Letter Agreement dated February 19, 1993 revising the Unit Power Sales Agreement dated August 17, 1988 among JEA 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.

All requisite agreements to the revisions to the 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

BALCH & BINGHAM

Ms. Lois D. Cashell
March 25, 1993
Page 5

at the earliest possible date so that such information can be supplied expeditiously.

Sincerely,



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

cc: (w/encl)

Mr. Royce Lyles
Jacksonville Electric Authority
21 West Church Street
Jacksonville, Florida 32202

Southern Company Services
Post Office Box 2625
Birmingham, Alabama 35202
Telephone (205) 870-6462

William K. Newman
Vice President
Operating and Planning Services

the southern electric system

February 19, 1993

Mr. Royce Lyles
Jacksonville Electric Authority
21 West Church Street
Jacksonville, Florida 32202

RE: Unit Power Sales Agreement dated August 17, 1988 between
Jacksonville Electric Authority and Southern Companies
("UPS Agreement")

Dear Mr. Lyles:

Recently we met with representatives of Jacksonville Electric Authority ("JEA") 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 June 1, 1993. 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 have appealed that order to the Court of Appeals for the District of Columbia Circuit, contending that the investigation was improperly instituted and thus invalid. Alabama Power Co. v. FERC, Case No. 91-1595 (pending). The investigation was pursued before an administrative law judge of the FERC and, on August 24, 1992, he 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, the parties 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:

Mr. Royce Lyles
February 19, 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 June 1, 1993 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 June 1, 1993 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 June 1, 1993 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 JEA 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

Mr. Royce Lyles
February 19, 1993
Page 3

this UPS Agreement, Southern Companies will make an 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 JEA. 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 JEA, charges attributable to the return on common equity shall be subject to refund from the filing date of any pleading requesting such proceeding.

Mr. Royce Lyles
February 19, 1993
Page 4

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

Sincerely,

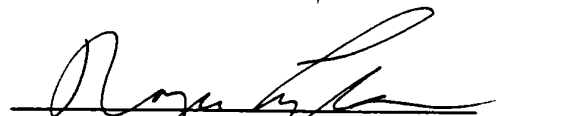


W.K. Newman
Vice President

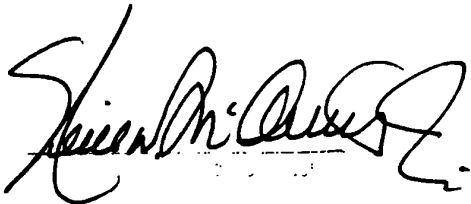
Southern Company Services, Inc.

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

Accepted by:



Royce Lyles
Managing Director
Jacksonville Electric Authority



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 February 19, 1993 revising the Unit Power Sales Agreement between Jacksonville Electric Authority and Southern Companies dated August 17, 1988, as amended.

SOUTHERN COMPANY SERVICES, INC.

By W.K. Newman
W.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: 3/24/93

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Southern Company Services, Inc.

Docket No. _____

NOTICE OF FILING

Take notice that on _____, Southern Company Services, Inc., acting as agent for Alabama Power Company, Georgia Power Company, Gulf Power Company, Mississippi Power Company, and Savannah Electric and Power Company, submitted for filing a letter agreement dated February 19, 1993 revising the Unit Power Sales Agreement dated August 17, 1988 among Jacksonville Electric Authority 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 June 1, 1993.

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 and protests should be filed on or before _____. Protests will be considered by the Commission in determining 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 application are on file with the Commission and are available for public inspection.

Lois D. Cashell
Secretary