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RECEIVED  
November 10, 1992  
Florida Public Service Commission

NOV 12 1992

E. DIXIE BEGGS

Retired

BERT H. LANE

1917-1981

ELECTRIC AND GAS

921167-EG

Mr. Steve Tribble, Director  
Division of Records and Reporting  
Florida Public Service Commission  
101 East Gaines Street  
Tallahassee, Florida 32399-0870

Re: Gulf Power Company's petition for approval of  
separately negotiated contract for the  
purchase of firm capacity & energy from  
Monsanto Company.

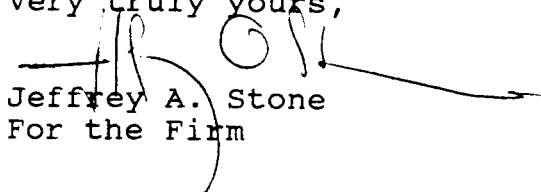
Dear Mr. Tribble:

The original and fifteen copies of Gulf Power Company's  
Petition for Approval of Separately Negotiated Contract are  
enclosed for official filing with the Commission. Exhibit A to the  
petition is a letter of agreement between Gulf and Monsanto  
regarding the proposed contract, a copy of which is attached to the  
letter. Exhibit A to the original copy of the enclosed petition  
contains the original signatures of representatives for both Gulf  
Power Company and Monsanto Company. If reasonably possible, the  
parties to the agreement would like to receive Commission review  
and approval by January 31, 1993.

Also enclosed is a double sided high density 3.5 inch  
floppy disk containing the document and the attached exhibit in  
WordPerfect 5.1 format as prepared on a MS-DOS based computer.

Please mark the extra copy of this letter enclosed herein  
with the date and time the material was accepted in your office for  
filing, and return same to the undersigned. Please include a  
notation of the docket number assigned. Thank you for your  
assistance in this matter.

Very truly yours,

  
Jeffrey A. Stone  
For the Firm

JAS/js  
Enclosures

DOCUMENT NUMBER-DATE  
13231 NOV 10 1992  
FDSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Gulf Power Company's petition )  
for approval of separately negotiated ) Docket No. 92\_\_\_\_\_ -EQ  
contract for the purchase of firm ) Filed: Nov. 10, 1992  
capacity & energy from Monsanto Company.)  
\_\_\_\_\_)

**GULF POWER COMPANY'S PETITION  
FOR APPROVAL OF SEPARATELY NEGOTIATED CONTRACT**

Gulf Power Company ("Gulf Power", "Gulf", or "the Company"), by and through its undersigned attorneys, and pursuant to Rules 25-17.0832(2) and 25-17.0832(8)(a) of the Florida Administrative Code, petitions the Florida Public Service Commission ("Commission") to enter an order approving Gulf's participation in a separately negotiated contract for the purchase of firm capacity and energy from Monsanto Company ("Monsanto") as prudent for cost recovery purposes. As part of this petition, Gulf further requests that the Commission's order authorize Gulf to recover the costs the Company will incur under the contract through the Commission's periodic review of fuel and purchased power costs. A copy of the October 23, 1992 letter of agreement between Gulf and Monsanto, including the proposed contract that is the subject of this petition, is attached as Exhibit A and is incorporated herein by reference.

In support of this Petition, the Company respectfully states as follows:

1. Pleadings, notices, orders or other documents with respect to this Petition and docket should be addressed to:

G. Edison Holland, Jr.  
Jeffrey A. Stone  
Beggs & Lane  
P. O. Box 12950  
Pensacola, FL 32576-2950

Jack L. Haskins  
Mgr. of Rates & Reg. Matters  
Gulf Power Company  
P. O. Box 13470  
Pensacola, FL 32591-3470

2. Gulf Power Company is an electric utility providing retail electric service to customers within northwest Florida and, pursuant to the provisions of Chapter 366 of the Florida Statutes, is subject to the regulatory jurisdiction of the Florida Public Service Commission. The Company's corporate offices are located at 500 Bayfront Parkway, Pensacola, Florida 32501. In 1991, Gulf Power Company had Net Income of 63 million dollars from Operating Revenues of approximately 566 million dollars. At year end, Gulf had almost 1,600 total employees across its entire system.

3. Monsanto, with corporate headquarters in St. Louis, Missouri, is engaged in the worldwide manufacture and sale of widely diversified lines of agricultural, chemical, pharmaceutical, and food products as well as industrial process control equipment. According to its 1991 Annual Report, Monsanto Company had net income of 296 million dollars from net sales of more than 8.8 billion dollars. Monsanto Company had more than 39,000 employees at the end of 1991. Monsanto Chemical Company, a worldwide manufacturing firm that is an operating unit of Monsanto, has approximately 2,100 employees in Pensacola alone. The 1991 net sales of Monsanto Chemical Company were more than 3.7 billion dollars.

4. Monsanto, through its Monsanto Chemical Company operating unit, owns and operates a plant in Escambia County, Florida near Pensacola ("Pensacola Plant") where it produces various products, including chemicals and manufactured fiber. The Pensacola Plant was first established in 1953. Monsanto has had

three steam turbine cogeneration units with a combined electric generating capacity of 16 megawatts on site at the Pensacola Plant since the mid 1950s. In addition to having its own generation on site, Monsanto has historically relied upon Gulf Power to supply the vast majority of the Pensacola Plant's electrical requirements.

5. Monsanto, having obtained the approval of its board of directors, has announced plans to install a fourth generating unit at the Pensacola Plant. This new cogeneration unit, a combustion turbine and waste heat recovery unit with a nominal electric generating capacity of 86 megawatts, is scheduled to begin commercial operation mid August 1993. Monsanto has notified Gulf that, once the fourth unit is in operation, Monsanto will begin relying upon its own generation to supply virtually all of its electrical requirements at the Pensacola Plant. As a result, Monsanto will, at that time, discontinue receiving electric service from Gulf Power under the Company's PXT rate schedule. Monsanto will then require only standby electric service from Gulf under the Company's SS rate schedule, and has requested that Gulf provide 48 megawatts of standby service capacity. Monsanto will not require supplementary electric service from Gulf Power and therefore has not requested Gulf to provide any supplementary service capacity.

