FILED JUL 09, 2015
DOCUMENT NO. 04283-15
FPSC - COMMISSION CLERK

State of Florida

Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: July 9, 2015

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Engineering (Matthews)
Office of the General Counsel (Corbari)

RE: Docket No. 150101-EQ – Petition for approval of standard offer for purchase of firm capacity and energy from renewable energy facilities and approval of tariff schedule REF-1, by Gulf Power Company.

AGENDA: 7/21/15 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: Staff recommends the Commission simultaneously consider Docket Nos. 150101-EQ, 150104-EQ, 150105-EQ, and 150106-EQ.

Case Background

Section 366.91(3), Florida Statutes (F.S.) requires that each investor-owned utility (IOU) continuously offers to purchase capacity and energy from renewable energy generators. Commission Rules 25-17.200 through 25-17.310, Florida Administrative Code (F.A.C.), implement the statute and require each IOU to file with the Commission by April 1 of each year, a standard offer contract based on the next avoidable fossil fueled generating unit of each technology type identified in the utility's current Ten-Year Site Plan. On April 1, 2015, Gulf Power Company (Gulf) filed a petition for approval of its standard offer contract and associated rate schedule REF-1 based on its 2015 Ten-Year Site Plan. The Commission has jurisdiction over this standard offer contract pursuant to Sections 366.04 through 366.06 and 366.91, F.S.

Discussion of Issues

Issue 1: Should the Commission approve the revised standard offer contract filed by Gulf Power Company?

Recommendation: Yes. The provisions of the revised standard offer contract and related rate schedule conform to all requirements of Rules 25-17.200 through 25-17.310, F.A.C. The revised standard offer contract provides flexibility in the arrangements for payments so that a developer of renewable generation may select the payment stream best suited to its financial needs. Staff recommends that the revised standard offer contract and related rate schedule REF-1 submitted by Gulf be approved as filed. (Matthews)

Staff Analysis: Rule 25-17.250, F.A.C., requires that Gulf, an IOU, continuously makes available a standard offer contract for the purchase of firm capacity and energy from renewable generating facilities (RF) and small qualifying facilities (QF) with design capacities of 100 kilowatts (kW) or less. Pursuant to Rule 25-17.250(1) and (3), F.A.C., the standard offer contract must provide a term of at least 10 years, and the payment terms must be based on the utility's next avoidable fossil-fueled generating unit identified in its most recent Ten-Year Site Plan or, if no avoided unit is identified, its next avoidable planned purchase.

Gulf has identified a natural gas-fired facility consisting of four combustion turbine (CT) units totaling 866 MW, as its next planned fossil-fueled generating unit in its 2015 Ten-Year Site Plan. The projected in-service date of this facility is June 1, 2023.

The RF/QF operator may elect to make no commitment as to the quantity or timing of its deliveries to Gulf, and to have a committed capacity of zero (0) MW. Under such a scenario, the energy is delivered on an as-available basis and the operator receives only an energy payment. Alternatively, the RF/QF operator may elect to commit to certain minimum performance requirements based on the identified avoided unit, such as being operational and delivering an agreed upon amount of capacity by the in-service date of the avoided unit, and thereby becomes eligible for capacity payments in addition to payments received for energy. The standard offer contract can also serve as a starting point for negotiation of contract terms by providing payment information to an RF/QF operator, in a situation where one or both parties desire particular contract terms other than those established in the standard offer.

In order to promote renewable generation, the Commission requires the IOU to offer multiple options for capacity payments, including the options to receive early or levelized payments. If the RF/QF operator elects to receive capacity payments under the normal or levelized contract options, it will receive as-available energy payments only until the in-service date of the avoided unit (in this case June 1, 2023), and thereafter begin receiving capacity payments in addition to the energy payments. If either the early or early levelized option is selected, then the operator will begin receiving capacity payments earlier than the in-service date of the avoided unit. However, payments made under the early capacity payments options tend to be lower in the later years of the contract term because the net present value (NPV) of the total payments must remain equal for all contract payment options.

Table 1 estimates the annual payments for each payment option available under the revised standard offer contract to an operator with a 50 MW facility operating at a capacity factor of 95 percent, which is the minimum capacity factor required under the contract to qualify for full capacity payments. Normal and levelized capacity payments begin in 2023, reflecting the projected in-service date of the avoided unit (June 1, 2023).

