

Steel Hector & Davis
Tallahassee, Florida

**ORIGINAL
FILE COPY**

December 11, 1990

Mr. Steve Tribble, Director
Division of Records and Reporting
Florida Public Service Commission
101 East Gaines Street
Tallahassee, FL 32399

RE: DOCKET NO. 900796-EI

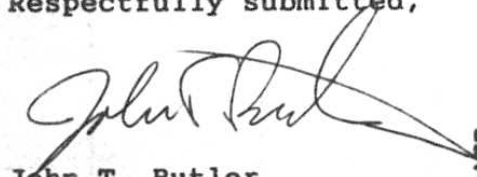
Dear Mr. Tribble:

Enclosed for filing please find the original and fifteen (15) copies of an Agreement Letter dated December 10, 1990, between Georgia Power Company, Southern Companies, Florida Power & Light Company and Jacksonville Electric Authority.

This Agreement Letter is a supplement to the Letter of Intent, dated July 30, 1990, regarding Florida Power & Light Company's and Jacksonville Electric Authority's proposed purchase of undivided ownership interests in Unit 4 of Plant Scherer, and transmission of the energy associated with Florida Power & Light Company's and Jacksonville Electric Authority's proposed ownership interest in Unit 4 of Plant Scherer to their respective interconnecting points with Southern Companies.

- ACK
- AFA
- APP _____
- CAF _____
- CMU _____
- CTR _____
- EGG
- LES JTB/eg
- LIN 6
- CPC _____
- RSH _____
- SEC
- WAS _____
- OTH _____

Respectfully submitted,



John T. Butler

cc: All Parties of Record

RECEIVED & FILED

FPSC BUREAU OF RECORDS

Tallahassee Office
215 South Monroe
Suite 601
Tallahassee, FL 32301-1804
(904) 222-2300
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4000 Southeast Financial Center
Miami, FL 33131-2398
(305) 577-2800
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1200 Northbridge Centre 1
West Palm Beach, FL 33401-4307
(407) 650-7200
Fax: (407) 656-1509

440 Royal Palm Way
Palm Beach, FL 33480
(407) 650-7200

DOCUMENT NUMBER-DATE

10950 DEC 11 1990

FPSC-RECORDS/REPORTING

CERTIFICATE OF SERVICE

DOCKET NO. 900796-EI

I HEREBY CERTIFY that a true and correct copy of Florida Power & Light Company's Supplement to Letter of Intent has been hand delivered or served by U. S. Mail this 11th day of December, 1990 on the following:

Edward A. Tellechea, Esq.
Legal Division
Florida Public Service Commission
101 East Gaines Street
Tallahassee, FL 32399

Jack Shreve, Esq.
Office Of Public Counsel
111 West Madison
Suite 801
Tallahassee, FL 32399

Frederick M. Bryant, Esq.
Moore, Williams, Bryant, Peebles
& Gautier, P.A.
P. O. Box 1169
Tallahassee, FL 32302

Frederick J. Murrell, Esq.
1001 3rd Avenue West, Suite 375
Bradenton, FL 34205

Joseph A. McGlothlin, Esq.
Vicki Gordon Kaufman, Esq.
522 East Park Ave.
Suite 200
Tallahassee, Florida 32301

Robert C. Williams
Director of Engineering
7201 Lake Ellenor Drive
Orlando, FL 32809

H. G. Wells
Director, CLG
P. O. Box 4748
Clearwater, FL 34618-4748



JOHN T. BUTLER



December 10, 1990

Georgia Power Company
Post Office Box 4545
Atlanta, GA 30302

Attention: Mr. P. D. Williams

Alabama Power Company, Georgia Power Company,
Gulf Power Company, Mississippi Power Company
and Savannah Electric and Power Company ("Southern
Companies")
c/o Southern Company Services, Inc.
Post Office Box 2625
Birmingham, AL 35202

Attention: Mr. R. O. Usry

Jacksonville Electric Authority
21 West Church Street
Jacksonville, FL 32202-3139