6. After completion of the fourth generating unit, Monsanto will have approximately 102 megawatts of cogeneration electric generating capacity on site at its Pensacola Plant. Monsanto will then be able to both serve its own electrical requirements at the plant and provide capacity and energy for sale

to Gulf Power. Monsanto expects all of its cogeneration facilities at the Pensacola Plant to meet the criteria to achieve qualifying facility status under the Commission's Rule 25-17.080(1).

7. Gulf's proposed purchase of 21 megawatts from Monsanto under the rates, terms and other conditions of the proposed contract is expected to contribute to the deferral of additional capacity construction by Gulf at a cost to the Company's general body of ratepayers that does not exceed Gulf's full avoided costs. Gulf's purchase of 21 megawatts from Monsanto under the proposed contract is premised upon the deferral of a combustion turbine generating unit Gulf would otherwise plan for construction in order to begin commercial operation in the summer of 1996. As a result of the proposed capacity purchase from Monsanto, Gulf is able to defer its next generating unit capacity addition from an initial in-service date of June 1996 to one of June 1997.

8. Gulf's previous standard offer was based on the deferral or avoidance of a combustion turbine Gulf had previously planned to construct in order to begin commercial operation in the summer of 1995. Prior to the expiration of the previous standard offer, based on changes in Gulf's load forecast occurring since the standard offer was established and approved by the Commission, Gulf canceled its plans to construct the 1995 combustion turbine. Since the expiration of Gulf's previous standard offer, the Company has filed its petition for approval of a new standard offer that is based on Gulf's planned construction of the combustion turbine now set for initial commercial operation in June 1997. Therefore,

consistent with the provisions of Rule 25-17.0832(2), the proposed contract with Monsanto is not being counted against the subscription limit for an avoided unit in any standard offer contract.

9. During at least the last three planning hearings held by the Commission, Gulf has consistently shown a need for additional peaking type capacity beginning in the mid 1990s. As presented in their annual Ten Year Site Plan filings, various need determination proceedings, and previous planning hearings, Florida's other electric utilities have also consistently shown a need for additional firm capacity and energy, both as individual utilities and from a statewide perspective.

10. The cumulative present worth of firm capacity and energy payments to be made to Monsanto under the proposed contract will not exceed the cumulative present worth of the value of a year-by-year deferral of the construction and operation of a 1996 combustion turbine generating capacity addition over the period that capacity payments are to be made during the term of the proposed contract (June 1996 to May 2005). The nominal value of monthly capacity payments to be made pursuant to the proposed contract is less than the nominal value of normal capacity payments for an equivalent amount of committed capacity during any year under the previous standard offer, which was based on the full avoided cost of a planned 1995 combustion turbine. Similarly, the nominal value of monthly capacity payments under the proposed contract is less than the nominal value of normal capacity payments

for an equivalent amount of committed capacity during any year under the proposed standard offer, which is based on the full avoided cost of a planned 1997 combustion turbine.

11. As previously noted in this petition, the Company's former plans for a 1995 combustion turbine have been canceled. As a result, the proposed purchase, because it calls for the delivery of capacity and commencement of capacity payments beginning June 1996, more closely matches the Company's projected need for additional capacity than the former standard offer. The capacity committed under the proposed contract, both as to timing and quantity, matches the Company's projected need for capacity in a manner that would allow Gulf to defer a 1996 combustion turbine generating capacity addition for one year, until June 1, 1997. As a result, the purchase of capacity and energy under the proposed contract is consistent with and supports the Company's proposed standard offer, which is based on plans to construct a 1997 combustion turbine as the Company's next avoidable unit.

12. The monthly capacity payments to be made to Monsanto under the proposed contract match the timing of the capacity need to be deferred as a result of the capacity purchase. In other words, there are no "early capacity" payments to be made under the proposed contract. As a result, the annual payments to be made under the proposed contract in any year are not projected to exceed that year's annual value to Gulf of deferring the construction and operation of a 1996 combustion turbine generating capacity addition. In the event Monsanto fails to deliver capacity and

energy according to the minimum availability requirements set forth in the proposed contract, the contract calls for it to refund all capacity payments received during that contract year with interest.

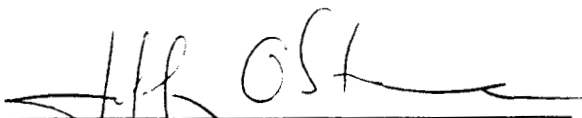
13. Pursuant to the proposed contract, Monsanto pledges \$420,000 as security that Monsanto's generating facilities will have the actual capability to deliver the committed capacity and energy to Gulf on June 1, 1996. As noted in the preceding paragraph, the proposed contract calls for the refund of any capacity payments received during a contract year in which Monsanto fails to deliver capacity in accordance with the terms and conditions of the contract. Therefore, given both Monsanto's financial resources, and the fact that it has more than 35 years of experience operating cogeneration facilities, the proposed contract's provisions concerning "completion" security and operating availability requirements are sufficient to reasonably protect Gulf's general body of ratepayers in the event Monsanto fails to deliver firm capacity and energy in the amount and times specified in the proposed contract.

14. The amount to be paid for all energy to be purchased under the proposed contract, in all hours, will be Gulf's system incremental fuel and variable operating and maintenance costs as determined on an hour by hour basis in conjunction with Gulf's participation in the Southern electric system's economic dispatch. Therefore, the amount to be paid for energy under the proposed contract will never exceed Gulf's full avoided cost for energy.



