

Susan D. Ritenour
Secretary and Treasurer
and Regulatory Manager

One Energy Place
Pensacola, Florida 32520-0781

Tel 850.444.6231
Fax 850.444.6026
SDRITENO@southernco.com



September 26, 2008

080612

Ms. Ann Cole, Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee FL 32399-0850

RECEIVED-FPSC
08 SEP 29 AM 11:17
COMMISSION
CLERK

Dear Ms. Cole:

RE: Undocketed

Enclosed are an original and fifteen copies of Gulf Power Company's Petition for Approval of Negotiated Renewable Energy Power Purchase Agreement.

Sincerely,

Susan D. Ritenour

COM
~~ECR~~
GCL 2
OPC 1
RCP 2
SSC
SGA 1
ADM
CLK

mv

Enclosures

cc: Beggs & Lane
Jeffrey A. Stone, Esq.

DOCUMENT NUMBER-DATE

09122 SEP 29 08

FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition of Gulf Power Company For)
Approval of Negotiated Renewable Energy Power)
Purchase Agreement with Bay County, Florida)
_____)

080612

Docket No. _____-EI
Filed: September 26, 2008

**PETITION FOR APPROVAL OF NEGOTIATED RENEWABLE ENERGY POWER
PURCHASE AGREEMENT**

GULF POWER COMPANY ("Gulf Power," "Gulf," or "Company"), by and through its undersigned attorney and pursuant to Rules 28-106.201, 25-22.036, 25-17.0832, and 25-17.240, Florida Administrative Code ("F.A.C."), hereby petitions the Florida Public Service Commission for approval of the Amended and Restated Negotiated Contract for Purchase of Renewable Energy Between Gulf Power Company and Bay County, Florida, which was executed by Gulf Power and the County on September 5, 2008 (the "Negotiated Renewable Energy Contract" or "the Contract"). A true and correct copy of the Contract is attached hereto and incorporated herein as Exhibit "A."

The Negotiated Renewable Energy Contract provides for Gulf Power to purchase the entire net electrical output of the Bay County Resource Recovery Facility ("Facility") for a period of six years at fixed prices. The Negotiated Renewable Energy Contract will provide meaningful fuel diversity benefits to Gulf Power's customers and will further the State's goals of promoting and protecting renewable energy resources within the state, reducing Florida's dependence on natural gas and fuel oil for electricity production, reducing fuel price volatility, and providing cost-effective energy to Gulf Power's customers. Accordingly, the Commission should approve the Negotiated Renewable Energy Contract for cost recovery purposes.

In further support of its Petition, the Company states as follows.

DOCUMENT NUMBER-DATE

09122 SEP 29 08

FPSC-COMMISSION CLERK

PROCEDURAL BACKGROUND

1. The name and address of the Petitioner are as follows:

Gulf Power Company
Attention: Susan D. Ritenour, Secretary and Treasurer
One Energy Place
Pensacola, Florida 32520-0781

2. All pleadings, orders, and correspondence relative to this docket should be directed to Petitioner's representatives as follows:

Jeffrey A. Stone
Russell A. Badders
Steven R. Griffin
Beggs & Lane
501 Commendencia Street
Pensacola, Florida 32591-2950
Telephone (850) 432-2451
Facsimile (850) 469-3330

with a courtesy copy to:

Susan D. Ritenour, Secretary and Treasurer
Gulf Power Company
One Energy Place
Pensacola, Florida 32520-0781

3. The agency affected by this Petition is:

Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850.

FACTUAL BACKGROUND

4. Gulf Power Company is a public utility subject to the Commission's jurisdiction under Chapter 366, Florida Statutes. Gulf is committed to obtaining cost-effective energy supplies for its customers and to obtaining the benefits of fuel diversity wherever practical. Gulf is also committed to encouraging and promoting renewable energy pursuant to several sections

of Chapter 366, including Sections 366.82, 366.91, and 366.92, Florida Statutes. In furtherance of the express purposes of these statutes, the Negotiated Renewable Energy Contract provides substantial benefits to Gulf's customers: cost-effective power, renewable energy produced by an existing in-state facility with a proven performance record, fuel diversity, and reduced fuel price volatility through fixed pricing.

5. Bay County is a political subdivision of the State of Florida. The County owns the Bay County Resource Recovery Facility, which produces electricity from the combustion of municipal solid waste. The Facility is a renewable energy generating facility within the meaning of Sections 366.91 and 366.92, Florida Statutes, as well as a qualifying small power production facility within the meaning of applicable federal and Florida statutes and rules. The Facility's nameplate capacity is 15.075 MW, and its expected maximum output is 13.65 MW.

6. The Negotiated Renewable Energy Contract provides for Gulf to purchase all of the electrical output of the Facility at fixed prices for six years: \$72.50 per megawatt-hour for the first four years of the Contract and \$75.00 per megawatt-hour for the final two years of the Contract. Under the Contract, the County is committed to use commercially reasonable efforts to maximize the Facility's output, consistent with its waste disposal obligations, operational considerations, and good engineering and utility practices. The Negotiated Renewable Energy Contract was executed by the Company and Bay County on September 5, 2008. Pursuant to the Contract, the Company began making payments for energy delivered from the Facility as of July 23, 2008. In the event that the Commission does not approve the Negotiated Renewable Energy Contract, either party may terminate the Contract. Upon termination, if the contract price for energy was greater than the Company's "As-Available Energy Cost," the County will pay the Company the difference between the contract price for energy and the Company's "As-

Available Energy Cost” for energy delivered from the County’s Facility between the Commencement Date and the termination date.

DISCUSSION

7. The Commission should approve the Negotiated Renewable Energy Contract because it promotes and fulfills many of the specific goals of applicable Florida Statutes.

Specifically, the Contract will:

- provide cost-effective power supply and reduce fuel price volatility to Gulf’s customers;
- reduce Florida’s dependence on natural gas and fuel oil for electricity production; and
- promote the State’s goals of encouraging the production of renewable energy by in-state renewable energy generating facilities;

8. The rates, terms, and conditions of the Negotiated Renewable Energy Contract are reasonably expected to provide cost-effective renewable energy, fuel diversity, fuel cost stability, and energy security to Gulf’s customers. Exhibit “B” to this Petition demonstrates that the Negotiated Renewable Energy Contract is projected to be cost-effective for Gulf’s customers over the life of the Contract.

