

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for a full revenue
requirements rate case for
Gulf Power Company.

Docket No. 990947-EI

STIPULATION AND SETTLEMENT

The Office of Public Counsel, Gulf Power Company, the Florida Industrial Power Users Group, and the Coalition for Equitable Rates, pursuant to Section 120.57(4), Florida Statutes (Supp. 1998), have entered into this Stipulation and Settlement to effect an informal disposition and complete and binding resolution of any and all matters and issues which might be addressed in this docket. This Stipulation and Settlement avoids the time, expense and uncertainty associated with adversarial litigation in keeping with the Florida Public Service Commission's long-standing policy and practice of encouraging parties in contested proceedings to settle issues whenever possible. Accordingly, without prejudice to any party's position in any other proceeding before the Florida Public Service Commission or any other venue, present or future, the parties stipulate and agree as follows:

1. This Stipulation and Settlement will become effective on the day following the vote of the Florida Public Service Commission approving this Stipulation and Settlement. The Florida Public Service Commission's decision will be reflected in a final order. The starting date for the full term of this Stipulation and Settlement will be 30 days following the vote and will be referred to as the "Implementation Date." The ending date for the revenue sharing plan and other matters set forth in paragraphs 3,5,6, and 7 of this Stipulation and Settlement will be the earlier of (a) the day before

the commercial in-service date of Smith Unit 3; or (b) December 31, 2002. Such ending date will be referred to as the "Expiration Date."

2. Gulf Power Company will reduce its base rates by \$10 million per year. This rate decrease will be implemented by reducing the base rate energy charge on customers' bills by 0.105 cents per kWh. Gulf Power Company will apply the lower base rate energy charge to all meter readings made on and after the Implementation Date.

3. Revenues above certain levels, as defined below, will be shared between Gulf Power Company and its customers. It is expressly understood and agreed that the mechanism for revenue sharing established here is not intended to be a vehicle for "rate case" type inquiry concerning expenses, investments or financial results of operations. "Retail base rate revenues" are defined as, and will be reported consistently with, the FPSC Adjusted Operating Revenues (Schedule 2, page 2 of 3, column 1) shown on Gulf Power Company's monthly surveillance reports. A separate schedule showing year-to-date amounts will be filed with each monthly surveillance report for the months of September through December, 1999, and for each month of 2002.

a. For the months of October through December, 1999, Gulf Power Company's retail base rate revenues in excess of \$80 million up to \$83 million will be shared between Gulf Power Company and its retail customers on a one-third/two-thirds basis, one-third to be retained by Gulf Power Company and two-thirds to be refunded to its retail customers. Retail base rate revenues above \$83 million for the months of October through December, 1999, will be refunded to Gulf Power Company's customers.

- b. For calendar year 2000, Gulf Power Company's retail base rate revenues in excess of \$352 million up to \$368 million will be shared between Gulf Power Company and its retail customers on a one-third/two-thirds basis, one-third to be retained by Gulf Power Company and two-thirds to be refunded to its retail customers. Retail base rate revenues above \$368 million for calendar year 2000 will be refunded to Gulf Power Company's customers.
- c. For calendar year 2001, Gulf Power Company's retail base rate revenues in excess of \$358 million up to \$374 million will be shared between Gulf Power Company and its retail customers on a one-third/two-thirds basis, one-third to be retained by Gulf Power Company and two-thirds to be refunded to its retail customers. Retail base rate revenues above \$374 million for calendar year 2001 will be refunded to Gulf Power Company's customers.
- d. For 2002, the amount and timing of Gulf Power Company's retail base rate revenues which are subject to sharing will be based upon the Expiration Date according to the following schedule:
 - i. If the Expiration Date is before May 31, 2002, the revenue sharing points for calendar year 2002 as reflected in paragraph 3.d.ix., below, will be multiplied by a ratio in which the numerator is the number of days in 2002 up to and including the Expiration Date and the denominator is 365. Gulf Power Company's retail base rate revenues in excess of \$364 million multiplied by this ratio up to \$380 million multiplied by this ratio will be shared on a one-third/two-thirds basis,

one-third being retained by Gulf Power Company and two-thirds being refunded to its customers. Retail base rate revenues above \$380 million multiplied by this ratio for January 1, 2002, through the Expiration Date will be refunded to Gulf Power Company's customers.

- ii. If the Expiration Date is on or after May 31, 2002, but on or before June 30, 2002, Gulf Power Company's retail base rate revenues in excess of \$135 million up to \$141 million for the months of January through May, 2002, will be shared on a one-third/two-thirds basis, one-third being retained by Gulf Power Company and two-thirds being refunded to its customers. Retail base rate revenues above \$141 million for January through May, 2002, will be refunded to Gulf Power Company's customers.
- iii. If the Expiration Date is after June 30, 2002, but on or before July 31, 2002, Gulf Power Company's retail base rate revenues in excess of \$171 million up to \$179 million for the months of January through June, 2002, will be shared on a one-third/two-thirds basis, one-third being retained by Gulf Power Company and two-thirds being refunded to its customers. Retail base rate revenues above \$179 million for January through June, 2002, will be refunded to Gulf Power Company's customers.