WHEREFORE, having demonstrated that the purchase of firm capacity and energy under the rates, terms and other conditions of the proposed contract is expected to contribute to the deferral of additional capacity construction by Gulf at a cost to the Company's general body of ratepayers that does not exceed Gulf's full avoided costs, Gulf Power Company respectfully requests the Florida Public Service Commission to enter an order approving Gulf's participation in the proposed contract as prudent for cost recovery purposes. Gulf further requests that the order authorize Gulf to recover the costs to be incurred by the Company under the contract through the Commission's periodic review of fuel and purchased power costs. Finally, in order to allow Gulf and Monsanto to fulfill their commitments to each other in this matter, Gulf requests that the Commission expedite consideration of this petition and the proposed contract. If reasonably possible for the Commission and its staff, Gulf and Monsanto would like to receive Commission approval of the proposed contract on or before January 31, 1993.

Respectfully submitted this 10th day of November, 1992.



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**G. EDISON HOLLAND, JR.**  
Florida Bar No. 261599  
**JEFFREY A. STONE**  
Florida Bar No. 325953  
**Beggs & Lane**  
P.O. Box 12950  
(700 Blount Building)  
Pensacola, FL 32576-2950  
(904) 432-2451  
**Attorneys for Gulf Power Co.**

John E. Hodges, Jr.  
Vice President - Customer Service  
and Division Operations

October 23, 1992

*the southern electric system*

Monsanto Company  
P. O. Box 12830  
Pensacola, Florida 32575-2830

Re: Contract for purchase/sale of firm capacity  
and energy

Gentlemen:

Representatives of Gulf Power Company ("Gulf") and Monsanto Company ("Monsanto") have reached agreement on the terms and conditions of a negotiated contract for the purchase/sale of firm capacity and energy (a copy of the final working draft of this agreement, dated 10/23/92, is attached to this letter and will be referred to herein as the "Contract"), subject to the approval of the Florida Public Service Commission ("FPSC") and the following five provisions:

1. The parties agree to execute and deliver the Contract promptly following FPSC approval.
2. Gulf agrees to use all reasonable efforts to secure the FPSC's approval of the Contract by January 31, 1993.
3. Monsanto agrees to provide reasonable support for Gulf's efforts to obtain FPSC approval as set forth above.
4. Monsanto agrees that a copy of this letter bearing the signature of Monsanto's authorized representative may be provided to the FPSC by Gulf as formal written notice that the Contract is a proposed negotiated substitute for Monsanto's May 15, 1992 tendered acceptance of Gulf's former standard offer.

5. Monsanto's execution of the Contract following FPSC approval will constitute the express formal withdrawal of Monsanto's previously tendered acceptance of Gulf's former standard offer. Gulf's agreement to execute the Contract is contingent upon Monsanto's express formal withdrawal of the previously tendered acceptance.

The terms of the Contract anticipate that Monsanto will deliver 21,000 kilowatts of firm capacity to Gulf during the period beginning June 1, 1996 and ending May 31, 2005. Subject to the performance and other requirements set forth in the Contract, Gulf will make monthly capacity payments of \$68,750 to Monsanto for the months beginning June, 1996 and continuing through May, 2005. The actual committed capacity may vary from the anticipated commitment by up to 10 percent, plus or minus, with the capacity payments to be adjusted accordingly. The Contract does not contemplate or provide for payment of "early" capacity payments, which in this case would be capacity payments prior to June 1, 1996.

On or after January 1, 1993, Monsanto will commence construction of a fourth generating unit which will be used in conjunction with three existing Monsanto generating units to provide Gulf with the capacity committed under the Contract. The combined capacity of all four Monsanto generating units will be sufficient to serve Monsanto's own requirements for electricity at the Pensacola chemical complex. Until the fourth unit begins commercial operation, Monsanto will continue to receive electric service from Gulf Power under Gulf's PXT rate schedule. After the fourth unit begins commercial service, Monsanto will become a firm standby service customer of Gulf Power. As a result, Monsanto agrees that it will sign a standard form of contract for standby electric power prior to the initial commercial operation of the fourth unit.

The fourth generating unit will give Monsanto the capability to deliver energy onto Gulf's system. As a result, Monsanto will be signing a new standard Interconnection Agreement. Monsanto has also requested that Gulf provide certain electrical facilities beyond those Gulf would ordinarily provide in order to supply Monsanto with standby service. As a result, Monsanto and Gulf have also entered into a separate written agreement addressing the monthly facility charges payable to Gulf for these additional facilities, said agreement being contingent

Monsanto Company  
Re: Capacity purchase/sale  
October 23, 1992  
Page 3

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on the parties' execution of the Contract following FPSC approval.

It is anticipated that Monsanto will cease taking service under rate schedule PXT and begin taking service under rate schedule SS on or about August 17, 1993. Pursuant to the agreement between the parties referred to in this letter and after execution of the Contract by the parties, Monsanto may cease taking service under rate schedule PXT and commence taking service under rate schedule SS anytime on or between July 18, 1993 and October 16, 1993 without incurring any penalty. Once this change occurs, Gulf will purchase energy delivered onto its system pursuant to the provisions of the executed Contract.

After Monsanto ceases taking electric service under rate schedule PXT, Monsanto will pay the charges called for under the separate agreements for interconnection and additional facilities as well as Gulf's retail tariff rates for standby electric service. The facilities charges presently being paid to Gulf by Monsanto under various letter agreements will remain in effect until the effective date of the new letter agreement regarding additional facilities which is the date that Monsanto ceases taking electric service under rate schedule PXT.

If the foregoing is agreeable, please have an authorized representative of Monsanto Company sign this letter agreement in triplicate and return two copies to Gulf.

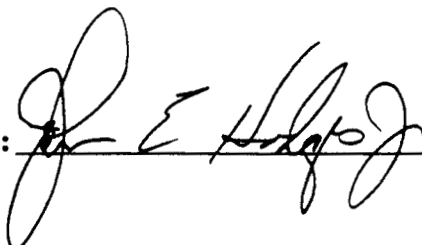
Yours truly,

Accepted and agreed to this 4<sup>th</sup> day of <sup>November</sup>~~October~~, 1992.