9. The Company is entitled to the Commission’s approval of the Negotiated Renewable Energy Contract by Sections 366.91 and 366.92, Florida Statutes, and by Commission Rules 25-17.0832 and 25-17.240, F.A.C.

10. The Company does not believe that there are any disputed issues of material fact. The ultimate issue to be decided by the Commission is whether to approve the Negotiated Renewable Energy Contract, and the Company is entitled to this relief by the facts set forth

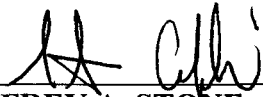
above, namely that the Contract will provide cost-effective renewable energy and substantial additional renewable energy benefits and value to the Company's customers.

CONCLUSION AND RELIEF REQUESTED

For the reasons set forth above, the Negotiated Renewable Energy Contract between Gulf Power Company and Bay County is in the best interests of the Company, the Company's customers, and the State, and accordingly, the Commission should approve the Contract for cost recovery through the fuel cost recovery clause.

WHEREFORE, Gulf Power Company respectfully petitions the Commission to approve the Negotiated Renewable Energy Contract between the Company and Bay County for cost recovery purposes, as prayed herein.

Respectfully submitted this 26th day of September, 2008.



JEFFREY A. STONE
Florida Bar No. 325953
RUSSELL A. BADDERS
Florida Bar No. 007455
STEVEN R. GRIFFIN
Florida Bar No. 0627569
Beggs & Lane
P. O. Box 12950
501 Commendencia Street
Pensacola, FL 32502
(850) 432-2451

EXHIBIT "A"

**AMENDED AND RESTATED
NEGOTIATED CONTRACT FOR PURCHASE OF RENEWABLE
ENERGY BETWEEN GULF POWER COMPANY AND
BAY COUNTY, FLORIDA**

THIS AGREEMENT is made and entered into this 22nd day of July, 2008, by and between the Board of County Commissioners of Bay County, Florida, hereinafter referred to as the "County"; and Gulf Power Company, a corporation, hereinafter referred to as the "Company". The County and the Company shall collectively be referred to herein as the "Parties".

WITNESSETH:

WHEREAS, the County owns a renewable energy facility located in Panama City, Florida that produces electrical energy from a source stated in Florida Public Service Commission (FPSC) Rule 25-17.210 (1), Florida Administrative Code (F.A.C.) (the "County's facility"); and

WHEREAS, the County desires to sell, and the Company desires to purchase, electricity to be generated by the County's facility, such sale and purchase to be consistent with applicable sections of Florida Public Service Commission (FPSC) Rules 25-17.080 through 25-17.310; and

WHEREAS, the County's facility, in accordance with Rule 25-17.087, F.A.C., is currently interconnected with the Company and the County has entered into an interconnection agreement with the Company, attached hereto as Appendix A; and

WHEREAS, the County's facility is a governmental solid waste facility, pursuant to FPSC Rule 25-17.091, F.A.C., which produces electricity from a renewable energy source as defined in Section 366.91, Florida Statutes;

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

1. Facility

The County has installed and is operating a facility comprised in whole or in part of the following generator units located at the following address:

6510 Bay Line Drive, Panama City, FL 32404 :

Unit	Description (Type)	Initial In-Service Date	KVA Nameplate Rating	KW Output Rating	Fuel Source	
					Primary	Secondary
<u>TG</u>	<u>Westinghouse-</u>	<u>4/23/1987</u>	<u>15,075</u>	<u>13,650</u>	<u>MSW</u>	<u>Nat Gas</u>
	<u>Canada</u>					

The County's facility, whether comprised in whole or in part of the generator units set forth above, is designed to produce a maximum of 13,650 kilowatts (KW) of electric power at an 85% power factor. The County's facility may be upgraded during the Term hereof to produce as much as 13,650 KW of electric power at 85% power factor.

2. Required Regulatory Approval and Commencement Date

This Agreement shall be effective when executed by both Parties and shall continue throughout the Term hereof, as defined in Paragraph 4 below. The Company shall begin purchasing all of the Net Generation (as defined below) pursuant to the terms hereof as of the hour ending 1:00 A.M. prevailing Central time on July 23, 2008 (Commencement Date). The Company shall use its reasonable efforts to obtain Florida Public Service Commission (FPSC) approval of this Agreement and target a filing for approval as soon as reasonably practicable after execution of this Agreement. The County shall use its reasonable efforts to support the Company's petition for approval of the Agreement. If the FPSC does not approve this Agreement in the time period set forth below or FPSC approval is granted, but such approval is not retroactive to the Commencement Date, the price for all energy delivered pursuant to this Agreement for the period beginning on the Commencement Date and continuing to either the date of the FPSC approval/denial or termination by either party pursuant to this paragraph shall be the Company's "As-Available Energy Cost" (as defined by Florida law). In the event that the actual energy price paid by the Company was greater than the Company's "As-Available Energy Cost", the County shall pay the Company the difference between the actual amounts paid and the Company's "As-Available Energy Cost." Likewise, if the actual energy price paid by the Company was less than the Company's "As-Available Energy Cost", the Company shall pay the County the difference

between the actual amounts paid and the Company's "As-Available Energy Cost". If, after 300 days from the filing date by the Company of the petition with the FPSC for approval of this Agreement, the FPSC has not approved this Agreement through the issuance of an order that has been rendered final as a matter of law, then either Party may terminate this Agreement upon written notice to the other Party, provided that such notice is delivered to such other Party no later than thirty (30) Days after the 300 Days from the FPSC filing date. If such Party fails to exercise the aforementioned termination right within such thirty (30) Day period, then such Party shall be deemed to have waived such termination right. If the FPSC's approval is not obtained as contemplated herein, and neither Party terminates the Agreement within the 30-day timeframe above, then the Agreement will continue in effect for the remaining portion of the Term except that the Company shall pay the County the Company's "As-Available Energy Cost" (as defined by Florida law) for the Net Generation delivered from the County's facility and purchased by the Company during the remaining term of the Agreement. The Company's obligation to pay at its As-Available Energy Cost remains regardless of whether the Company's As-Available Energy Cost is greater than or less than the Contract Price.