Table 1 – Estimated Annual Payments to a 50 MW Renewable Facility (95% Capacity Factor)

Year	Energy Payment	Capacity Payment (By Type)			
		Normal	Levelized	Early	Early Levelized
	$(000)	$(000)	$(000)	$(000)	$(000)
2016	13,024	-		1,223	1,418
2017	14,337	-		1,254	1,425
2018	15,062	-		1,285	1,434
2019	16,115	-		1,318	1,442
2020	16,911	-		1,351	1,451
2021	17,774	-		1,385	1,459
2022	18,472	-		1,420	1,468
2023	19,761	1,599	1,767	1,456	1,478
2024	21,113	2,795	3,043	1,493	1,487
2025	22,052	2,866	3,061	1,531	1,497
2026	23,447	2,939	3,080	1,570	1,507
2027	24,456	3,013	3,099	1,609	1,517
2028	25,781	3,089	3,119	1,650	1,527
2029	27,034	3,167	3,139	1,692	1,538
2030	28,674	3,247	3,160	1,735	1,549
2031	30,188	3,330	3,182	1,778	1,561
2032	31,469	3,414	3,203	1,823	1,572
2033	32,943	3,500	3,226	1,869	1,584
2034	34,938	3,589	3,249	1,917	1,596
2035	36,046	3,679	3,272	1,965	1,609
Total	469,599	40,227	39,600	31,324	30,119
NPV (2016$)	227,276	16,081	16,081	16,081	16,081

The type-and-strike format versions of the revised standard offer contract and associated rate schedule REF-1 are included as Attachment A to this recommendation. All of the changes made to the tariff sheets are consistent with the updated avoided unit. Notable revisions include an updated example of monthly capacity payments, updates to calendar dates, as-available energy costs, and estimated fuel costs.

Conclusion

The provisions of Gulf's revised standard offer contract and associated rate schedule, as filed on April 1, 2015, conform to all requirements of Rules 25-17.200 through 25-17.310, F.A.C. The revised standard offer contract provides flexibility in the arrangements for payments so that a developer of renewable generation my select the payment stream best suited to its financial needs. Staff recommends that Gulf's revised standard offer contract and related rate schedule REF-1 be approved as filed.

***Issue 2*:** Should this docket be closed?

***Recommendation*:** Yes. This docket should be closed upon issuance of a consummating order, unless a person whose substantial interests are affected by the Commission's decision files a protest within 21 days of the issuance of the Commission's Proposed Agency Action Order. Potential signatories should be aware that, if a timely protest is filed, Gulf's standard offer contract may subsequently be revised. (Corbari)

***Staff Analysis*:** This docket should be closed upon the issuance of a consummating order, unless a person whose substantial interests are affected by the Commission's decision files a protest within 21 days of the issuance of the Commission's Proposed Agency Action Order. Potential signatories should be aware that, if a timely protest is filed, Gulf's standard offer contract may subsequently be revised.

GULF POWER
A SOUTHERN COMPANY

Section No. IX
Fourth Revised Sheet No. 9.97
Canceling Third Revised Sheet No. 9.97

STANDARD OFFER CONTRACT FOR PURCHASE OF FIRM CAPACITY AND ENERGY FROM A RENEWABLE ENERGY FACILITY OR SMALL QUALIFYING FACILITY

("RENEWABLE STANDARD OFFER CONTRACT")

PAGE	EFFECTIVE DATE
1 of 18	July 17, 2014

THIS AGREEMENT is made and entered into this _____ day of ______________, ______ by and between ________________________________, hereinafter referred to as the "Seller"; and Gulf Power Company, a corporation, hereinafter referred to as the "Company". The Seller and the Company shall collectively be referred to herein as the "Parties".

WITNESSETH:

WHEREAS, for purposes of this contract, the term "Renewable Energy Facility" means a facility that produces electrical energy from one or more of the sources stated in Florida Public Service Commission (FPSC) Rule 25-17.210 (1), Florida Administrative Code (F.A.C.), and the term "Small Qualifying Facility" means a facility with a design capacity of 100 KW or less as defined in FPSC Rule 25-17.080, F.A.C., thus, both "Renewable Energy Facility" and "Small Qualifying Facility" are herein referred to as "Facility"; and

WHEREAS, the Seller desires to sell, and the Company desires to purchase, firm capacity and energy to be generated by the Facility, such sale and purchase to be consistent with FPSC Rules 25-17.080 through 25-17.091; and

WHEREAS, the Seller, in accordance with FPSC Rule 25-17.087, F.A.C., has entered into an interconnection agreement with the utility that the Facility is directly interconnected, attached hereto as Appendix A; and

WHEREAS, the FPSC has approved the following standard contract for use in the acceptance of the Company's standard offer for the purchase of firm capacity and energy from Facilities.

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

ISSUED BY: S. W. Connally, Jr.

GULF POWER
A SOUTHERN COMPANY

Section No. IX
Second Revised Sheet No. 9.98
Canceling First Revised Sheet No. 9.98

PAGE	EFFECTIVE DATE
2 of 18	July 17, 2014

(Continued from Standard Offer Contract, Sheet No. 9.97)

1. Facility

The Seller either contemplates installing and operating or has installed and is operating a Facility comprised in whole or in part of the following generator units located at ____
____:

Unit	Description (Type)	Initial In-Service Date	KVA Nameplate Rating	KW Output Rating	Fuel Source Primary	Fuel Source Secondary
______	______	______	______	______	______	______
______	______	______	______	______	______	______
______	______	______	______	______	______	______
______	______	______	______	______	______	______
______	______	______	______	______	______	______
______	______	______	______	______	______	______

ISSUED BY: S. W. Connally, Jr.