MONSANTO COMPANY

GULF POWER COMPANY

By: 

By: 

Title: PLANT MANAGER

JFY/jas  
Enclosures

"Our business is customer satisfaction"

EXHIBIT "A"

FINAL WORKING DRAFT 10/23/92

21 NOW THEREFORE, for mutual consideration the Parties agree as  
 22 follows:

23 1. Facility

24 Monsanto has installed and is operating a cogeneration  
 25 facility comprised in part of the following generator units  
 26 designated as Units A, B, and C in the chart below, and  
 27 contemplates installing and operating an additional generator  
 28 unit designated as Unit D in the chart below, all of which is or  
 29 will be located at its chemical complex in Escambia County,  
 30 Florida:

Unit	Descrip. (type)	Initial in-service date	KVA. nameplate rating	KW output rating	Fuel Source	
					Primary	Secondary
A	Steam Turbine	1954		5,000	nat. gas	
B	" "	1957		5,000	nat. gas	
C	" "	1957		6,000	nat. gas	
D	Combust. Turbine	9/1993	92,080	86,000	nat. gas	
Total			110,980	102,000		

31 The facilities comprised of the generator units set forth above  
 32 and their related equipment are designed to produce a maximum of  
 33 102,000 kilowatts (KW) of electric power at an 85% power  
 34 factor, such equipment being hereinafter collectively referred to  
 35 as "facility."

36 2. Conditions of Execution and Term of the Agreement

37 Gulf's and Monsanto's execution of this agreement is  
38 conditioned upon having secured the prior approval of the FPSC  
39 for Gulf to purchase capacity and energy from Monsanto under the  
40 terms hereof and to recover the costs associated with the  
41 purchase of this capacity and energy through Gulf's fuel and  
42 purchased power cost recovery clauses. The execution of this  
43 Agreement by Monsanto shall constitute the corporate guarantee of  
44 Monsanto, together with its corporate parent and/or its  
45 subsidiaries, pledging the amount of \$ 420,000 (\$20 times  
46 the kilowatts of anticipated committed capacity set forth in  
47 Paragraph 4.2.1) as security to Gulf that the facility will have  
48 the actual capability on June 1, 1996 to deliver the committed  
49 capacity and energy to Gulf, and that such capability will have  
50 been demonstrated prior to that date during a mutually agreeable  
51 demonstration period consisting of a minimum of four consecutive  
52 hours selected so that the performance of the facility during the  
53 demonstration period is reasonably reflective of the anticipated  
54 day to day operation of the facility during a period with weather  
55 and other conditions similar to those that would exist during the  
56 periods Gulf anticipates it would request Monsanto to operate its  
57 facility. This Agreement shall begin immediately upon its  
58 execution by both parties. This Agreement shall end at 12:01  
59 A.M., June 1, 2005.

60 Notwithstanding the foregoing, if Monsanto has not initially  
61 demonstrated the actual capability to deliver capacity and energy  
62 pursuant to this contract before June 1, 1996 or in the event the  
63 facility is not in commercial operation (which includes the

64 actual capability to deliver the committed capacity and energy  
65 onto Gulf's system) on June 1, 1996, Gulf's obligations to  
66 Monsanto under this Agreement shall be considered to be of no  
67 force and effect. Under such circumstances, Monsanto shall  
68 forfeit and immediately upon demand pay to Gulf the sum pledged  
69 as security under the corporate guarantee described in the first  
70 paragraph of this section and upon making said payment, Monsanto  
71 shall be released from any further obligation to Gulf under the  
72 provisions of this Agreement.

73 Monsanto's corporate guarantee described in the first  
74 paragraph of this section shall be satisfied when the facility  
75 attains commercial in-service status (which, for purposes of this  
76 agreement, shall mean the demonstration of capability to perform  
77 by actual delivery of electricity to Gulf as set forth in the  
78 first paragraph of this section), provided that said commercial  
79 in-service status is attained prior to June 1, 1996. Monsanto  
80 shall not be entitled to release from its corporate guarantee if  
81 it fails to achieve commercial in-service status prior to June 1,  
82 1996, or is not in commercial in-service status on June 1, 1996.  
83 Additionally, once construction of the facility or any additions  
84 to Monsanto's Pensacola Plant necessary for Monsanto to have the  
85 capability to deliver the anticipated committed capacity and  
86 energy to Gulf from the facility has commenced, Monsanto will  
87 allow Company representatives to review quarterly the  
88 construction progress to provide Gulf with a level of assurance  
89 that Monsanto will be capable of delivering the anticipated  
90 committed capacity from the facility on or before June 1, 1996.

91 3. Sale of Electricity by Monsanto

92 Gulf agrees to purchase the Committed Capacity and energy  
93 generated at the facility and delivered to Gulf by Monsanto. The  
94 purchase and sale of electricity pursuant to this Agreement shall  
95 be in accordance with the billing methodology known as a Net  
96 Billing Arrangement. This billing methodology may not be changed  
97 during the term of this Agreement except upon mutual agreement of  
98 the parties.

99 4. Payment for Electricity Produced by Monsanto100 4.1 Energy

101 For all energy delivered by Monsanto for sale to Gulf,  
102 Monsanto shall be paid based on Gulf's system incremental fuel  
103 and variable O&M costs as determined on an hour by hour basis in  
104 conjunction with Gulf's participation in the Southern electric  
105 system's economic dispatch. All purchases of energy by Gulf  
106 shall be adjusted for losses from the point of metering to the  
107 point of interconnection. The calculation of energy payments due  
108 to Monsanto shall be based on the sum, over all hours of the  
109 billing periods, of the product of each hour's energy price times  
110 the energy delivered to Gulf for that hour.



111 4.2 Capacity

112 4.2.1 Anticipated Committed Capacity. Monsanto expects  
113 to sell approximately 21,000 KW of capacity, beginning on or  
114 about June 1, 1996.