3. Sale of Electricity by the County

The Company agrees to purchase all net electrical energy generated at the County's facility and delivered to the Company by the County's facility. The electricity delivered to the Company shall be net of the County facility's station service load. Therefore the billing will be based on Gross Generation less Station Service Load ("Net Generation"). The Company will be the exclusive purchaser of all Net Generation from the County's facility during the term of this Agreement. The billing arrangement will not be changed during the term of the Agreement. The County will use commercially reasonable efforts to maximize the Net Generation, consistent with its waste disposal obligations, operational considerations, and good engineering and utility practices.

4. Payment for Electricity Produced by the County's Facility

The Company agrees to pay the County for the Net Generation on an as-available basis. The rates for purchase and sale of energy pursuant to this Agreement shall be for a term of six (6) years with rates fixed at 72.50 \$/MWh for the first four (4) years of the term and at \$75.00 per MWh for the remaining two (2) years of the Term (the "Contract Price"). The Net Generation shall be measured to the nearest whole kilowatt-hour.

5. Metering Requirements

The metering equipment currently existing at the County's facility will remain in place during the term of this Agreement. Unless special circumstances warrant, meters shall be read at monthly intervals on the approximate corresponding day of each meter reading period.

6. Electricity Production

During the term of this Agreement, the County agrees to:

- (a) Adjust reactive power flow in the interconnection so as to remain within the range of 85% leading to 85% lagging power factor during normal operations, provided that the County will use commercially reasonable efforts to adjust reactive power flow within the above values during start-up and shut-down, but the County will not be deemed to be in violation of this obligation if reactive powerflow falls outside the specified range during start-up or shut-down;
- (b) Provide the Company, prior to October 1 of each calendar year (January through December), an estimate including the time, duration and magnitude of any planned outages or reductions in generation and;
- (c) Promptly notify the Company of any forced or unplanned outages that occur which would impact the County facility's ability to generate at rated load for periods longer than three (3) days.

7. Default

The County shall be in default under this Agreement if the County fails to perform its material obligations under the Agreement, except to the extent that such failure to perform is the result of a force majeure event as defined below, or to the extent that such failure is caused by the wrongful actions of the Company. In the event that a default occurs, the Company shall notify the County of the default and the County shall have sixty (60) days (or such other amount of time as agreed upon by the parties in writing) to remedy the default. In the event that the default is not cured within the specified timeframe, the Company may terminate the Agreement. The Company's obligation to pay for the Net Generation delivered from the County's facility shall continue throughout the timeframe allotted to the County to cure the default, after which time, the Company's obligations under this Agreement, including the obligation to pay for the Net Generation, shall terminate entirely.

8. General Provisions

8.1 Permits. The County hereby agrees to seek to obtain any and all governmental permits, certifications, or other authority the County's facility is required to obtain as a prerequisite to engaging in the activities provided for in this Agreement. The Company hereby agrees to seek to obtain any and all governmental permits, certifications or other authority the Company is required to obtain as a prerequisite to engaging in the activities provided for in this Agreement. To the extent that any governmental or other agency is entitled by law to require that certificates for emission allowances to cover any emissions of the County's facility produced in connection with the Net Generation of electricity sold to the Company during the term of this agreement, it shall be the sole obligation of the County to procure and surrender said certificates to the appropriate governmental or other agency.

8.2 Taxes or Assessments. It is the intent of the Parties under this provision that the County hold the Company and its general body of ratepayers harmless from the effects of any additional taxes, assessments or other impositions that arise as a result of the purchase of energy from the County's facility by the Company. In the event the Company becomes liable for additional taxes, assessments or imposition arising out of its transaction with the County under either this agreement or any related interconnection agreement or due to changes in laws affecting the Company's purchases of energy from the County's facility occurring after the execution of this agreement the Company at its discretion may bill the County monthly for such additional expenses or may offset them against amounts due the County from the Company. It is also the intent of the Parties under this provision that the County hold the Company and its general body of ratepayers harmless from the effects of any additional taxes, assessments or other impositions that arise as a result of the generation and/or sale of energy by the County's facility. County shall be responsible for any and all taxes, assessments or other impositions that arise as a result of the generation or sale of energy from the County's facility, including but not limited to emission allowance expenses, permitting expenses and governmentally-imposed environmental compliance costs regardless of when such taxes, assessments or impositions become effective.

8.3 Force Majeure. If either party shall be unable, by reason of force majeure, to carry out its obligations under this Agreement, either wholly or in part, the party so failing shall give written notice and full particulars of such cause or causes to the other party as soon as possible after the occurrence of any such cause; and such obligations shall be suspended during the continuance of such hindrance which, however, shall be extended for such period as may be necessary for the purpose of making good any suspension so caused. The term "force majeure" shall be taken to

mean acts of God, strikes, lockouts or other industrial disturbances, wars, blockades, insurrections, riots, arrests and restraints of rules and people, environmental constraints lawfully imposed by federal, state or local government bodies, explosions, fires, floods, lightning, wind, perils of the sea, and similar events and occurrences beyond the control of the Party claiming that a force majeure event has occurred, provided, however, that no occurrence may be claimed to be a force majeure occurrence if it is caused by the negligence or lack of due diligence on the part of the party attempting to make such claim or any of such party's agents or contractors.

8.4 Assignment. The County shall have the right to assign its benefits under this Agreement, but the County shall not have the right to assign its obligations and duties without the Company's prior written approval, which shall not be unreasonably withheld or delayed.

8.5 Disclaimer/Third Party Beneficiaries. In executing this Agreement, the Company does not, nor should it be construed, to extend its credit or financial support for the benefit of any third parties lending money to or having other transactions with the County or any assignee of this Agreement. This Agreement is solely for the benefit of the formal parties herein and no right or cause of action shall accrue upon or by reason hereof, to or for the benefit of any third party not a formal party hereto.

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

For County:
Jamie Jones
Utilities Services Director
Bay County
3410 Transmitter Road
Panama City, Florida 32409

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

8.7 Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Florida.