(Continued from Standard Offer Contract, Sheet No. 9.98)

The entire Facility, whether comprised in whole or in part of the generator units set forth above, is designed to produce a maximum of __________ kilowatts (KW) of electric power at an 85% power factor.

2. Term of the Agreement

This Agreement shall begin immediately upon its execution and the contemporaneous payment by the Seller to the Company of a completion security deposit in the amount of $20.00 times each KW of nameplate capacity of the Facility's generator unit(s). This Agreement shall end at 12:01 A.M., ________________, 20_____ (date specified shall be no earlier than May 31, 2033).

Notwithstanding the foregoing, if construction and commercial operation of the Facility are not accomplished before June 1, 2023, the Company's obligations to the Seller under this Agreement shall be considered to be of no force and effect. The Company shall be entitled to retain and use the funds required by the Company as a completion security deposit under this section of the Agreement.

At the election of the Seller, the completion security deposit may be phased in such that one half of the total deposit due is paid upon contract execution and the remainder is to be paid within 12 months after contract execution. If the Seller elects to phase in payment of the completion security deposit due under this paragraph, the effective date of the contract shall be the date of execution provided, however, that the Company shall have no further obligation to the Seller if either installment of the completion security deposit is not timely received by the Company.

ISSUED BY: S. W. Connally, Jr.

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A SOUTHERN COMPANY

Section No. IX
Fourth Revised Sheet No. 9.100
Canceling Third Revised Sheet No. 9.100

PAGE	EFFECTIVE DATE
4 of 18	July 10, 2014

(Continued from Standard Offer Contract, Sheet No. 9.99)

Depending on the nature of the Facility's operation, financial health and solvency, and its ability to meet the terms and conditions of this Agreement, one of the following, at the Company's discretion in accordance with the provisions of Schedule REF-1, may be used as an alternative to a cash deposit as a means of securing the completion of the project in accord with this Agreement:

(a) an unconditional, irrevocable direct pay letter; or

(b) surety bond; or

(c) other means acceptable to the Company.

In the case of a governmental solid waste facility, pursuant to FPSC Rule 25-17.091, F.A.C., the following will be acceptable to the Company: the unsecured promise of a municipal, county, or state government to pay the actual damages incurred by the Company because the governmental facility fails to come on line prior to June 1, 2023.

The specific completion security vehicle agreed upon by the parties is: ________________

____

____

(IN ORDER FOR THIS FORM OF CONTRACT TO BE USED TO TENDER ACCEPTANCE OF THE COMPANY'S STANDARD OFFER BY A SELLER OTHER THAN A GOVERNMENTAL SOLID WASTE FACILITY, THE ABOVE LINE MUST SPECIFY CASH DEPOSIT IN THE APPROPRIATE AMOUNT UNLESS THE SELLER HAS SECURED THE PRIOR WRITTEN CONSENT FROM THE COMPANY TO AN ALTERNATIVE COMPLETION SECURITY VEHICLE.)

3. Sale of Electricity by the Facility

The Company agrees to purchase firm capacity and energy generated at the Facility and transmitted to the Company by the Facility. The purchase and sale of firm capacity and energy pursuant to this Agreement shall be in accordance with the following billing methodology (choose one):

( ) Net Billing Arrangement; or

( ) Simultaneous Purchase and Sales Arrangement.

ISSUED BY: S. W. Connally, Jr.

GULF POWER
A SOUTHERN COMPANY

Section No. IX
Second Revised Sheet No. 9.101
Canceling First Revised Sheet No. 9.101

PAGE	EFFECTIVE DATE
5 of 18	July 17, 2014

(Continued from Standard Offer Contract, Sheet No. 9.100)

The billing methodology chosen above may not be changed except in accordance with and subject to the following provisions of Rules 25-17.082 and 25-17.0832 F.A.C.:

(a) when a Facility selling as-available energy enters into a negotiated contract or standard offer contract for the sale of firm capacity and energy; or

(b) when a firm capacity and energy contract expires or is lawfully terminated by either the Facility or the purchasing utility; or

(c) when the Facility is selling as-available energy and has not changed billing methods within the last twelve months; and

(d) upon at least thirty days advance written notice to the Company;

(e) upon the installation of any additional metering equipment reasonably required to effect the change in billing and upon payment by the Facility for such metering equipment and its installation;

(f) upon completion and approval of any alterations to the interconnection reasonably required to effect the change in billing an upon payment by the Facility for such alterations; and

(g) where the election to change billing methods will not contravene the provisions of Rule 25-17.0832 or the tariff under which the Facility receives electrical service, or any previously agreed upon contractual provision between the Facility and the Company.