115 Monsanto may finalize its Committed Capacity (CC) after  
116 initial facility testing, and specify when capacity payments are  
117 to begin, by completing Paragraph 4.2.2 at a date subsequent to  
118 the execution of this Agreement by the parties. However,  
119 Monsanto must complete Paragraph 4.2.2 before June 1, 1996 in  
120 order to be entitled to any capacity payments pursuant to this  
121 Agreement. The final Committed Capacity set forth in Paragraph  
122 4.2.2 shall not be less than ninety percent nor greater than one  
123 hundred ten percent of the above estimate. The date specified in  
124 Paragraph 4.2.2 as the date on which capacity payments shall  
125 begin shall be no earlier than the date specified in the first  
126 preceding paragraph above.

127 4.2.2 Actual Committed Capacity. The capacity from the  
128 facility committed by Monsanto (Committed Capacity or CC) for the  
129 purposes of this Agreement is \_\_\_\_\_ kilowatts beginning  
130 \_\_\_\_\_, \_\_\_\_\_.

131 Monsanto is committing the capacity specified in this  
132 section based on its agreement and commitment that this capacity  
133 will be available at least 98% of the time when called for  
134 service by Gulf (Requested Operation). Requested Operations will  
135 be based on the economic dispatch of a combustion turbine fueled  
136 by natural gas and/or oil pursuant to Gulf's participation in the  
137 economic dispatch of the Southern electric system. Monsanto will  
138 be exempt from Requested Operations during planned outage periods

139 coordinated pursuant to Paragraph 6(d) of this Agreement.  
140 Monsanto elects to receive, and Gulf agrees to commence  
141 calculating, capacity payments in accordance with this Agreement  
142 starting with the first billing month following the date  
143 specified in this section as the date on which the commitment of  
144 capacity under this contract will begin.

145 4.2.3 Capacity Payments. Monsanto chooses to receive  
146 capacity payments from Gulf in the amounts specified in the  
147 schedule of payments set forth on Appendix B to this Agreement.  
148 Capacity payments shall not begin any earlier than the date  
149 specified in Section 4.2.1 nor shall they begin until after  
150 Monsanto has met the initial capability demonstration requirement  
151 set forth in Section 2 of this agreement. The capacity payment  
152 for a given month will be added to the energy payment for such  
153 month and tendered by Gulf to Monsanto as a single payment as  
154 promptly as possible, normally by the twentieth business day  
155 following the day the meter is read.

156 In October of each year of this Contract, Gulf will  
157 calculate the availability of the facility over the most recent  
158 twelve month period ending August 31. For purposes of this  
159 Agreement, availability means the ratio of "average capacity from  
160 the facility delivered during the period of requested operation"  
161 to "Committed Capacity". If Gulf called upon Monsanto to operate  
162 the facility on at least three occasions during the 12 month  
163 period, and the facility fails to perform at an availability of  
164 98% or higher, then Gulf may deem Monsanto to be in non-  
165 performance of its commitment and thereby invoke the provisions  
166 of Section 7 of this contract.

167 The formula to be used for the availability calculation is  
 168 as follows:

169 
$$\text{Availability} = ( \text{Sum} [ \text{PH}_i * \text{AC}_i ] ) / ( \text{PH}_{\text{total}} * \text{CC} ) \text{ where,}$$

170  $i$  = particular Requested Operation event

171  $\text{AC}_i$  = Achieved Capacity  
 172 Actual average capacity delivered from the facility  
 173 during hours of Requested Operation calculated by  
 174 summing the lesser of CC or the actual integrated  
 175 15-minute KW output for each 15-minute metering  
 176 interval occurring during a Requested Operation  
 177 event, and dividing the result by the total number of  
 178 15-minute metering intervals occurring during the  
 179 Requested Operation event.

180  $\text{PH}_i$  = Period Hours  
 181 Number of hours for each Requested Operation event  
 182 (including fractions thereof) the facility was called  
 183 upon for service by Gulf (Requested Operation).

184  $\text{PH}_{\text{total}}$  = Total Period Hours  
 185 The total number of hours (including fractions  
 186 thereof) the facility was called upon for service by  
 187 Gulf (Requested Operations) during the 12 month  
 188 period ending August 31.

189 CC = Committed Capacity  
 190 The capacity from the facility committed by Monsanto  
 191 for the purposes of this Agreement as set forth in  
 192 Section 4.2.1.

193 "Integrated 15-minute KW output" means the kilowatt hours per  
 194 hour of electric energy or load flow from the facility, as  
 195 measured at the point of interconnection with Gulf, averaged over  
 196 a period of 15 minutes.

## 197 5. Metering Requirements

198 Hourly demand recording meters shall be required for each  
 199 individual generator unit comprising the facility. Unless  
 200 special circumstances warrant, meters shall be read at monthly  
 201 intervals on the approximate corresponding day of each meter  
 202 reading period.

203 6. Electricity Production Schedule

204 During the term of this Agreement, Monsanto agrees to:

205 (a) Adjust reactive power flow in the interconnection so  
206 as to remain within the range of 90% leading to 90% lagging power  
207 factor;208 (b) Provide Gulf, prior to October 1 of each calendar  
209 year, an estimate of the amount of electricity to be generated by  
210 the facility and delivered for sale to Gulf for each month of the  
211 following calendar year, including the time, duration and  
212 magnitude of any planned outages or reductions in capacity;213 (c) Promptly update the yearly generation schedule and  
214 maintenance schedule as and when any changes may be determined  
215 necessary;216 (d) Coordinate its planned outage schedule with Gulf for  
217 up to a maximum of 16 consecutive days in each of the planned  
218 outage windows (spring or fall);219 (e) Comply with reasonable requirements of Gulf regarding  
220 day-to-day or hour-by-hour communications between the parties  
221 relative to the performance of this Agreement; and222 (f) Promptly notify Gulf of a known derating or inability  
223 to supply any portion of the Committed Capacity from the  
224 facility. Failure of Monsanto to notify Gulf of a known derating  
225 or inability to supply the full Committed Capacity from the  
226 facility may, in the sole discretion of Gulf, result in a  
227 determination of non-performance.228 For purposes of subparagraph 6(d) of this Agreement, the  
229 spring outage window shall be March and April and the fall outage  
230 window shall be October and November. The months included in the

231 spring and fall outage windows may be changed in the sole  
232 discretion of Gulf upon 12 months prior notice to Monsanto.  
233 Monsanto's Committed Capacity will not be subject to Requested  
234 Operations during the planned outage periods coordinated between  
235 Gulf and Monsanto pursuant to subparagraph 6(d) of this  
236 Agreement.