- iv. If the Expiration Date is after July 31, 2002, but on or before August 31, 2002, Gulf Power Company's retail base rate revenues in excess of \$211 million up to \$221 million for the months of January through July, 2002, will be shared on a one-third/two-thirds basis, one-third being retained by Gulf Power Company and two-thirds being refunded to its customers. Retail base rate revenues above \$221 million for January through July, 2002, will be refunded to Gulf Power Company's customers.
- v. If the Expiration Date is after August 31, 2002, but on or before September 30, 2002, Gulf Power Company's retail base rate revenues in excess of \$248 million up to \$259 million for the months of January through August, 2002, will be shared on a one-third/two-thirds basis, one-third being retained by Gulf Power Company and two-thirds being refunded to its customers. Retail base rate revenues above \$259 million for January through August, 2002, will be refunded to Gulf Power Company's customers.
- vi. If the Expiration Date is after September 30, 2002, but on or before October 31, 2002, Gulf Power Company's retail base rate revenues in excess of \$280 million up to \$293 million for the months of January through September, 2002, will be shared on a one-third/two-thirds basis, one-third being retained by Gulf Power Company and two-thirds being refunded to its customers. Retail base rate revenues

- above \$293 million for January through September, 2002, will be refunded to Gulf Power Company's customers.
- vii. If the Expiration Date is after October 31, 2002, but on or before November 30, 2002, Gulf Power Company's retail base rate revenues in excess of \$309 million up to \$323 million for the months of January through October, 2002, will be shared on a one-third/two-thirds basis, one-third being retained by Gulf Power Company and two-thirds being refunded to its customers. Retail base rate revenues above \$323 million for January through October, 2002, will be refunded to Gulf Power Company's customers.
- viii. If the Expiration Date is after November 30, 2002, but before December 31, 2002, Gulf Power Company's retail base rate revenues in excess of \$335 million up to \$350 million for the months of January through November, 2002, will be shared on a one-third/two-thirds basis, one-third being retained by Gulf Power Company and two-thirds being refunded to its customers. Retail base rate revenues above \$350 million for January through November, 2002, will be refunded to Gulf Power Company's customers.
- ix. If the Expiration Date is December 31, 2002, Gulf Power Company's retail base rate revenues in excess of \$364 million up to \$380 million for calendar year 2002 will be shared on a one-third/two-thirds basis, one-third being retained by Gulf Power Company and two-thirds

being refunded to its customers. Retail base rate revenues above \$380 million for calendar year 2002 will be refunded to Gulf Power Company's customers.

4. All refunds will be paid with interest at the 30-day commercial paper rate as specified in Rule 25-6.109, Florida Administrative Code. For the purposes of calculating interest only, it will be assumed that revenues to be refunded were collected evenly on a monthly basis throughout the applicable time period. Refunds for October through December, 1999, and for 2000 and 2001 will be paid with interest to customers of record during the month of February of the next calendar year. If the Expiration Date is December 31, 2002, refunds for calendar year 2002 will be paid with interest to customers of record during the month of February, 2003. If the Expiration Date is prior to December 31, 2002, refunds for the applicable portion of 2002 will be paid with interest to customers of record during the second month following the period for which revenues are subject to sharing. Refunds will be made by crediting customers' bills through a separate line item entitled "Revenue Sharing Plan Refund" based upon their proportionate share of energy usage billed during the refund month. Any amounts which cannot be refunded will be treated as part of the true-up in the next fuel and purchased power cost recovery proceedings.

5. Beginning on the Implementation Date, Gulf Power Company is authorized to record, at its discretion, an additional accrual of up to \$5 million per year to its Property Insurance Reserve through the Expiration Date. Any additional accrual to the Property Insurance Reserve pursuant to this Stipulation and Settlement is in addition to the currently approved accrual of \$3.5 million and in lieu of the \$3 million additional accrual for 1999 previously ordered and approved by the Commission pending the resolution of Docket No. 990250-EI, as discussed at the March 16, 1999,

agenda conference. Gulf Power Company is also authorized to record, at its discretion, up to \$1 million per year through the Expiration Date to reduce the accumulated balance of the deferred return on the third floor of the corporate offices which was authorized and identified in Order No. 23573, issued October 3, 1990, in Docket No. 891345-EI, Gulf Power Company's last rate case. No other changes in Gulf Power Company's accounting practices with regard to the current authorized amortization of regulatory assets or other accelerated cost recognition will be made until after the Expiration Date.