Attention: Mr. Royce Lyles

Re: Supplement to Letter of Intent, dated July 30, 1990,
regarding (1) Florida Power & Light Company's ("FPL")
and Jacksonville Electric Authority's ("JEA") proposed
purchases of undivided ownership interests in Unit 4 of
Plant Scherer, and (2) transmission of the energy
associated with FPL's and JEA's proposed ownership
interests in Unit 4 of Plant Scherer to their
respective interconnecting points with Southern
Companies

Gentlemen:

On July 30, 1990, Georgia Power Company ("GPC"),
Southern Companies, FPL and JEA executed a Letter of Intent
concerning the purchases and sales of specified ownership
interests in Unit 4 of Plant Scherer, which Letter of Intent was
supplemented by a letter dated September 13, 1990. This letter,
when fully executed in the spaces below, shall evidence
additional understandings and intentions of the parties, subject
to paragraph 21 of the Letter of Intent:

SOUTHERN CO. SEC. 10 10/10/10 10/10/10 10/10/10 TEL NO: 1615 333730 #080 P04

1. The parties affirm all of the provisions of the Letter of Intent and specifically affirm the understandings reached regarding the purchase price, ownership percentages and closing dates specified in paragraphs 2 and 3 thereof (i.e., FPL's aggregate purchase prices of \$615,504,000 and JEA's aggregate purchase prices of \$194,250,000). The purchase price will not change except as contemplated in paragraph 2 of the Letter of Intent (i.e., credit for depreciation), as contemplated by paragraph 2 of this letter or with respect to capital addition expenditures prior to each closing. Additionally, the parties specifically affirm the understandings reached in paragraph 10 of the Letter of Intent regarding replacement capacity and agree that based upon estimates of capacity charges provided to FPL by the Southern Companies, the capacity charges for replacement capacity to be purchased from the Southern Companies under the 1982 UPS Agreement are estimated to be at an aggregate cost less than that charged for UPS Sales with Scherer Unit 4 in the UPS mix.

2. GPC agrees that at each closing there shall be sufficient quantities of coal in the Plant Scherer stockpile (which are allocable to the undivided ownership interests of Unit 4 which GPC shall transfer at such closing to FPL or JEA, respectively) to operate FPL's and JEA's respective ownership interest of Unit 4 at name-plate capacity, 24 hours per day, for at least 45 consecutive days, plus or minus 3 days, i.e., a range of 42-48 days (the "Expected Coal Inventory"). In the event the coal in the stockpile is either (i) less than the Expected Coal Inventory, or (ii) greater than the Expected Coal Inventory, there shall be an adjustment at such closing.

3. The parties hereto agree that under the "pay for performance" concept provided for in the Letter of Intent, GPC shall, as agent, be compensated on the basis of performance relative to the equivalent availability of Unit 4. During the period between the first closing and the second closing, GPC shall receive a flat fee equal to \$44,325 per month. Commencing upon the second closing, a target equivalent availability factor of 84% shall be selected as the "pivot point" for which GPC shall be paid an amount equal to \$1,500,000 per year. For each 1% increase in the availability factor in excess of 84% up to and including 92%, GPC shall earn an additional \$400,000 per year (i.e., maximum performance fee achievable is \$4,700,000). For each 1% decrease in the availability factor under 84% down to and including 74%, the amount GPC shall earn will decrease by \$150,000 (i.e., any availability factor under 74% will result in no performance fee being payable to GPC). All amounts cited are in 1991 Dollars and will be adjusted by a price index. Additionally, all amounts cited in the third, fourth and fifth sentences above, shall be adjusted to reflect the respective ownership interests of FPL and JEA in Unit 4.

SCOUTHERN CO. ENERGY

The "pivot point" will be subject to periodic adjustment based upon the performance of other facilities in a designated peer group. The entire performance compensation shall also be subject to certain re-openers.

4. The parties agree that in the event GPC fails to perform its duties as agent for FPL and JEA in accordance with prudent utility practice, or is guilty of willful misconduct or intentional tort or breach of contract, GPC shall have financial liability to FPL and JEA subject to appropriate limits and may be subject to removal.