8.8 Severability. If any part of this Agreement, for any reason, be declared invalid, or unenforceable by a public authority of appropriate jurisdiction, then such decision shall not affect

the validity of the remainder of the Agreement, which remainder shall remain in force and effect as if this Agreement had been executed without the invalid or unenforceable portion, provided that, if the severance of any provision from the Agreement shall result in a material change in the economic bargain embodied in the Agreement, the Parties agree to negotiate in good faith toward an equitable resolution that preserves, to the extent legally possible, the original economic bargain embodied in the Agreement.

8.9 Complete Agreement and Amendments. All previous communications or agreements between the Parties, whether verbal or written, with reference to the subject matter of this Agreement are hereby abrogated, provided, however, that the interconnection agreement between the County and the Company relating to the electrical interconnection of the County's facility to the Company's system shall remain in full force and effect. No amendment or modification to this Agreement shall be binding unless it shall be set forth in writing and duly executed by both Parties to this Agreement and, if and to the extent required and subject to provisions of Paragraph 2 above, approved by the FPSC.

8.10 Survival of Agreement. This Agreement, as may be amended from time to time, shall be binding and inure to the benefit of the Parties' respective successors-in-interest and legal representatives.

9. Environmental Interests

The Company will be entitled to receive one hundred percent (100%) of all Renewable Energy Certificates, Green Tags, carbon credits or allowances, or other tradable environmental interests, if any, which result from electrical energy generated at the County's facility during the term of this Agreement. Details regarding the delivery of such interests to the Company will be mutually agreed upon by the Parties.

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

ATTEST:

Jerry A. Davis
Secretary

GULF POWER COMPANY

BY [Signature]
Vice President

TITLE _____

DATE 9/15/08

ATTEST:

[Signature]
Witness as to County

[Signature]
Witness as to County

BOARD OF COUNTY COMMISSIONERS
BAY COUNTY, FLORIDA

BY [Signature]

TITLE Vice Chairman
Official Capacity

DATE 9-2-08

APPENDIX A
INTERCONNECTION AGREEMENT

Gulf Power Company, hereinafter referred to as "the Company," agrees to interconnect with Bay Resource Management Inc., of Bay County Florida, hereinafter referred to as the "QF," subject to the following provisions:

1. Facility

The QF's generating facility, hereinafter referred to as "Facility," is located at U. S. Highway 231, approximately 9 miles north of Panama City in the new Industrial Park, within the Company's service territory. The QF intends to have its Facility installed and operational on or about April 1, 1987. The QF shall provide the Company reasonable prior notice of the Facility's initial operation, and it shall cooperate with the Company to arrange initial deliveries of power to the Company's system.

The Facility has been or will be certified as a Qualifying Facility pursuant to the rules and regulations of the Florida Public Service Commission (FPSC) or the Federal Energy Regulatory Commission (FERC). The QF shall maintain the qualifying status of the Facility throughout the term of the interconnection.

2. Construction Activities

The QF shall provide the Company with written instructions to proceed with construction of the interconnection facilities as described in this Agreement at least 24 months prior to the date on which the facilities shall be completed. The Company agrees to complete the interconnection facilities as described in this Agreement within 24 months of receipt of written instructions to proceed.

Upon the parties' agreement as to the appropriate interconnection design requirements, and upon receipt of written instructions to proceed from the QF, the Company shall design and perform or cause to be performed all of the work necessary to interconnect the Facility with the Company's system.

The QF agrees to pay the Company all expenses incurred by the Company to design, construct, operate, maintain and repair the interconnection facilities necessary for integration of the Facility into the Company's electrical system. If, within five (5) years from the date of interconnection, the Company provides electric service from these facilities, to an industrial customer whose load requires such facilities, the Company agrees to refund to the QF an amount equal to the Net Book value of the common facilities originally constructed for the sole purpose of interconnection with the QF.

The QF agrees to pay the costs for complete interconnection work payable in 36 monthly installments, plus interest on the outstanding balance calculated at the 30-day highest grade commercial paper rate in effect 30 days prior to the date each payment is due, with the first such installment payment being due 30 days after the Company notifies the QF that such interconnection work has been completed.

In the event the QF notifies the Company in writing to cease interconnection work before its completion, the QF shall be obligated to reimburse the Company for the interconnection costs incurred up to the date such notification is received. Payments shall be made within 30 days of the Company rendering of a statement for cost incurred.

3. Cost Estimates

Attached hereto as Exhibit A and incorporated herein by this reference, is a document entitled, "QF Interconnection Cost Estimates." The parties agree that the cost of the interconnection work contained in Exhibit A is a good faith estimate of the actual cost to be incurred and neither party shall be bound by the amount shown therein.

4. Technical Requirements and Operations

The parties agree that the QF's interconnection with, and delivery of electricity into, the Company's system must be accomplished in accordance with the provisions of Exhibit B entitled "General Standards for Safety and Interconnection" contained in Rule 25-17.87, adopted by the FPSC in Order No. 12443, Docket 820406-EU, attached to, and made a part of this Agreement.

The QF agrees to require that the Facility operator immediately notify the Company's System Dispatcher by telephone in the event hazardous or unsafe conditions associated with the parties' parallel operations are discovered. If such conditions are detected by the Company, then the Company will likewise immediately contact the operator of the Facility by telephone. Each party agrees to immediately take whatever appropriate corrective action is necessary to correct the hazardous or unsafe conditions.

To the extent the Company reasonably determines the same to be necessary to ensure the safe operation of the Facility or to protect the integrity of the Company's system, the QF agrees to reduce power generation or take other appropriate actions.

5. Interconnection Facilities

The interconnection facilities shall include the items included in Exhibit C, which is made an integral part of this Agreement.

Interconnection facilities on the Company's side of the ownership line with the QF shall be owned, operated, maintained and repaired by the Company. The QF shall be responsible for the cost of designing, installing, operating and maintaining the interconnection facilities on the QF's side of the ownership line as indicated in Exhibit C. The QF shall be responsible for establishing and maintaining controlled access by third parties to the interconnection facilities.