4. <u>Payment for Electricity Produced by the Facility</u>

4.1 <u>Energy</u>

The Company agrees to pay the Seller for energy the Facility produces and delivers for sale to the Company. The purchase and sale of energy pursuant to this Agreement shall be in accordance with the rates and procedures contained in Paragraph B of the **RATES FOR PURCHASES BY THE COMPANY** section of Schedule REF-1 as it exists at the time this Agreement is properly submitted by the Seller to the Company as tendered acceptance of the Company's Standard Offer.

ISSUED BY: S. W. Connally, Jr.

GULF POWER
A SOUTHERN COMPANY

Section No. IX
Fourth Revised Sheet No. 9.102
Canceling Third Revised Sheet No. 9.102

PAGE	EFFECTIVE DATE
6 of 18	July 10, 2014

(Continued from Standard Offer Contract, Sheet No. 9.101)

For all energy delivered by the Facility to the Company, the Seller elects to be paid pursuant to the method described in:

_____ Paragraph B (1), or

_____ Paragraph B (3)(b),

and (if applicable);

_____ Paragraph B (2), or

_____ Paragraph B (3)(a)

of the **RATES FOR PURCHASES BY THE COMPANY** section of Schedule REF-1. If the Seller elects any payment method under Paragraph B (3), the details underlying the derivation of the associated energy payments will be described in an exhibit to this Standard Offer Contract. The Company will provide the Seller an energy payment schedule for the elected payment method within thirty (30) days after receipt of a Seller's request for such information.

4.2 Capacity

4.2.1 Anticipated Committed Capacity. The Facility is expected to deliver approximately ______ kilowatts of capacity, beginning on or about ______________, 20_____. (Date specified may not be later than June 1, 2023.)

The Facility may finalize its Committed Capacity (CC) after initial facility testing, and specify when capacity payments are to begin, by completing Paragraph 4.2.2 at a date subsequent to the execution of this Agreement by the parties. However, the Seller must complete Paragraph 4.2.2 before June 1, 2023 in order to be entitled to any capacity payments pursuant to this Agreement. The final Committed Capacity set forth in Paragraph 4.2.2 shall not exceed plus or minus ten percent of the above estimate. The date specified in Paragraph 4.2.2 as the date on which capacity payments shall begin shall be no earlier than the date specified above, nor any later than June 1, 2023.

ISSUED BY: S. W. Connally, Jr.

GULF POWER
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Section No. IX
~~Seventh~~ Eighth Revised Sheet No. 9.103
Canceling ~~Sixth~~ Seventh Revised Sheet No. 9.103

PAGE	EFFECTIVE DATE
7 of 18	~~July 10, 2014~~

(Continued from Standard Offer Contract, Sheet No. 9.102)

4.2.2 Actual Committed Capacity. The capacity committed by the Facility (Committed Capacity or CC) for the purposes of this Agreement is ______ kilowatts beginning ________________, _______. The Seller is committing this amount of capacity based on its agreement and commitment that this capacity will maintain an Equivalent Availability Factor (EAF) of 95%. The EAF will be based on the economic operation of a combustion turbine generating facility (Avoided Unit) that Gulf has designated as the Avoided Unit for purposes of the Standard Offer. The Seller elects to receive, and the Company agrees to commence calculating, capacity payments in accordance with this Agreement starting with the first billing month following the date specified in this paragraph as the date on which capacity sales under this Agreement will begin.

4.2.3 Capacity Payments. The Seller chooses to receive capacity payments from the Company under Option ________ or ________ a customized payment stream as described in the Company's Schedule REF-1 of the Company Tariff for Retail Electric Service as it exists at the time this Agreement is properly submitted by the Seller to the Company as tendered acceptance of the Company Standard Offer. If the customized payment option is chosen by the Seller as the preferred capacity payment option, the details underlying the derivation of such payment stream will be described in an exhibit to this Standard Offer Contract.

The Capacity Payments to be made by the Company to the Seller are based upon the Avoided Unit that the Company has designated for purposes of the Standard Offer. The Capacity Payments to the Seller are based on an avoided gas-fired Combustion Turbine generating facility with the following economic assumptions:

Size: ~~349~~ 866 MW total	Installed Costs (2023): $~~988~~608/kw
Discount Rate: ~~6.39~~6.72%	AFUDC Rate: ~~7.33~~7.84%
Annual Inflation: 2.50%	K-factor: ~~1.3285~~1.3436
Annual Capacity Factor: ~~9.5~~10.5%	Fixed O & M: $~~18.03~~14.17/kw-yr
Equivalent Availability: 95%	Unit Life: 40 years

ISSUED BY: S. W. Connally, Jr.

