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One Energy Place
Pensacola, Florida 32570
850.444.6111

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February 25, 2000

Ms. Blanca Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Docket No. 930885-EU

Dear Ms. Bayo:

This letter is Gulf Power Company's follow-up to its report due under Commission Order No. PSC-98-0174-FOF-EU. Our original report was made by letter dated September 2, 1999. The previous letter and subsequent correspondence from Gulf Coast Electric Cooperative, Inc. became the subject of a discussion between the two utilities and the FPSC staff at a meeting held on December 17, 1999. At that meeting, it was decided that Gulf Power and Gulf Coast would again undertake to reach an agreement on procedures and guidelines as required by the Commission in Order No. PSC-98-0174-FOF-EU. The new deadline for submitting such an agreement is March 1, 2000.

In Order No. PSC-98-0174-FOF-EU, the Commission required "... that the companies shall establish detailed procedures and guidelines addressing subtransmission, distribution, and requests for new service which are enforceable with the respective company. The procedures and guidelines shall take into account Commission precedent on resolving territorial disputes and shall be submitted to the Commission for review on or before July 31, 1998." Order No. PSC 98-0793-PCO-EU modified that deadline to be "... no later than six months following the date the final order of the Supreme Court of Florida in Case No. 92,479 is rendered." The Supreme Court's decision was rendered March 5, 1999 and therefore the deadline for submitting procedures and guidelines to the Commission for review was changed by Order No. PSC-98-0793-PCO-EU to be no later than September 5, 1999.

- AFA _____
- APP _____
- CAF _____
- CMU _____
- CTR _____
- EAG _____
- LEG _____
- MAS 3 _____
- OPC _____
- RRR _____
- SEC 1 _____
- WAW _____
- OTH _____

As noted in Gulf's September 2, 1999 letter, the parties had not reached complete agreement. Although both companies were then willing to notify the Commission that the two utilities are now in agreement with the principle that the present system has worked well and should be continued, Gulf Power, mindful of the direction the Commission gave in Order No. PSC-98-0174-FOF-EU, and in order to be in full

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compliance with the Commission's order, submitted the refinements to the Commission's existing guidelines and policies set forth in Exhibit GEH-3 as proposed procedures and guidelines for Commission review as required by Order No. PSC-98-0174-FOF-EU. Gulf Coast objected to Gulf Power's proposal, but did not offer an alternative agreement. Gulf Power maintains that adoption of guidelines and procedures set forth in GEH-3 for these two utilities would be entirely consistent with the recent decisions of the Commission and the Florida Supreme Court in this case. Gulf Power also continues to believe that the refinements to the Commission's existing guidelines and policies set forth in Exhibit GEH-3 are consistent with the expectations and directions of the Commission set forth in Order No. PSC-98-0174-FOF-EU.

In light of Gulf Coast's continuing objection to that document, and in an effort to reach an agreement acceptable to both parties, Gulf Power once again drafted a new territorial policy statement which was submitted to Gulf Coast by letter dated January 28, 2000 (copy enclosed) for its consideration along with a list of four possible meeting dates for further discussions. We have not received any response from Gulf Coast about the proposed meeting dates, nor have we received any objections from Gulf Coast regarding the new document. We now enclose this attached proposal, as our territorial procedures and guidelines for Commission review as required by Order No. PSC-98-0174-FOF-EU.

If anything further is required, please let us know.

Sincerely,



Susan D. Ritenour
Assistant Secretary and Assistant Treasurer

Enclosure

cc: Beggs and Lane
Jeffrey A. Stone, Esquire
Florida Public Service Commission
Robert Elias, Esquire
Jim Breman
John Haswell, Esquire
Patrick Floyd, Esquire
Gulf Coast Electric Cooperative
Roy Barnes

F.M. (Dusty) Fisher, Jr.
Vice President Power Delivery
and Customer Operations

One Energy Place
Pensacola, Florida 32520-0100
Tel 850.444.6380



January 28, 2000

Mr. Roy Barnes, C.E.O./General Manager
Gulf Coast Electric Cooperative, Inc.
Post Office Box 220
Wewahitchka, FL 32465

Dear Mr. Barnes:

Re: Docket No. 930885-EU

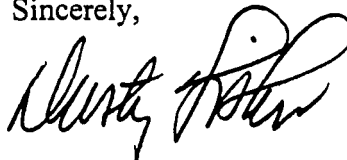
This letter follows the joint meeting with the FPSC staff on December 17, 1999. At that meeting, it was decided that Gulf Power and Gulf Coast would again undertake to reach an agreement on procedures and guidelines as required by the Florida Public Service Commission in Order No. PSC-98-0174-FOF-EU. The new deadline for submitting such an agreement is March 1, 2000.

