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Pensacola, Florida 32520

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FLORIDA PUBLIC
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February 9, 1999

ORIGINAL

990167-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:

Enclosed are an original and fifteen copies of the Petition for Approval of Inter-Affiliate Agreement Between Gulf Power Company and Southern Telecom, Inc.

Sincerely,

Susan D. Ritenour

Susan D. Ritenour
Assistant Secretary and Assistant Treasurer

lw

Enclosures

cc: Beggs & Lane
Jeffrey A. Stone, Esquire

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Approval of inter-affiliate agreement
between Gulf Power Company and Southern
Telecom, Inc.

Docket No.:
Filed: February 9, 1999

ORIGINAL

**PETITION FOR APPROVAL OF
INTER-AFFILIATE AGREEMENT
BETWEEN GULF POWER COMPANY
AND SOUTHERN TELECOM, INC.**

Gulf Power Company ("Gulf Power", "Gulf", or "the Company"), by and through its undersigned attorneys and pursuant to Section 34, subpart (i), of the Public Utility Holding Company Act of 1935, as amended, files this petition and requests that the Florida Public Service Commission ("Commission") approve the Communications Services agreement between Gulf Power and Southern Telecom, Inc. (STI).

Notices and communications with respect to this petition and docket should be addressed to:

Jeffrey A. Stone
Russell A. Badders
Beggs & Lane
P. O. Box 12950
Pensacola, FL 32576-2950

Susan D. Ritenour
Assistant Secretary and Assistant Treasurer
Gulf Power Company
One Energy Place
Pensacola, FL 32520-0780

In support of this petition, the Company states:

(1) Gulf is a corporation with its headquarters located at 500 Bayfront Parkway, Pensacola, Florida 32501. The Company is an investor-owned utility operating under the jurisdiction of this Commission. The Commission has jurisdiction over the retail rates of Gulf Power.

(2) STI is an Exempt Telecommunication Company pursuant to Section 34 of the Public Utility Holding Company Act of 1935, as amended, which is authorized, pursuant to 15 U.S.C. § 79z - 5c, to engage in the business of providing telecommunication and information services, as defined in the Communications Act of 1934, as amended, other services or products subject to the jurisdiction of the Federal Communications Commission, and other products or services related or incidental to the provision of those products or services (collectively, "Telecommunication Services").

(3) Gulf Power Company and Southern Telecom, Inc., are Southern Company subsidiaries. The Southern Company and its subsidiaries are subject to the Public Utility Holding Company Act of 1935, as amended.

(4) Section 34, subpart (i), of the Public Utility Holding Company Act of 1935, as amended, authorizes a public utility company to enter into a contract to purchase services or products from an Exempt Telecommunications Company that is an affiliate or associate company of the public utility company only if every State commission having jurisdiction over the retail rates of such public utility approves such contract.

(5) Gulf Power seeks to enter into a contract for Telecommunications Services from STI. Attached hereto as Exhibit 1 is a copy of the Communications Services Agreement between Gulf Power and STI. This agreement provides Gulf Power the opportunity to purchase Telecommunication Services from STI. The price paid by Gulf for such Telecommunication Services is a market-based price to be agreed upon by Gulf and STI for each specific request for Telecommunication Services. A limitation on that price is that it shall not be more than STI's fully distributed costs for the Telecommunication Services.

(6) Gulf's entering into this agreement will not cause harm to Gulf's ratepayers and will allow Gulf to procure necessary services at a fair, market-based price.

WHEREFORE, Gulf Power Company requests that the Florida Public Service commission enter an order approving the attached Communication Services Agreement.

Respectfully submitted this 8th day of February, 1999.



JEFFREY A. STONE

Florida Bar No. 325953

RUSSELL A. BADDERS

Florida Bar No. 007455

Beggs & Lane

P. O. Box 12950

Pensacola, FL 32576-2950

(850) 432-2451

Attorneys for Gulf Power Company

COMMUNICATIONS SERVICES AGREEMENT

THIS AGREEMENT is made as of _____, 1998 ("Effective Date") between Gulf Power Company, a Maine corporation ("Customer"), and Southern Telecom, Inc., a Delaware corporation ("Contractor").