GULF POWER
A SOUTHERN COMPANY

Section No. IX
Fourth Revised Sheet No. 9.104
Canceling Third Revised Sheet No. 9.104

PAGE	EFFECTIVE DATE
8 of 18	July 10, 2014

(Continued from Standard Offer Contract, Sheet No. 9.103)

The Company agrees it will pay the Seller a capacity payment. This capacity payment will be the product of the Facility's Committed Capacity and the applicable rate from the Seller's chosen capacity payment option in accordance with the Company's Schedule REF-1, as it exists at the time this Agreement is properly submitted by the Seller to the Company as tendered acceptance of the Company's Standard Offer. In the event either: (1) the date specified in Section 2 of this Agreement is later than June 1, 2033; or (2) the date specified in Paragraph 4.2.2 as the date capacity payments are to begin is one other than the dates shown in Schedule REF-1, a payment schedule will be calculated by the Company and attached to this agreement as Exhibit D. Under those circumstances, the payment schedule set forth in Exhibit D will be used in the calculation of capacity payments pursuant to this paragraph. The Company will provide the Seller a capacity payment schedule for the chosen payment method within thirty (30) days after receipt of a Seller's request for such information. The capacity payment for a given month will be added to the energy payment for such month and tendered by the Company to the Seller as a single payment as promptly as possible, normally by the twentieth business day following the day the meter is read.

In October following each performance period, the Company will calculate the availability of the Facility over the most recent twelve month period ending August 31. For purposes of this Agreement, availability means Equivalent Availability Factor (EAF) as defined by the North American Electric Reliability Council Generating Availability Data System (NERC GADS) or its successor's indice. If the availability (EAF) of the Facility is not equal to or greater than 0.95 (95%), then the Seller will repay the Company a portion of the performance period capacity payments as calculated in accordance with the procedure detailed in the **ANNUAL CAPACITY AVAILABILITY FACTOR DETERMINATION** section of Rate Schedule REF-1.

ISSUED BY: S. W. Connally, Jr.

(Continued from Standard Offer Contract, Sheet No. 9.104)

Repayment under this paragraph shall not be construed as a limitation of the Company's right to pursue a claim against the Seller in any appropriate court or forum for the actual damages the Company incurs as a result of non-performance or default.

5. Metering Requirements

Hourly demand recording meters shall be required for each individual generator unit comprising a Facility with a total installed capacity of 100 kilowatts or more. Where the total installed capacity of the facility is less than 100 kilowatts, the Facility may select any one of the following options (choose one):

( ) hourly demand recording meter(s);

( ) dual kilowatt-hour register time-of-day meter(s); or

( ) standard kilowatt-hour meter(s).

Unless special circumstances warrant, meters shall be read at monthly intervals on the approximate corresponding day of each meter reading period.

6. Electricity Production Schedule

During the term of this Agreement, the Seller 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;

(b) Provide the Company, prior to October 1 of each calendar year (January through December), an estimate of the amount of firm capacity and energy to be generated by the Facility and delivered to the Company for each month of the following calendar year including the time, duration and magnitude of any planned outages or reductions in capacity;

(c) Promptly update the yearly generation schedule and maintenance schedule as and when any changes may be determined necessary;

(d) Coordinate its scheduled Facility outages with the Company;

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Section No. IX
Fourth Revised Sheet No. 9.106
Canceling Third Revised Sheet No. 9.106

PAGE	EFFECTIVE DATE
10 of 18	July 10, 2014

(Continued from Standard Offer Contract, Sheet No. 9.105)

(e) Comply with reasonable requirements of the Company regarding day-to-day or hour-by-hour communications between the parties relative to the performance of this Agreement; and

(f) Promptly notify the Company of the Facility's inability to supply any portion of its Committed Capacity. (Failure of the Seller to notify the Company of a known derating or inability to supply its full Committed Capacity from the Facility may, at the sole discretion of the Company, result in a determination of non-performance.)

7. <u>The Seller's Obligation if the Seller Receives Early Capacity Payments</u>

The Seller's payment option choice pursuant to paragraph 4.2.3 may result in payment by the Company for capacity delivered prior to June 1, 2023. The parties recognize that capacity payments received for any period through May 31, 2023, are in the nature of "early payment" for a future capacity benefit to the Company. To ensure that the Company will receive a capacity benefit for which early capacity payments have been made, or alternatively, that the Seller will repay the amount of early payments received to the extent the capacity benefit has not been conferred, the following provisions will apply:

The Company shall establish a Capacity Account. Amounts shall be added to the Capacity Account for each month through May 2023, in the amount of the Company's capacity payments made to the Seller pursuant to the Seller's chosen payment option from Schedule REF-1 or Exhibit D if applicable. The monthly balance in the Capacity Account shall accrue interest at the rate then prevailing for thirty (30) days highest grade commercial paper; such rate is to be determined by the Company thirty days prior to the date of each payment or posting of interest to the account. Commencing on June 1, 2023, there shall be deducted from the Capacity Account an Early Payment Offset Amount to reduce the balance in the Capacity Account. Such Early Payment Offset Amount shall be equal to that amount which the Company would have paid for

ISSUED BY: S. W. Connally, Jr.