Gulf Power continues to believe that the refinements to the Commission's existing guidelines and policies set forth in Exhibit GEH-3 are consistent with the expectations and directions of the Commission set forth in Order No. PSC-98-0174-FOF-EU. In light of Gulf Coast's continuing objection to that document, and in an effort to reach an agreement acceptable to both parties, we have drafted a new territorial policy statement which is enclosed for your consideration. We hope that this new document will prove to be acceptable to you and that we can agree to jointly submit it to the Commission for its review and approval.

In an effort to bring this matter to a close prior to March 1, 2000, we are prepared to meet with you to discuss the enclosed draft on one of the following dates. We suggest meeting at Gulf Power's office in Panama City since it would be mutually convenient for both parties.

Feb. 3, Feb. 7, Feb. 16; or Feb. 22

Sincerely,



cc: Grace Jaye, Esq.
Jim Breman

TERRITORIAL POLICY STATEMENT

1 THIS POLICY STATEMENT is jointly submitted this _____ day of _____,
2 2000 by Gulf Power Company, a Maine corporation qualified to do business in Florida
3 (hereinafter referred to as "Gulf Power") and Gulf Coast Electric Cooperative, Inc., a Florida
4 corporation (hereinafter referred to as "Gulf Coast") for review and adoption by the Florida
5 Public Service Commission (hereinafter referred to as the "Commission") in order to govern the
6 relationship between Gulf Power and Gulf Coast. Gulf Power and Gulf Coast shall collectively
7 be referred to herein as "the Parties".

8 **WITNESSETH:**

9 **WHEREAS, Gulf Power is an electric utility subject to regulation as a public utility by**
10 **the Florida Public Service Commission pursuant to the provisions of Chapter 366 of the Florida**
11 **Statutes; and**

12 **WHEREAS, Gulf Coast is a rural electric cooperative organized under Chapter 425 of the**
13 **Florida Statutes and is an electric utility pursuant to Chapter 366 of the Florida Statutes; and**

14 **WHEREAS, the Parties each own and operate electric facilities in northwest Florida; and**

15 **WHEREAS, the Commission desires to avoid further unnecessary and uneconomic**
16 **duplication of electric facilities by the Parties; and**

17 **WHEREAS, the Commission desires to avoid future disputes regarding the territorial**
18 **right to serve particular premises or contiguous groups of premises; and**

19 **WHEREAS, the Commission has authority pursuant to Chapter 366 of the Florida**
20 **Statutes to resolve territorial disputes between electric utilities as part of the Commission's**
21 **jurisdiction to assure the avoidance of further uneconomic duplication of generation,**
22 **transmission and distribution facilities;**

23 **NOW THEREFORE, the Commission orders and directs the Parties to comply with the**
24 **following provisions:**

25 (1) Neither of the Parties shall uneconomically duplicate the other's electric facilities. As
26 noted in Order No. PSC-98-0174-FOF-EU issued January 28, 1998 in Docket No. 930885-EU,
27 the Commission has determined that further uneconomic duplication of the electric facilities will
28 not occur in the 27 identified areas within south Washington and Bay Counties where the Parties
29 have commingled facilities because of the negligible cost of incremental service expansion from
30 facilities already in place. In this situation, customer choice will be the determining factor for

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31 future electric service. As further noted in Order No. PSC-98-0174-FOF-EU, there is a body of
32 decisional law of the Commission and of the Florida Supreme Court establishing the criteria to
33 be applied in resolving territorial disputes. The Parties will use these criteria and this policy
34 statement in a cooperative effort under the supervision of the Commission to resolve the manner
35 in which they will expand their respective facilities in the future.