5. The parties agree that until June 1, 1995, Southern Companies shall use best reasonable efforts to offer to sell energy necessary for both FPL and JEA to achieve the equivalent of a 90% availability factor relative to their respective ownership interests in Unit 4. This supplemental energy will be priced at the average of Southern Companies' incremental energy cost and FPL's or JEA's respective decremental energy cost, but in no event less than Southern Companies' incremental energy cost. Further, during the transition period before FPL and JEA become full owners of Unit 4 (but in no event beyond May 31, 1995), Southern Companies will have the right to commit and schedule Unit 4 and will supply alternate energy to FPL and JEA when the unit is available for operation but not supplying energy sufficient to meet FPL's and JEA's schedule from their respective ownership interest. This alternate energy will be supplied at the lesser of (i) the "base cost" of energy from Unit 4, or (ii) "split-the-savings" between the "base cost" of energy from Unit 4, and Southern Companies' incremental energy cost. Additionally, when Unit 4 is operating at minimum, only FPL's and JEA's respective pro rata share of the minimum will be supplied to FPL and JEA from Unit 4.

6. The parties agree that the cost to provide transmission service to transmit energy associated with FPL's and JEA's ownership interests in Unit 4 to the interconnections with FPL and JEA shall be determined from a formula rate estimated to equal a charge of \$1.64/kw-month for the year 1991. To the extent FPL and JEA are allocated demonstrable and real increases in the Florida-Southern firm, base import capability (above the present 3200MW base import capability), FPL and JEA shall each receive (or as may otherwise be agreed to between FPL and JEA) a credit estimated to be \$.32/kw-month for each kw so allocated, provided, that such kw shall not exceed the kw contract demand associated with the then current transmission service for Unit 4.

7. Southern Companies will continue to utilize best reasonable efforts to negotiate with electric utilities in peninsular Florida for the construction of additional transmission facilities so as to increase the Southern-Florida

interface. Southern Companies' obligations to construct such facilities and FPL's obligation to pay the costs of such facilities shall be subject to the terms of any definitive agreements to be entered into by the necessary parties.

Except as modified or supplemented hereby, all terms and provisions of the letter of intent, as previously supplemented, shall remain unchanged, including, but not limited to, those stated in paragraph 18 of the letter of intent.

If the foregoing correctly reflects our mutual understanding, please execute and return to the undersigned the enclosed copy of this letter. This letter may be accepted by the parties in separate counterparts.

Very truly yours,

FLORIDA POWER & LIGHT COMPANY

By: *C. DeBoly*
Executive Vice President

Date: December 12, 1990

AGREED TO:

GEORGIA POWER COMPANY

By: _____

Date: December __, 1990

SOUTHERN COMPANY SERVICES, INC.,
as agent for the Southern Companies

By: *A. D. Urey*

Date: December 12, 1990

JACKSONVILLE ELECTRIC AUTHORITY

By: _____
Managing Director

Date: December __, 1990

JWP/820

interface. Southern Companies' obligations to construct such facilities and FPL's obligation to pay the costs of such facilities shall be subject to the terms of any definitive agreements to be entered into by the necessary parties.

Except as modified or supplemented hereby, all terms and provisions of the Letter of Intent, as previously supplemented, shall remain unchanged, including, but not limited to, those stated in paragraph 15 of the Letter of Intent.

If the foregoing correctly reflects our mutual understanding, please execute and return to the undersigned the enclosed copy of this letter. This letter may be accepted by the parties in separate counterparts.

Very truly yours,

FLORIDA POWER & LIGHT COMPANY

By: [Signature]
Executive Vice President

Date: December 12, 1990

AGREED TO:

GEORGIA POWER COMPANY

By: [Signature]

Date: December 10, 1990

SOUTHERN COMPANY SERVICES, INC.,
as agent for the Southern Companies

By: _____

Date: December __, 1990

JACKSONVILLE ELECTRIC AUTHORITY

By: [Signature]
for Managing Director

Date: December 16, 1990

JWP/020