(Continued from Standard Offer Contract, Sheet No. 9.106)

capacity in that month if the capacity payment had been calculated pursuant to Option 1 in Schedule REF-1 and the Seller had elected to begin receiving payment on June 1, 2023 minus the monthly capacity payment the Company makes to the Seller pursuant to the capacity payment option chosen by the Seller in paragraph 4.2.3.

The Seller shall owe the Company and be liable for the outstanding balance in the Capacity Account. The Company agrees to notify the Seller monthly as to the current Capacity Account balance. Prior to receipt of early capacity payments, the Seller shall execute a promise to repay any outstanding balance in the Capacity Account in the event of a default pursuant to this Agreement. Such promise shall be secured by means mutually acceptable to the Parties and in accordance with the provisions of Schedule REF-1.

The specific repayment assurance selected for purposes of this Agreement is:

____

____.

Any outstanding balance in the Capacity Account shall immediately become due and payable, in full, in the event of default or at the conclusion of the term of this Agreement. The Seller's obligation to pay the balance in the Capacity Account shall survive termination of this Agreement.

8. Non-Performance Provisions

The Seller shall be entitled to receive a complete refund of the security deposit described in Section 2 of this contract (or in the event an alternative completion security vehicle is in effect, release of that completion security) upon the Facility's achieving commercial in-service status (which, for purposes of this Agreement, shall include the demonstration of capability to perform by actual delivery of firm capacity and energy to the Company) provided that this occurs prior to June 1, 2023 and that said

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GULF POWER
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Section No. IX
Fourth Revised Sheet No. 9.108
Canceling Third Revised Sheet No. 9.108

PAGE	EFFECTIVE DATE
12 of 18	July 10, 2014

(Continued from Standard Offer Contract, Sheet No. 9.107)

commercial in-service status is maintained from the date of initial demonstration to, through and including June 1, 2023. The Seller shall not be entitled to any of its security deposit if the Facility fails to achieve commercial in-service status prior to June 1, 2023 and maintain that status to, through and including said date. Additionally, once construction of the Facility or any additions necessary for the Facility to have the capability to deliver the anticipated Committed Capacity and energy to the Company from the Facility has commenced, the Seller will allow Company representatives to review quarterly the construction progress to provide the Company with a level of assurance that the Facility will be capable of delivering the anticipated Committed Capacity from the Facility on or before June 1, 2023.

Additionally, failure of the Seller to notify the Company of a known derating or inability to supply its full Committed Capacity from the Facility may, at the sole discretion of the Company, result in a determination of non-performance. Upon such determination by the Company, capacity payments to the Seller shall be suspended for a period of time equal to the time of the known derating or inability to supply the full Committed Capacity from the Facility or six months, whichever shall be longer.

9. Default

9.1 Mandatory Default. The Seller shall be in default under this Agreement if: (1) Seller either voluntarily declares bankruptcy or becomes subject to involuntary bankruptcy proceedings; or (2) the Facility ceases all electric generation for either of the Company's peak generation planning periods (summer or winter) occurring in a consecutive 12 month period. For purposes of this Agreement, the Company's summer peak generation planning period shall be May through September and the Company's winter peak generation planning period shall be December through February. The months included in the Company's peak generation planning periods may be changed, at the sole discretion of the Company, upon 12 months prior notice to the Seller.

ISSUED BY: S. W. Connally, Jr.

GULF POWER
A SOUTHERN COMPANY

PAGE	EFFECTIVE DATE
13 of 18	July 10, 2014

(Continued from Standard Offer Contract, Sheet No. 9.108)

9.2 Optional Default. The Company may declare the Seller to be in default if: (1) at any time prior to June 1, 2023 and after capacity payments have begun, the Company has sufficient reason to believe that the Facility is unable to deliver its Committed Capacity; (2) because of a Seller's refusal, inability or anticipatory breach of its obligation to deliver its Committed Capacity after June 1, 2023; or (3) the Company has made three or more determinations of non-performance due to the failure of the Seller to notify the Company of a known derating or inability to supply Committed Capacity during any eighteen month period.

10. General Provisions

10.1 Permits. The Seller hereby agrees to obtain any and all governmental permits, certifications, or other authority the Seller and/or Facility are required to obtain as a prerequisite to engaging in the activities provided for in this Agreement. The Company hereby agrees 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.

10.2 Indemnification. The Seller agrees to indemnify and save harmless the Company, its subsidiaries or affiliates, and their respective employees, officers, and directors, against any and all liability, loss, damage, cost or expense which the Company, its subsidiaries, affiliates, 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 Seller in performing its obligations pursuant to this Agreement or the Seller's failure to abide by the provisions of this Agreement. The Company agrees to indemnify and save harmless the Seller against any and all liability, loss, damage, cost or expense which the Seller 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 provision of this Agreement. The Seller agrees to include the Company as an additional named insured in any liability insurance policy or policies the Seller obtains to protect the Seller's interests with respect to the Seller's indemnity and hold harmless assurances to parties contained in this Section.