36 (2) The Parties shall construct or extend distribution lines only when immediately
37 necessary to serve a new premises or a contiguous group of premises pursuant to a bona fide and
38 documented request for such service from a customer or developer, and shall not construct or
39 extend distribution lines to serve future, speculative growth in the absence of a bona fide and
40 documented request for such construction or extension by a customer or developer. Nothing in
41 this paragraph shall prevent a party from constructing facilities necessary in order to transmit
42 electrical energy between unconnected points on a party's lines when such is necessary for
43 reliability purposes. When such "point to point" facilities are constructed, no existing customers
44 served by the existing facilities of the other party nor any prospective customers immediately
45 adjacent to the existing facilities of the other party may be served by the "point to point"
46 facilities.

47 (3) Except where otherwise provided in this policy statement, neither of the Parties shall
48 construct or maintain electric distribution lines for the provision of retail electric service to any
49 premises then currently being provided retail electric service by the other party.

50 (4) Except as specified in paragraph one (1) of this policy statement, customer preference
51 shall determine which party shall provide the initial retail electric service to a premises. Nothing
52 herein shall be construed to allow a party to commence electric service to a customer who at the
53 time such service is to commence is already receiving adequate central station electric service
54 from the other party.

55 (5) When a party receives a request for electric service that is governed by paragraph four
56 (4) of this policy statement and the new premises or contiguous group of premises is not located
57 within one thousand feet (1000') of facilities belonging to the party receiving the request for
58 service but is located within one thousand feet (1000') of the other party's facilities, the party
59 receiving such a request for service shall give to the other party notice in writing within five (5)
60 working days of receipt of said request for electric service. Such notice must set forth the type of
61 electric service requested, the date service is requested to commence, as well as the location of
62 the new premises or contiguous group of premises.

63 (6) The notice required by paragraph five (5) to this policy statement begins a suspension
64 period in which the following procedures shall control:

65 (a) No new construction or extension of electrical facilities to provide permanent retail
66 electric service to the new premises or contiguous group of premises is to commence during the
67 suspension period.

68 (b) The party receiving notice pursuant to paragraph five (5) of this policy statement may
69 request a meeting regarding the proposed electric service in which case such meeting shall be
70 held within ten (10) working days of receipt of such notice. Any request for a meeting pursuant
71 to this paragraph shall be submitted to the other party in writing. Failure of the party receiving
72 notice pursuant to paragraph five (5) to request such a meeting within five (5) working days of
73 receiving the notice shall constitute a waiver of all rights to serve the new premises or contiguous
74 group of premises by that party, and the suspension period shall thereupon be terminated.

75 (c) At the meeting provided for in paragraph (6)(b) or within ten (10) working days
76 thereafter, the Parties shall make a good faith attempt to resolve any dispute regarding which
77 party shall provide electric service to the new premises or contiguous group of premises. The
78 suspension period shall end upon the resolution of the dispute or upon the expiration of the tenth
79 (10th) working day following the meeting provided for in paragraph (6)(b). If the dispute has not
80 been resolved within the suspension period, then the matter shall be submitted to mediation as
81 provided for in paragraph (6)(d) and the party receiving the request for electric service may
82 provide electric service to the requesting customer after the termination of the suspension period
83 pending the ultimate resolution of the dispute either through mediation or through a hearing
84 before the Commission.

85 (d) Unresolved disputes shall be submitted to mediation before the Commission Staff
86 and, if necessary, expedited hearing before the Commission. The issue to be resolved shall be
87 limited to whether the right to serve the new premises or contiguous group of premises is
88 governed by paragraph one (1) or is governed by customer preference as provided in paragraph
89 four (4) of this policy statement. In the event mediation of the dispute has failed and as a result a
90 contested dispute is presented to the Commission for its resolution, the losing party shall pay the
91 prevailing party's costs of litigation including reasonable attorney's fees.

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92 (7) This policy statement shall be effective for an initial period of fifteen years from the
93 date this policy statement is issued by the Commission and shall continue thereafter from year to
94 year unless terminated by the Commission with twelve (12) months prior written notice to the
95 Parties. Notwithstanding the foregoing, if "retail access" or "retail wheeling" is adopted as a
96 matter of public policy at either the federal or state level, then the Commission may terminate
97 this policy statement upon three (3) months prior written notice to the Parties. Either party may
98 request that the Commission terminate this policy statement upon good cause having been
99 shown.

Respectfully submitted the ____ day of _____, 2000.

Gulf Coast Electric Cooperative, Inc.

Gulf Power Company

By: _____

By: _____