237 7. Non-Performance Provisions

238 The parties acknowledge that the nature of economic  
239 dispatch for a combustion turbine is such that there may be  
240 extended periods of time during which Gulf will not make any  
241 requests for Monsanto to operate the facility. In order to  
242 provide Gulf with reasonable assurance that Monsanto has the  
243 continuing ability to perform, beginning in May/June of the year  
244 following the month for which capacity payments first begin,  
245 Monsanto shall be required to demonstrate annually that the  
246 facility has the actual capability to deliver the committed  
247 capacity and energy to Gulf. Such capability will be  
248 demonstrated in May or June of each year during three separate  
249 mutually agreeable demonstration periods consisting of a minimum  
250 of four consecutive hours each. The demonstration periods will  
251 each be selected so that the performance of the facility during  
252 the demonstration period is reasonably reflective of the  
253 anticipated day to day operation of the facility during a period  
254 with weather and other conditions similar to those that would  
255 exist during the periods Gulf anticipates it would request  
256 Monsanto to operate its facility. It will be the initial  
257 responsibility of Gulf to coordinate the acceptable demonstration

258 periods with Monsanto. This annual demonstration requirement  
259 shall be satisfied for any 12 month period ending August 31  
260 during which there have been at least three periods of requested  
261 operations and Monsanto has met the 98% minimum availability  
262 requirement. The demonstration periods selected for purposes of  
263 satisfying the requirements of this paragraph shall not be  
264 construed to be Requested Operation events for purposes of  
265 calculating the annual availability factor, nor shall a  
266 successful demonstration of capability override the availability  
267 calculation for the 12 month period ending August 31 of the year  
268 of the demonstration. The failure of Monsanto to successfully  
269 demonstrate the capability to deliver the committed capacity and  
270 energy in any year in accordance with this paragraph shall, for  
271 purposes of determination of non-performance or default pursuant  
272 to this Agreement, be treated as though Monsanto had failed to  
273 meet the required 98% minimum availability requirement for the  
274 same 12 month period ending August 31.

275 Monsanto shall not be entitled to receive or retain  
276 capacity payments during any twelve month period ending August 31  
277 during the existence of this contract that the availability of  
278 the facility over that same period calculated pursuant to the  
279 provisions of Paragraph 4.2.3 of this Agreement, does not equal  
280 or exceed 98 percent. To the extent that capacity payments may  
281 have already been made to Monsanto during a period when its  
282 minimum availability requirement was not met, Monsanto shall  
283 refund such payments, plus interest, to Gulf for that entire  
284 twelve month period within 30 days of notice and request for said  
285 repayment made by Gulf. Interest for each month's capacity

286 repayment will be charged at the rate prevailing for thirty (30)  
287 days highest grade commercial paper; such rate is to be  
288 determined by Gulf contemporaneous with the request for  
289 repayment.

290 Failure of Monsanto to notify Gulf of a known derating or  
291 inability to supply its full Committed Capacity from the facility  
292 may, in the sole discretion of Gulf, result in a determination of  
293 non-performance. Upon such determination by Gulf, capacity  
294 payments to Monsanto shall be suspended for a period of time  
295 equal to the time of the known derating or inability to supply  
296 the full Committed Capacity from the facility or six months,  
297 whichever shall be longer.

298 8. Default

299 8.1 Mandatory Default. Monsanto shall be in default under  
300 this Agreement if: (1) Monsanto either voluntarily declares  
301 bankruptcy or becomes subject to involuntary bankruptcy  
302 proceedings; or (2) Monsanto ceases all electric generation from  
303 the facility for both of Gulf's peak generation planning periods  
304 (summer or winter) occurring in any consecutive 12 month period.  
305 For purposes of this Agreement, Gulf's summer peak generation  
306 planning period shall be May through September and Gulf's winter  
307 peak generation planning period shall be December through  
308 February. The months included in Gulf's peak generation planning  
309 periods may be changed in the sole discretion of Gulf upon 12  
310 months prior notice to Monsanto.

311 8.2 Optional Default. At any time after capacity payments  
312 have begun, Gulf may declare Monsanto to be in default:

- 313 (1) if Gulf has sufficient reason to believe that Monsanto is  
314 unable to deliver its Committed Capacity from the facility  
315 and that such inability will continue for a material length  
316 of time;
- 317 (2) if the facility fails to achieve a 98% annual availability  
318 factor over any twenty-four consecutive month period;
- 319 (3) because of Monsanto's refusal, inability or anticipatory  
320 breach of obligation to deliver its Committed Capacity from  
321 the facility; or
- 322 (4) if Gulf has made three or more determinations of non-  
323 performance due to the failure of Monsanto to notify Gulf  
324 of a known derating or inability to supply Committed  
325 Capacity from the facility during any eighteen month  
326 period.

327 9. General Provisions

328 9.1 Permits. Monsanto hereby agrees to seek to obtain any  
329 and all governmental permits, certifications, or other authority  
330 Monsanto is required to obtain as a prerequisite to engaging in  
331 the activities provided for in this Agreement. Gulf hereby  
332 agrees to seek to obtain any and all governmental permits,  
333 certifications or other authority Gulf is required to obtain as a  
334 prerequisite to engaging in the activities provided for in this  
335 Agreement.