ISSUED BY: S. W. Connally, Jr.

(Continued from Standard Offer Contract, Sheet No. 9.109)

The Seller shall deliver to the Company at least fifteen days prior to the delivery of any capacity and energy under this Agreement, a certificate of insurance certifying the Seller's and Facility's coverage under a liability insurance policy issued by a reputable insurance company authorized to do business in the State of Florida, protecting and indemnifying the Seller and the Company as an additional named insured, 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 Seller's and the Facility's performance under or failure to abide by the terms of this Agreement, including without limitation any claims, damages or injuries caused by operation of any of the Facility's equipment or by the Seller's failure to maintain the Facility's equipment in satisfactory and safe operating conditions, or otherwise arising out of the performance by the Seller of the duties and obligations arising under the terms and conditions of this Agreement.

The policy providing such coverage shall provide comprehensive general liability insurance, including property damage, with limits 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 the policy. The Seller shall pay all premiums and other charges required or due in order to maintain such coverage as required under this section in force during the entire period of this Agreement beginning with the initial delivery of capacity and energy to the Company.

10.3 Taxes or Assessments. It is the intent of the parties under this provision that the Seller 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 or capacity from the Facility in lieu of other energy or capacity and that any savings in regards to taxes or assessments be included in the avoided cost payments made to the Seller to the extent

ISSUED BY: S. W. Connally, Jr.

(Continued from Standard Offer Contract, Sheet No. 9.110)

permitted by law. In the event the Company becomes liable for additional taxes, assessments or imposition arising out of its transaction with the Seller under either this agreement or any related interconnection agreement or due to changes in laws affecting the Company's purchases of energy or capacity from the Facility occurring after the execution of this agreement and for which the Company would not have been liable if it had produced the energy and/or constructed facilities sufficient to provide the capacity contemplated under this agreement itself, the Company may bill the Seller monthly for such additional expenses or may offset them against amounts due the Seller from the Company. Any savings in taxes, assessments or impositions that accrue to the Company as a result of its purchase of energy and capacity under this agreement that are not already reflected in the avoided energy or avoided capacity payments made to the Seller hereunder, shall be passed on to the Seller to the extent permitted by law without consequential penalty or loss of such benefit to the Company.

10.4 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 provided, however, that no occurrences 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. The Seller agrees to pay the costs necessary to reactivate the Facility and/or the interconnection with the Company's system if the same are rendered inoperable

ISSUED BY: S. W. Connally, Jr.

(Continued from Standard Offer Contract, Sheet No. 9.111)

due to actions of the Seller, its agents, or force majeure events affecting the Facility or the interconnection with the Company. The Company agrees to reactivate at its own cost the interconnection with the Facility in circumstances where any interruptions to such interconnections are caused by the Company or its agents.

10.5 Assignment. The Seller shall have the right to assign its benefits under this Agreement, but the Seller shall not have the right to assign its obligations and duties without the Company's prior written approval.

10.6 Disclaimer. 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 Seller or any assignee of this Agreement.

10.7 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 Seller:
____
____
____
____
____

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

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

10.9 Severability. If any part of this Agreement, for any reason, be declared invalid, or unenforceable by a pubic 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.

ISSUED BY: S. W. Connally, Jr.

GULF POWER
A SOUTHERN COMPANY

Section No. IX
Third Revised Sheet No. 9.113
Canceling Second Revised Sheet No. 9.113

PAGE	EFFECTIVE DATE
17 of 18	July 17, 2014

(Continued from Standard Offer Contract, Sheet No. 9.112)

10.10 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 and, if required, approved by the FPSC.

10.11 Incorporation of Schedule. The parties agree that this Agreement shall be subject to all of the provisions contained in the Company's published Schedule REF-1 as approved and on file with the FPSC, as the Schedule exists at the time this Agreement is properly submitted by the Facility to the Company as tendered acceptance of the Company's standard offer.

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

11. Environmental Interests

In the event that the Seller decides to sell any or all Renewable Energy Certificates, Green Tags, or other tradable environmental interests (collectively "Environmental Interests") that result from the electric generation of the Facility during the term of this Agreement, the Seller shall provide notice to the Company of its intent to sell such Environmental Interests and provide the Company a reasonable opportunity to offer to purchase such Environmental Interests.

12. Changes in Environmental and Governmental Regulations

This contract may be reopened at the election of either party in the event that environmental or other regulatory requirements are enacted during the term of this contract which either (a) increase or (b) decrease the full avoided costs of the Avoided Unit. The parties may negotiate a threshold amount of change below which this reopener will not apply.

ISSUED BY: S. W. Connally, Jr.

GULF POWER
A SOUTHERN COMPANY

PAGE	EFFECTIVE DATE
18 of 18	July 17, 2014

(Continued from Standard Offer Contract, Sheet No. 9.113)

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

GULF POWER COMPANY

By: ______________________________
(Signature)

____
(Print or Type Name)

Title: ______________________________

Date: ______________________________

SELLER

By: ______________________________
(Signature)

____
(Print or Type Name)

Title: ______________________________

Date: ______________________________

ISSUED BY: S. W. Connally, Jr.