6. Maintenance and Repair Payments

The Company will separately invoice the QF monthly for all costs associated with the operation, maintenance and repair of the interconnection facilities. A charge of approximately \$2,450.00 dollars per month shall be made to the QF for such costs. The monthly charge shall be adjusted annually, commencing June 1, 1987, and computed at the then existing fixed charge rate for operation and maintenance. The QF agrees to pay the Company within 20 days of receipt of each such invoice.

7. Site Access

In order to help ensure the continuous, safe, reliable and compatible operation of the Facility with the Company's system, the QF hereby grants to the Company for the period of interconnection the reasonable rights of ingress and egress, consistent with the safe operation of the Facility, over property owned or controlled by the QF to the extent the Company deems such ingress and egress necessary in order to examine, test, calibrate, coordinate, operate,

maintain or repair any interconnection equipment involved in or associated with the parallel operation of the Facility and the Company's system, including the Company's metering equipment.

8. Construction Responsibility

In no event shall any Company statement, representation, or lack thereof, either express or implied, relive the QF of its exclusive responsibility for the Facility. Specifically, any Company inspection of the Facility shall not be construed as confirming or endorsing the Facility's design or its operation or maintenance procedures not as a warranty or guarantee as to the safety, reliability, or durability of the Facility's equipment. The Company's inspection, acceptance, or its failure to inspect shall not be deemed an endorsement of any Facility equipment or procedure.

9. Insurance and Indemnity

The QF shall deliver to the Company at least fifteen days prior to the start of any interconnection work, a certified copy or duplicate original of a liability insurance policy issued by a reputable insurance company authorized to do business in the State of Florida, jointly protecting and indemnifying the QF and the Company, their officers, employees, and representatives, against all liability and expense on account of claims and suits for injuries or damages to persons or property arising out of the interconnection to the QF, or caused by operation of any of the QF's equipment or by the QF's failure to maintain the Facility's equipment in satisfactory and safe operating conditions, or otherwise arising out of the performance by the QF or the Company of the terms and conditions of this Agreement. The Company shall be included as an additional insured on the QF's policy.

The policy providing such coverage shall provide comprehensive general liability insurance, including property damage, but in an amount not less than \$1,000,000 for each occurrence. In addition, the above required policy shall be endorsed with a provision whereby the insurance company will notify the Company within thirty days prior to the effective date of cancellation or a material change in policy. The QF shall pay all premiums and other charges due on said policy in force during the entire period of interconnection with the Company.

The QF agrees to indemnify and save harmless the Company, its subsidiaries, and their respective employees, officers, and directors against any and all liability, loss, damage, cost, or expense which the Company, its subsidiaries, and their respective employees, officers, and directors may hereafter incur, suffer or be required to pay by reason of negligence on the part of the QF in performing its obligations pursuant to this Agreement or the QF's failure to abide by the provision of this Agreement. The Company agrees to indemnify and save harmless the QF against any and all liability, loss, damage, cost or expense which the QF may hereafter incur, suffer, or be required to pay by reason of negligence on the part of the Company in performing its obligations pursuant to this Agreement or the Company's failure to abide by the provisions of this Agreement.

10. Default

The Company may declare the QF to be in default at any time the Company deems the QF to have failed to comply with the terms of this agreement. The Company shall give the QF written notice of the default, giving the QF fifteen (15) days from the date of said notice in which to cure the default. If the

default has not been cured within said fifteen (15) days, the Company may deem this agreement to be terminated and may disconnect its facilities from those of the QF.

11. Electric Service to the QF

The Company will provide the class or classes of electric service requested by the QF, to the extent that they are consistent with applicable tariffs, provided, however, that interruptible service will not be available under circumstances where interruptions would impair the QF's ability to generate and deliver electricity to the Company.

12. Applicable Law

This Agreement shall be governed by and construed in accordance with the laws of the State of Florida.

13. Survival of Agreement

This Agreement as may be amended from time to time, shall be binding and inure to the benefit of the Parties' respective successors-in-interest and legal representatives.

14. Complete Agreement and Amendments

All previous communications or agreements between the parties, whether verbal or written, with reference to the subject matter of this Agreement are hereby abrogated. No amendment or modification to this Agreement shall be binding unless it shall be set forth in writing and duly executed by both parties to this Agreement.

15. Notification

For purpose of making emergency or any communications relating to the operation of the Facility, under the provisions of this Agreement, the parties designate the following people for notification:

For Gulf: Mansur K. Stevens

P. O. Box 1151

Pensacola FL 32520

Phone: (904) 444-6517

For QF: _____

Phone: _____

IN WITNESS WHEREOF, the QF and the Company executed this Agreement this _____ day of _____, .

ATTEST:

GULF POWER COMPANY

Bennie S. Sprinkle
Secretary

Earl B. Passour Jr.
Vice President

Date: 4/10/87

ATTEST:

QUALIFYING FACILITY

Witness as to QF

By: Jan W. Bally
Title: Vice President BEM
Official Capacity

Witness as to QF

Date: 4/22/87

"QF INTERCONNECTION COST ESTIMATES"

<u>ITEM</u>	<u>COST</u>
1. Site and Preparation	\$ 69,000
2. Switch House, Conduit, Grounding	\$171,000
3. Hi-side Switches	\$ 65,000
4. Hi-side Circuit Switches	\$ 60,000
5. Power Transformer	\$297,000
6. Feeder Bay	\$120,000
7. Interconnection Protection	\$100,000
8. Transmission Dead-end	\$ 24,000
 	<hr/>
TOTAL	<u>\$906,000</u>

EXHIBIT "B"

PART VII
GENERAL STANDARDS FOR
SAFETY AND INTERCONNECTION
OF COGENERATION AND SMALL POWER PRODUCTION FACILITIES
TO THE ELECTRIC UTILITY SYSTEM

7.0 GENERAL

7.0.1 PURPOSE. The purpose of these standards is to provide a fair and equitable method for Customers who have generators to interconnect with the Company and to promote the development and use of renewable resources in an economical manner. All interconnections are to comply with the statutes, ordinances, codes, rules and regulations of all Governmental units, bodies and agencies.

