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Pensacola, Florida 32520

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November 14, 1997

DECLASSIFIED

960789 - EI

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee FL 32399-0870

Dear Ms. Bayo:

RE: Quarterly CISR Report for the Third Quarter 1997

Enclosed are an original and fifteen copies of Gulf Power Company's Notice of Intent to Request Confidential Classification.

Sincerely,

A handwritten signature in cursive script that reads "Linda G. Malone".

Linda G. Malone
Assistant Secretary and Assistant Treasurer

lw

cc: Beggs and Lane
Russell A. Badders

This Notice of Intent was filed with Confidential Document No. 11743-97. The document has been placed in the confidential files pending receipt of a request for confidential treatment.

DOCUMENT NUMBER-DATE
11742 NOV 17 97
FPSC-RECORDS/REPORTING

GULF POWER COMPANY**Quarterly CIS Rider Report****Report Period: Third Quarter 1997**

During the third quarter of 1997, Gulf has entered into a CSA pursuant to the CIS Rider. This is the second CSA entered into by the Company. Although the CSA was signed during the third quarter of 1997, by its terms, the effective date can be no earlier than the first day of the fourth quarter. The CSA was signed by Gulf and a qualified candidate under the terms and conditions set forth in Order No. PSC-96-1219-FOF-EI in Docket No. 960789-EI. Gulf offered and signed the CSA based on extensive analysis and customer specific research.

Electricity is a substantial portion of the customer's controllable costs. The load from this customer was at risk of being lost to Gulf Power due to the customer's plan to own and operate a cogeneration facility for self-service benefit. The planned cogeneration facility was (and is) under construction with an expected in-service date of March 31, 1998. Loss of this electric load to cogeneration would have had a negative impact on Gulf Power Company and its ratepayers. In the absence of the CSA negotiated between the parties under the CIS Rider, the customer would not enter into contracts with Gulf Power allowing Gulf Power to assume ownership of the cogeneration facility and to continue to serve the customer's electric energy needs otherwise associated with the facility. Instead, the customer would proceed with its original plans to own and operate the cogeneration facility for its own self-service benefit.

CSA No. 2 contains the following key provisions:

1. 20 year term of contract
2. The load is divided into two parts for application of the negotiated pricing arrangement beginning on or about April 1, 1998:

Part 1 consists of 7,500 kilowatts (KW) of contracted demand billed at the Company's standard PX rate (or its successor) based on usage at a 100% load factor, together with all customer charges otherwise applicable under Rate Schedule PX (or its Successor) and Rate Schedule CIS.

Part 2 consists of all metered energy usage at the customer's plant that is above the contracted energy threshold set by the first part. The hourly prices for such second part energy shall be determined by subtracting a fixed amount from the hourly prices quoted by the Company to its customers taking service under Rate Schedule RTP (or its successor). This fixed amount is one figure for the first five years of the agreement. The contract specifies a second amount that is applicable during the remaining term of the agreement.

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PSC-REGULATORY/REPORTING

3. During the transition period beginning October 1, 1997, the customer could elect (and has so elected) to have all of its electric consumption during a transition period from October 1, 1997 to March 31, 1998 priced in accordance with Gulf Power's hourly RTP prices. Such option, once exercised, shall remain in effect for the duration of the identified transition period.

4. Beginning in May 2002 and continuing annually thereafter, there is a review provision that could result in either an additional customer payment to Gulf Power or a rebate from Gulf Power to the customer. The payment or the rebate is dependent on how the average offered price during the review period compares to the average offered price during the period immediately prior to the review period.