PREMISES

Both parties are Southern Company subsidiaries.

Contractor is an Exempt Telecommunications Company pursuant to Section 34 of the Public Utility Holding Company Act of 1935, as amended (the "PUHCA").

Contractor is authorized, pursuant to 15 U.S.C. § 79z-5c, to engage in the business of providing telecommunications and information services, as defined in the Communications Act of 1934, as amended, other services or products subject to the jurisdiction of the Federal Communications Commission, and other products or services related or incidental to the provision of those products or services (collectively, "Telecommunications Services").

Subject to the terms and conditions of this Agreement, Contractor is willing, upon Customer's request, to provide Telecommunications Services to Customer at costs determined in accordance with the applicable rules, regulations and orders of the Securities and Exchange Commission under the PUHCA.

Accordingly, the parties agree as follows:

TERMS AND CONDITIONS

1. Telecommunications Services.

1.1. (a) Subject to the terms and conditions of this Agreement, Contractor will provide Customer Telecommunications Services at such times, for such periods and in such manner as Customer may from time to time request and as Contractor may agree to provide. The price for such services shall be agreed upon by the parties at the time of each specific request and agreement to provide, subject to the limitation set forth in Section 2 of this agreement. Nothing contained herein imposes on Customer any obligation to purchase or request from Contractor Telecommunications Services.

contracted for pursuant to the work order, regardless of whether contractor or its agent has completed the work associated with those Costs.

4. Warranty and Limitation of Liability.

4.1. Contractor will exercise due care to assure that the Telecommunications Services are performed in a workmanlike manner, meet the standards and specifications set forth in the applicable work order or request, and comply with any applicable legal standards. Contractor makes no other warranty with respect to the Telecommunications Services provided hereunder.

4.2. If Contractor fails to perform any Telecommunications Services as warranted, then Customer's sole and exclusive remedy will be re-performance by Contractor of the Telecommunications Services to comply with the applicable work order, request or standard.

5. Term. Subject to any required regulatory approval, this Agreement becomes effective on the Effective Date and terminates on the first anniversary thereof. This Agreement will automatically renew for successive one year terms unless either party provides the other with notice of nonrenewal at least 30 days prior to the end of the then current term.

6. Regulatory Requirements. This Agreement and all services provided hereunder are only effective in accordance with all legal requirements imposed by state or federal agencies having jurisdiction over this Agreement or the parties, and will be administered in accordance with the terms of such orders, rules and regulations.

7. Miscellaneous.

7.1. Assignment. This Agreement will bind the successors and assigns of the parties hereto, but Contractor may not assign any of its obligations under this Agreement or under any purchase order or work order issued hereunder without Customer's prior approval.

7.2. Choice of Law. The laws of the state of Florida, (excluding any choice of law principle that would result in the application of the laws of any other jurisdiction) govern the validity, construction, and enforcement of this Agreement and the determination of the parties' rights and duties hereunder.

7.3. Notice. Unless otherwise provided in this Agreement, all notices, requests, demands and other communications in connection with this Agreement must be in writing and may be mailed or delivered via facsimile or by courier to the parties at the addresses shown on the signature page below (or at such other addresses as will be given in writing by the parties to one another) and will be effective when delivered.

7.4. Severability. If a court or agency of competent jurisdiction holds any one or more provisions of this Agreement or any application thereof to be invalid, illegal or unenforceable in any respect, such holding will not in any way affect or impair the validity, legality and enforceability of the remaining provisions in this Agreement and all other applications of the remaining provisions.

7.5. Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof, and supersedes any prior statement or writing not a part of this Agreement or otherwise referenced in this Agreement.

SIGNED AND DELIVERED.

SOUTHERN TELECOM, INC.

By: _____

Its: _____

241 Ralph McGill Blvd., NE

Atlanta, GA 30308

Facsimile No. _____

ATTN: _____

Date: _____

GULF POWER COMPANY

By: _____

Its: _____

500 Bayfront Parkway

Pensacola, Florida 32501

Facsimile No. _____

ATTN: _____

Date: _____