These guidelines include the minimum engineering, operating, and protective requirements for safe and reliable operation of both the Company's system and the Customer's system. These standards provide a uniform policy to be used, but the Company will review each interconnection separately for specific needs according to the particular set of conditions and situations involved in each case.

7.0.2 RESPONSIBILITY. It will be the responsibility of the Customer requesting the interconnection to design and install an adequate protection and control system to meet:

- (a) The requirements of this policy;
- (b) All applicable electrical and safety standards and codes; and
- (c) The criteria of all licensing authorities.

ISSUED BY: E. L. Addison, President
EFFECTIVE: January 29, 1982

7.0.3 REQUIREMENTS. These standards include such items as:

- Personal safety
- Responsibility and Liability
- Protection and operation
- Quality of service
- Metering
- Cost Responsibility

If an installation fails to meet any requirement herein, the Company may refuse to connect or reconnect the installation. The Company reserves the right to alter the requirements herein by special agreement to ensure safe and acceptable operation of its distribution system and service to other customers.

A Customer shall not operate electric generating equipment in parallel with the Company's electric system without the prior written consent of the Company.

7.0.4 APPLICATION FOR INTERCONNECTION. Formal application for interconnection shall be made by the Customer prior to the installation of any generation related equipment. This application shall be accompanied by the following:

- (a) Physical layout drawings, including dimensions;
- (b) All associated equipment specifications and characteristics including, but not limited to, technical parameters, ratings, basic impulse levels, electrical main one-line diagrams, schematic diagrams, system protections, frequency, voltage, current and interconnection distance;

- (c) Functional and logic diagrams, control and meter diagrams, conductor sizes and length, and any other relevant data which might be necessary to understand the proposed system and to be able to make a coordinated system;
- (d) Power requirements in watts and vars;
- (e) Expected radio-noise, harmonic generation and telephone interference factor;
- (f) Synchronizing methods; and
- (g) Operating/instruction manuals.

Any subsequent change in the system must also be submitted for review and written approval prior to actual modification.

The above mentioned review, recommendations and approval by the Company do not relieve the Customer from the complete responsibility for the adequate engineering design, construction and operation of the Customer's equipment and for any liability for injuries to property or persons associated with any failure to perform in a proper and safe manner for any reason.

7.1 PERSONNEL SAFETY

7.1.1 GENERAL. The foremost concern is safety. It must be recognized that the Company's electrical system and the electrical system of the Customer will interact through interconnection of the Customer's generation system.

Adequate protection and safe operational procedures must be followed by the joint system. The Customer shall be required

to furnish, install, operate and maintain in good order and repair, and be solely responsible for, without cost to the Company, all facilities required for the safe operation of the generation system in parallel with the Company's system.

The Customer shall permit the Company's employees to enter upon his property at any reasonable time for the purpose of inspecting and/or testing the Customer's equipment, facilities or apparatus. Such inspections shall not relieve the Customer from his obligation to maintain his equipment in safe and satisfactory operating condition.

The Company's approval of isolating devices used by the Customer will be required in order to ensure that these will comply with the Company's switching and tagging procedure for safe working clearances.

7.1.2 DISCONNECT SWITCH. A manual disconnecting switch, of the visible load break type, to provide a separation point between the Customer's generation system and the Company's system, shall be required. The Company will specify the location of the disconnect switch. The switch shall be mounted separate from the meter socket and shall be readily accessible to the Company and be capable of being locked in the open position with a Company padlock. The Company reserves the right to open the switch (i.e. isolating the Customer's generation system) without prior notice to the Customer.

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Any of the following conditions shall be cause for disconnection:

- (a) Company system emergencies and/or maintenance requirements determined by the Company;
- (b) Hazardous conditions existing on the Customer's generating or protective equipment as determined by the Company;
- (c) Adverse effects of Customer's generation to the Company's other electric consumers and/or system as determined by the Company;
- (d) Failure of Customer to maintain any required insurance, or;
- (e) Failure of Customer to comply with any existing or future regulations, rules, orders or decisions of any governmental or regulatory authority having jurisdiction over the Customer's electric generating equipment or the operation of such equipment.

7.1.3 RESPONSIBILITY AND LIABILITY. The Company shall be responsible for Company owned facilities. The Customer shall likewise be responsible for the Customer's entire system, ensuring adequate safeguards for other Customers, Company personnel and equipment and for the protection of his own generation system. The Customer shall indemnify and save the Company harmless from any and all claims, demands, costs, or expenses for loss, damage, or injury to persons or property (including the Customer's generation system and the Company's system) caused by, arising out of, or resulting from:

ISSUED BY: E. L. Addison, President
EFFECTIVE: January 29, 1982

- (a) Any act or omission by the Customer, or Customer contractors, agents, servants and employees in connection with the installation or operation of the Customer's generation system or the operation thereof in connection with the Company's system;
- (b) Any defect in, failure of, or fault related to the Customer's generation system;
- (c) Customer's negligence or negligence of Customer's contractors, agents, servants and employees; or
- (d) Any other event or act that is the result of, or proximately caused by the Customer or the Customer's facilities.

7.1.4 INSURANCE. It is understood and agreed that the Customer will deliver to the Company, at least fifteen days prior to the start of any interconnection work a certified copy or duplicate original of a liability insurance policy issued by a reputable insurance company authorized to do business in the State of Florida, jointly protecting and indemnifying the Customer and the Company, its officers, employees, and representatives against all liability and expense on account of claims and suits for injuries or damages to persons or property arising out of the interconnection to the Customer, or caused by operation of any of the Customer's equipment or by the Customer's failure to maintain the Customer's equipment in satisfactory and safe operating condition.

The policy providing such coverage shall provide public liability insurance, including property damage, in an amount not less than \$300,000 for each occurrence. More insurance may be required as deemed necessary by the Company. In addition, the above required policy shall be endorsed with a provision whereby the insurance company will notify the Company thirty days prior to the effective date of cancellation or material change in the policy.

The Customer agrees to pay all premiums and other charges due on said policy and keep said policy in force during the entire life of this contract.