336 9.2 Indemnification. Monsanto agrees to indemnify and  
337 save harmless Gulf, its subsidiaries or affiliates, and their  
338 respective employees, officers, and directors, against any and  
339 all liability, loss, damage, cost or expense which Gulf, its  
340 subsidiaries, affiliates, and their respective employees,  
341 officers, and directors may hereafter incur, suffer or be  
342 required to pay by reason of negligence on the part of Monsanto



343 in performing its obligations pursuant to this Agreement or  
344 Monsanto's failure to abide by the provisions of this Agreement.  
345 Gulf agrees to indemnify and save harmless Monsanto against any  
346 and all liability, loss, damage, cost or expense which Monsanto  
347 may hereafter incur, suffer or be required to pay by reason of  
348 negligence on the part of Gulf in performing its obligations  
349 pursuant to this Agreement or Gulf's failure to abide by the  
350 provisions of this Agreement. Monsanto agrees to include Gulf as  
351 an additional named insured in any liability insurance policy or  
352 policies Monsanto obtains to protect Monsanto's interests with  
353 respect to Monsanto's indemnity and hold harmless assurances to  
354 parties contained in this Section.

355 Monsanto shall deliver to Gulf at least fifteen days prior  
356 to the delivery of any capacity or energy under this Agreement, a  
357 certificate of insurance certifying Monsanto's coverage under a  
358 liability insurance policy issued by a reputable insurance  
359 company authorized to do business in the State of Florida,  
360 protecting and indemnifying Monsanto and Gulf as an additional  
361 named insured, their officers, employees, and representatives,  
362 against all liability and expense on account of claims and suits  
363 for injuries or damages to persons or property arising out of  
364 Monsanto's performance under or failure to abide by the terms of  
365 this Agreement, including without limitation any claims, damages  
366 or injuries caused by operation of any of Monsanto's equipment or  
367 by Monsanto's failure to maintain the facility's equipment in  
368 satisfactory and safe operating conditions, or otherwise arising  
369 out of the performance by Monsanto of the duties and obligations  
370 arising under the term and conditions of this Agreement.

371           The policy providing such coverage shall provide  
372 comprehensive general liability insurance, including property  
373 damage, with limits in an amount not less than \$1,000,000 for  
374 each occurrence. In addition, the above required policy shall be  
375 endorsed with a provision whereby the insurance company will  
376 notify Gulf within thirty days prior to the effective date of  
377 cancellation or a material change in the policy. Monsanto shall  
378 pay all premiums and other charges required or due in order to  
379 maintain such coverage as required under this section in force  
380 during the entire period of this Agreement beginning with the  
381 initial delivery of capacity or energy to Gulf.

382           9.3 Taxes or Assessments. It is the intent of the  
383 parties under this provision that Monsanto hold Gulf and its  
384 general body of customers harmless from the effects of any  
385 additional taxes, assessments or other impositions that arise as  
386 a result of the purchase of energy or capacity from Monsanto in  
387 lieu of other energy or capacity and that any savings in regards  
388 to taxes or assessments be included in the avoided cost payments  
389 made to Monsanto to the extent permitted by law. In the event  
390 Gulf becomes liable for additional taxes, assessments or  
391 imposition arising out of its transaction with Monsanto under  
392 either this agreement or any related interconnection agreement,  
393 or due to changes in laws affecting Gulf's purchases of energy or  
394 capacity from Monsanto occurring after the execution of this  
395 agreement, and for which Gulf would not have been liable if it  
396 had produced the energy and/or constructed facilities sufficient  
397 to provide the capacity contemplated under this agreement itself,  
398 Gulf may bill Monsanto monthly for such additional expenses or

399 may offset them against amounts due Monsanto from Gulf. Any  
400 savings in taxes, assessments or impositions that accrue to Gulf  
401 as a result of its purchase of energy and capacity under this  
402 agreement that are not already reflected in the avoided energy or  
403 avoided capacity payments made to Monsanto hereunder, shall be  
404 passed on to Monsanto to the extent permitted by law without  
405 consequential penalty or loss of such benefit to Gulf.

406 .9.4 Renegotiation Due to Regulatory Changes. Anything in  
407 this Agreement to the contrary notwithstanding, should Gulf at  
408 any time during the term of this Agreement fail to obtain or be  
409 denied the FPSC's authorization, or the authorization of any  
410 other regulatory body which now has or in the future may have  
411 jurisdiction over Gulf's rates and charges, to recover from its  
412 customers all of the payments required to be made to Monsanto  
413 under the terms of this Agreement or any subsequent amendment to  
414 this Agreement, the parties agree that, at Gulf's option, they  
415 shall renegotiate this Agreement or any applicable amendment. If  
416 Gulf exercises such option to renegotiate, Gulf shall not  
417 thereafter be required to make such payments to the extent Gulf's  
418 authorization to recover them from its customers is not obtained  
419 or is denied. In the event Gulf exercises its option to  
420 renegotiate, Monsanto shall have the option to prospectively  
421 terminate its obligation to deliver firm capacity and energy  
422 which action will also prospectively terminate Gulf's obligation  
423 pursuant to this Agreement to make any additional payments for  
424 capacity or energy. It is the intent of the parties that Gulf's  
425 payment obligations under this Contract or any amendment hereto  
426 are conditioned upon Gulf being fully reimbursed for such

427 payments through the Fuel and Purchased Power Cost Recovery  
428 Clause or other authorized rates or charges. Any amounts  
429 initially recovered by Gulf from its customers but for which  
430 recovery is subsequently disallowed by the FPSC or other  
431 regulatory body and charged back to Gulf may be off set or  
432 credited against subsequent payments made for purchases from  
433 Monsanto, or alternatively, shall be repaid by Monsanto.