6. Gulf Power Company's authorized return on equity range is not altered as a result of this Stipulation and Settlement and no party to this Stipulation and Settlement will seek a change in the authorized return on equity range to be effective until after the Expiration Date; it being understood that during the term extending from the Implementation Date through the Expiration Date the achieved return on equity may, from time to time, be outside the authorized range and the sharing mechanism herein described is intended to be the appropriate and exclusive mechanism to address that circumstance. The foregoing sentence notwithstanding, Gulf Power Company may voluntarily agree to lower its authorized return on equity range on a prospective basis for the term extending from the Implementation Date through the Expiration Date in which event no party to this stipulation and Settlement will object to or otherwise seek to modify Gulf Power Company's voluntary reduction.

7. No party to this Stipulation and Settlement will request, support or seek to impose a change in the application of any provision hereof. The Office of Public Counsel, the Florida Industrial Power Users' Group and the Coalition for Equitable Rates will neither seek nor support any additional reduction in Gulf Power Company's base rates and charges, including interim rate

decreases, to take effect until after the Expiration Date unless such reduction is initiated by Gulf Power Company. Gulf Power Company will not petition for an increase in its base rates and charges, including interim rate increases, to take effect until after the Expiration Date. Furthermore, subject to the approvals of the Florida Public Service Commission set forth in paragraphs 8 and 9 below, all parties hereto waive any right to request further administrative or judicial proceedings in regards to the establishment or implementation of this Stipulation and Settlement. Such requests for further administrative or judicial proceedings shall include (but not be limited to): a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code; a motion for reconsideration of the decision in this matter in the form prescribed by Rule 25-22.060, Florida Administrative Code; or a notice of appeal to initiate judicial review by the Florida Supreme Court pursuant to Rule 9.110, Florida Rules of Appellate Procedure, in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

8. This Stipulation and Settlement Agreement is contingent upon (1) the Florida Public Service Commission's acceptance of the provisions herein in lieu of the regulatory incentive plan for Gulf Power Company previously proposed as set forth in Section III of and Attachment A to Commission Order No. PSC-99-1047-PAA-EI or any other regulatory plan that may otherwise result from activities in Docket No. 990250-EI and (2) the termination and closing of Docket No. 990250-EI, to the extent that such docket may affect Gulf Power Company's authorized return on equity, retail base rates, revenue credits, the level of Gulf Power Company's jurisdictional expenses or the level of jurisdictional revenues that may be retained by Gulf Power Company. Such acceptance, termination and closing shall occur either upon the Florida Public Service Commission's own motion or upon the joint request of the parties to that docket and in any event shall include explicit

recognition by the Florida Public Service Commission that all such matters are resolved by this Stipulation and Settlement.

9. This Stipulation and Settlement is also contingent upon approval in its entirety by the Florida Public Service Commission. This Stipulation and Settlement will resolve all matters in this docket pursuant to and in accordance with Section 120.57(4), Florida Statutes (Supp. 1998). This docket will be closed effective on the date the Florida Public Service Commission order approving this Stipulation and Settlement is final. If this Stipulation and Settlement is not accepted and approved without modification by an order not subject to further proceedings or judicial review, then this Stipulation and Settlement shall be considered null and void and of no further force or effect.


10. This Stipulation and Settlement, dated as of September 29, 1999, may be executed in counterpart originals and a facsimile of an original signature shall be deemed an original.

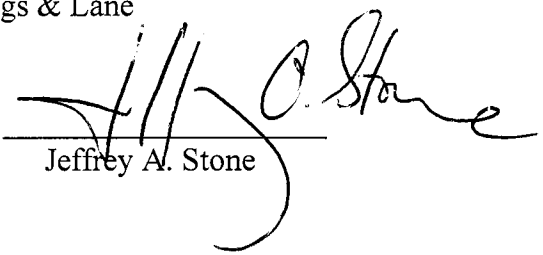
The Parties evidence their acceptance and agreement with the provisions of this Stipulation and Settlement by their signatures:

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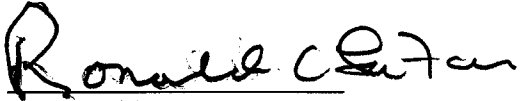
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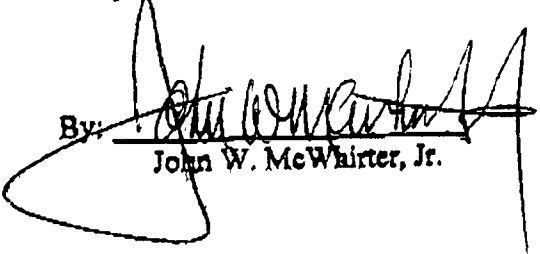
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