7.2 PROTECTION AND OPERATION

7.2.1 GENERAL. The protection and operation of the interconnection between the Customer's generation system and the Company's distribution and transmission system depends on the size, type and location of the facility within the Company's electric system. It will be the responsibility of the Customer to provide all devices necessary to protect the Customer's equipment from damage by the abnormal conditions and operations which occur on the Company's system that result in interruptions and restorations of service by the Company's equipment and personnel. The Customer shall protect its generator and associated equipment from:

- (a) Overvoltage;
- (b) Undervoltage;
- (c) Overload;

ISSUED BY: E. L. Addison, President

EFFECTIVE: Bills Rendered for Meter Readings on and after December 15, 1994

GULF POWER COMPANY

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First Revised Sheet No. 4.36
Canceling Original Sheet No. 4.75

- (d) Short circuits (including ground fault condition);
- (e) Open circuits;
- (f) Phase unbalance and reversal;
- (g) Over or under frequency condition;
- (h) Other injurious electrical conditions that may arise on the Company's system; and
- (i) Any reclose attempt by the Company.

The Company reserves the right to perform such tests as it deems necessary to ensure safe and efficient protection and operation of the Customers's facilities.

7.2.2 LOSS OF SOURCE. The Customer shall provide, or the Company will provide at the Customer's expense, approved protective equipment necessary to immediately, completely, and automatically disconnect the Customer-owned generation from the Company's system in the event of a fault on the Company's system, a fault on the Customer's system, or loss of source on the Company's system. Disconnection must be completed within the time specified by the Company in its standard operating procedure for its electric system for loss of source on the Company's system. This automatic disconnecting device may be of the manual or automatic reclose type and shall not be capable of reclosing until after service is restored by the Company. The type and size of the device shall be approved by the Company depending upon the installation. Adequate test data or technical proof that the device meets the above criteria must be supplied by the Customer to the

Company. The Company will endeavor to approve a device that will perform the above functions at minimal capital and operating costs to the Customer.

7.2.3 COORDINATION AND SYNCHRONIZATION. The Customer shall be responsible for coordination and synchronization of the Customer's equipment with the Company's electrical system, and assumes all responsibility for damage that may occur from improper coordination or synchronization of the generator with the Company's system. Details of frequency and voltage synchronization can be found in the Quality of Service section of these rules.

7.2.4 ELECTRICAL CHARACTERISTICS. Single phase generator interconnections with the Company are permitted at power levels up to 20 KW. For power levels exceeding 20 KW, a three phase balanced interconnection will normally be required. For the purpose of calculating connected generation, 1 horsepower equals 1 kilowatt. The Customer shall interconnect with the Company at the voltage of the available distribution or transmission line of the Company for the locality of the interconnection, and shall utilize one of the standard connections (single phase, three phase, wye, delta).

The Company reserves the right to require a separate transformation and/or service for a Customer's generation system, at the Customer's expense. The Customer shall bond all neutrals of the Customer's system

GULF POWER COMPANY

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First Revised Sheet No. 4.38
Cancelling Original Sheet No. 4.32

to the Company's neutral, and shall install a separate driven ground with a resistance value which should be determined by the Company and bond this ground to the Customer's system neutral.

7.2.5 EXCEPTIONS. Customer generators having capacity ratings that can:

1. Produce power in excess of 1/2 of the minimum customer requirements of the interconnected distribution or transmission circuit;
2. Produce power flows approaching or exceeding the thermal capacity of the connected Company distribution and transmission lines or transformers;
3. Adversely affect the operation of the Company or other customer's voltage, frequency or overcurrent control and protection devices;
4. Adversely affect the quality of service to other customers;
5. Interconnect at voltage levels greater than distribution voltages;

will require more complex interconnection facilities as deemed necessary by the Company.

7.3 QUALITY OF SERVICE

7.3.1 GENERAL. It is the policy of the Company to allow only those interconnections which can be achieved without reducing the quality of service to other customers and to disconnect such interconnections should unforeseen difficulties arise which impair quality of service.

The Customer's generation system must be of sound engineering design, of quality workmanship, shall have safe and reliable operating characteristics, shall meet all applicable codes, and shall be approved by all Governmental authorities having jurisdiction. The system shall be designed or approved by a licensed and registered electrical engineer of the State of Florida. The Company reserves the right to perform such tests as it deems necessary to ensure the quality of service. The quality of the Customer's generated electricity shall meet the following minimum guidelines:

- 7.3.2 FREQUENCY. The governor control on the prime mover shall be capable of maintaining the generator output frequency within limits for loads from no-load up to rated output. The limits for frequency shall be 60 hertz (cycles per second) plus or minus, an instantaneous variation of less than 1%.
- 7.3.3 VOLTAGE. The regulator control shall be capable of maintaining the generator output voltage within limits for loads from no-loads up to rated output. The limits for voltage shall be the nominal operating voltage level, plus or minus 5%.
- 7.3.4 HARMONICS. The output sine wave distortion shall be deemed acceptable when it does not have a higher content (root mean square) of harmonics than the Company's normal harmonic content at the interconnection point.

ISSUED BY: E. L. Addison, President
EFFECTIVE: January 29, 1982

7.3.5 POWER FACTOR. The Customer's generation system shall be designed, operated and controlled to provide reactive power requirements from 0.85 lagging to 0.85 leading power factor. Induction generators shall have static capacitors that provide at least 85% of the magnetizing current requirements of the induction generator field. (Capacitors shall not be so large as to permit self-excitation of Customer's generator field).

7.3.6 DC GENERATORS. Direct current generators may be operated in parallel with the Company's system through a synchronous inverter. The inverter must meet all criteria in these rules.

7.4 METERING

The actual metering equipment required, its voltage rating, number of phases, size, current transformers, potential transformers, number of inputs and associated memory is dependent on the type, size and location of the electric service provided. In situations where power may flow both in and out of the Customer's system, power flowing into the Customer's system will be measured separately from power flowing out of the Customer's system.

The Company will provide, at no additional cost to the Customer, the metering equipment necessary to measure capacity and energy deliveries to the Customer. The Company will provide, at the Customer's expense, the necessary additional metering equipment to measure energy deliveries by the Customer to the Company.