434 . 9.5 Force Majeure. If either party shall be unable, by  
435 reason of force majeure, to carry out its obligations under this  
436 Agreement, either wholly or in part, the party so failing shall  
437 give written notice and full particulars of such cause or causes  
438 to the other party as soon as possible after the occurrence of  
439 any such cause; and such obligations shall be suspended during  
440 the continuance of such hindrance, which, however, shall be  
441 remedied with all possible dispatch; and the obligations, terms  
442 and conditions of this Agreement shall be extended for such  
443 period as may be necessary for the purpose of making good any  
444 suspension so caused. The term "force majeure" shall be taken to  
445 mean acts of God, strikes, lockouts or other industrial  
446 disturbances, wars, blockades, insurrections, riots, arrests and  
447 restraints of rules and people, environmental constraints  
448 lawfully imposed by federal, state or local government bodies,  
449 explosions, fires, floods, lightning, wind, perils of the sea,  
450 accidents to equipment or machinery or similar occurrences;  
451 provided, however, that no occurrences may be claimed to be a  
452 force majeure occurrence if it is caused by the negligence or  
453 lack of due diligence on the part of the party attempting to make  
454 such claim. Monsanto agrees to pay the costs necessary to

455 reactivate the facility and/or the interconnection with Gulf's  
 456 system if the same are rendered inoperable due to actions of  
 457 Monsanto, its agents, or force majeure events affecting the  
 458 facility or the interconnection with Gulf. Gulf agrees to  
 459 reactivate at its own cost the interconnection with the facility  
 460 in circumstances where any interruptions to such interconnections  
 461 are caused by Gulf or its agents.

462 .9.6 Assignment. Monsanto shall have the right to assign  
 463 its benefits under this Agreement, but Monsanto shall not have  
 464 the right to assign its obligations and duties without Gulf's  
 465 prior written approval, which approval shall not be unreasonably  
 466 withheld.

467 9.7 Disclaimer. In executing this Agreement, Gulf does  
 468 not, nor should it be construed, to extend its credit or  
 469 financial support for the benefit of any third parties lending  
 470 money to or having other transactions with Monsanto or any  
 471 assignee of this Agreement.

472 9.8 Notification. For purposes of making any and all non-  
 473 emergency oral and written notices, payments or the like required  
 474 under the provisions of this Agreement, the parties designate the  
 475 following to be notified or to whom payment shall be sent until  
 476 such time as either party furnishes the other party written  
 477 instructions to contact another individual.

478	For Monsanto Company:	For Gulf Power Company:
479	Mr. Guy Shumate	Mr. Jack L. Haskins
480	Team Leader, Utilities	Manager of Rates & Reg. Mttrs
481	Monsanto Company	Assistant Secretary
482	3000 Old Chemstrand Rd	Gulf Power Company
483	Cantonment, Florida	500 Bayfront Parkway
484	P.O. Box 12830	Post Office Box 1151
485	Pensacola, Florida 32575	Pensacola, Florida 32520-0770

486           9.9 Applicable Law. This Agreement shall be governed by  
487 and construed in accordance with the laws of the State of  
488 Florida.

489           9.10 Severability. If any part of this Agreement, for any  
490 reason, be declared invalid, or unenforceable by a public  
491 authority of appropriate jurisdiction, then such decision shall  
492 not affect the validity of the remainder of the Agreement, which  
493 remainder shall remain in force and effect as if this Agreement  
494 had been executed without the invalid or unenforceable portion.

495           9.11 Complete Agreement and Amendments. All previous  
496 communications or agreements between the parties, whether verbal  
497 or written, with reference to the subject matter of this  
498 Agreement are hereby abrogated. No amendment or modification to  
499 this Agreement shall be binding unless it shall be set forth in  
500 writing and duly executed by both parties to this Agreement and,  
501 if required, approved by the FPSC.

502           9.12 Survival of Agreement. This Agreement as may be  
503 amended from time to time, shall be binding and insure to the  
504 benefit of the Parties' respective successors-in-interest and  
505 legal representatives.

EXHIBIT "A"

FINAL WORKING DRAFT 10/23/92

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers.

ATTEST:

GULF POWER COMPANY

BY \_\_\_\_\_  
Vice President

TITLE \_\_\_\_\_

\_\_\_\_\_  
Secretary

DATE \_\_\_\_\_

ATTEST:

MONSANTO COMPANY

BY \_\_\_\_\_  
Earl N. Brasfield

TITLE Vice President  
Official Capacity

\_\_\_\_\_  
Witness as to Monsanto

DATE \_\_\_\_\_

\_\_\_\_\_  
Witness as to Monsanto

## EXHIBIT "A"

FINAL WORKING DRAFT 10/23/92

## APPENDIX "B"

Schedule of Monthly Capacity Payments

CAPACITY PAYMENT PERIOD	COMMITTED CAPACITY	MONTHLY CAPACITY PAYMENT
6/1/96 TO 5/31/97	21,000 KW	\$68,750
6/1/97 TO 5/31/98	21,000 KW	\$68,750
6/1/98 TO 5/31/99	21,000 KW	\$68,750
6/1/99 TO 5/31/00	21,000 KW	\$68,750
6/1/00 TO 5/31/01	21,000 KW	\$68,750
6/1/01 TO 5/31/02	21,000 KW	\$68,750
6/1/02 TO 5/31/03	21,000 KW	\$68,750
6/1/03 TO 5/31/04	21,000 KW	\$68,750
6/1/04 TO 5/31/05	21,000 KW	\$68,750

The foregoing amounts are based on the anticipated commitment, as set forth in section 4.2.1, to deliver firm capacity in the amount of 21,000 kilowatts beginning June 1, 1996 and continuing through May 31, 2005. The actual commitment of capacity may vary by up to 10%, plus or minus. Once the actual commitment is made by completion of section 4.2.2 (which must take place prior to June 1, 1996), the foregoing capacity payment amounts will be adjusted accordingly.