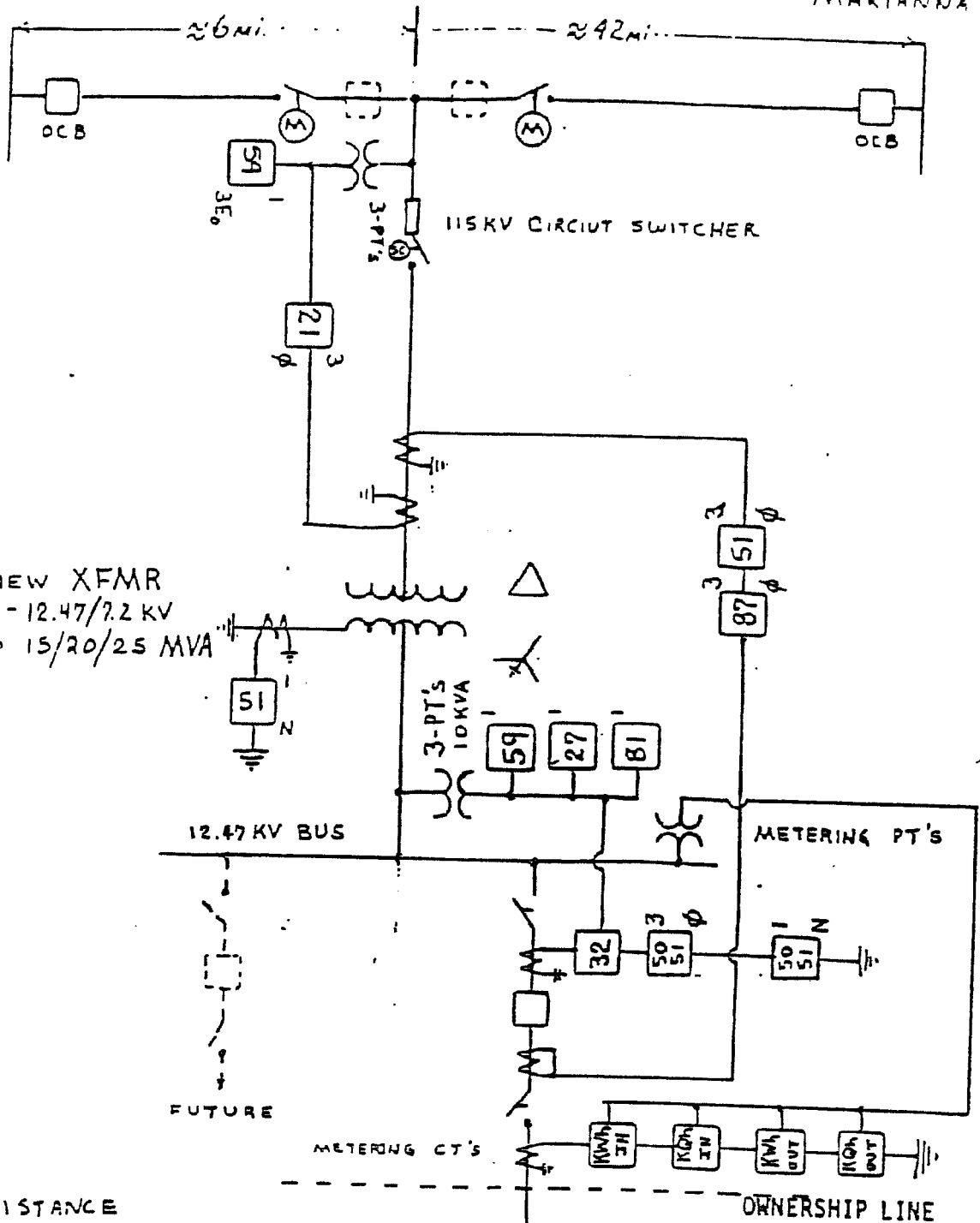
7.5 COST RESPONSIBILITY

The Customer is required to bear all costs associated with protective devices, transformers, lines, services, meters, switches, and associated equipment and devices beyond that which would be required to provide normal service to the Customer if no cogeneration were involved. These costs shall be paid by the Customer to the Company for all material and labor that is required. The Company shall supply the Customer with a written cost estimate of all its required materials and labor prior to any work being done. The Company shall also provide project timing and feasibility information to the Customer. The cost of meters and metering equipment may be paid at the time of interconnection or through the monthly customer charge.

Billing and/or payment for cogenerated electricity shall be in accordance with tariffs or contracts (as applicable) filed with and accepted by the FPSC. All such tariffs and contracts shall comply with the guidelines set forth by the FPSC in accordance with the requirements of the Public Utility Regulatory Policies Act.

HIGHLAND CITY

MARIANNA



- 21 - DISTANCE
- 27 - UNDERVOLTAGE
- 59 - OVER VOLTAGE
- 50 - INSTANTANEOUS OVERCURRENT
- 51 - TIME OVERCURRENT
- 87 - DIFFERENTIAL
- 81 - UNDER/OVER FREQUENCY
- 32 - REVERSE POWER

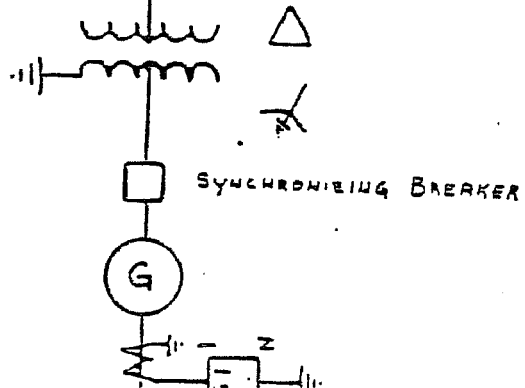


EXHIBIT "B"

EXHIBIT B**GULF POWER COMPANY
Energy Price Comparison
\$/MWh**

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Territorial Energy ⁽¹⁾	78.23	79.47	74.81	74.42	75.47	82.25
Negotiated Contract Energy	72.50	72.50	72.50	72.50	75.00	75.00
Difference	5.73	6.97	2.31	1.92	0.47	7.25

(1) Gulf's Average Hourly Projected Territorial Energy Prices of August 2008