GULF POWER
A SOUTHERN COMPANY

Section No. IX
Third Revised Sheet No. 9.81
Canceling Second Revised Sheet No. 9.81

STANDARD OFFER CONTRACT RATE FOR PURCHASE OF FIRM CAPACITY AND ENERGY FROM A RENEWABLE ENERGY FACILITY OR SMALL QUALIFYING FACILITY

(Schedule REF-1)

PAGE	EFFECTIVE DATE
1 of 16	July 17, 2014

For purposes of this Rate Schedule the term "Renewable Energy Facility" means a facility that produces electrical energy from one or more of the sources stated in Florida Public Service Commission (FPSC) Rule 25-17.210 (1), Florida Administrative Code (F.A.C.). Also, the term "Small Qualifying Facility" means a facility with a design capacity of 100 KW or less as defined in FPSC Rule 25-17.080, F.A.C. Both "Renewable Energy Facility" and "Small Qualifying Facility" are herein referred to as "Facility".

AVAILABILITY:

Gulf Power Company (Company) will purchase firm capacity and energy under this schedule from any Facility that produces electrical energy for delivery to the Company, irrespective of its location, which is either directly or indirectly interconnected with the Company under the provisions of this schedule. The offer to purchase such capacity and energy is continuously available to any Facility and will remain open until revised by the Company upon approval of the FPSC or until closed pursuant to FPSC Rule 25-17.250 (2), F.A.C. The Company may negotiate and contract with any Facility, irrespective of its location, which is either directly or indirectly interconnected with the Company for the purchase of firm capacity and energy pursuant to FPSC Rules 25-17.240 and 25-17.0832, F.A.C.

APPLICABILITY:

This offer is applicable to any Facility meeting the requirements of FPSC Rules 25-17.210, 25-17.220, and/or 25-17.0832, F.A.C., irrespective of its location, producing capacity and energy for sale to the Company on a firm basis pursuant to the terms and conditions of this schedule and the Company's "Renewable Standard Offer Contract." Firm capacity and energy are described by the FPSC in its Rule 25-17.0832, F.A.C., and are produced and sold by a Facility pursuant to a negotiated or Renewable Standard Offer Contract and subject to certain contractual provisions as to quantity, time, and reliability of delivery.

CHARACTER OF SERVICE:

The character of service for purchases from Facilities directly interconnected with the Company shall be, at the option of the Company, single or three phase, 60 hertz, alternating current at any available standard Company voltage. The character of service for purchases from Facilities indirectly interconnected with the Company shall be three phase, 60 hertz, alternating current at the voltage level available at the interchange point between the Company and the utility delivering firm capacity and energy from the Facility.

ISSUED BY: S. W. Connally, Jr.

GULF POWER
A SOUTHERN COMPANY

Section No. IX
~~Sixth~~ Seventh Revised Sheet No. 9.82
Canceling ~~Fifth~~ Sixth Revised Sheet No. 9.82

PAGE	EFFECTIVE DATE
2 of 16	~~July 10, 2014~~

(Continued from Schedule REF-1, Sheet No. 9.81)

LIMITATIONS:

Purchases under this schedule are subject to the Company's "General Standards for Safety and Interconnection of Cogeneration and Small Power Production Facilities to the Electric Utility System" and to FPSC Rules 25-17.080 through 25-17.091, F.A.C., and are limited to those Facilities that:

A. Beginning upon the date, as prescribed by the FPSC, that a Renewable Standard Offer is deemed available, execute the Company's Renewable Standard Offer Contract for the purchase of firm capacity and energy; and

B. Commit to commence deliveries of firm capacity and energy no later than the date specified by the Facility's owner or representative, or the anticipated in-service date of the Company's generating facility or purchased power resource ("Avoided Unit or Resource") that is designated herein. Such deliveries will continue for a minimum of ten (10) years from the anticipated in-service date of the Company's Avoided Unit or Resource up to a maximum of the life of the Company's Avoided Unit or Resource.

DETERMINATION OF FACILITY'S COMMITTED CAPACITY VALUE

Prior to execution of a Renewable Standard Offer Contract, or negotiated contract, between the Company and a Facility, the Company will determine the Facility's capacity value in relation to the Company's Avoided Unit or Resource during the term of the contract as provided in FPSC Rules 25-17.240 (2), 25-17.250 (1), and 25-17.0832 (3) and (4) F.A.C. The "Committed Capacity" will be used as the basis for capacity payments to be received by the Facility from the Company during the term of the Renewable Standard Offer Contract.

RATES FOR PURCHASES BY THE COMPANY

Firm capacity is purchased in accordance with the provisions of paragraph A below at a unit cost, in dollars per kilowatt per month, based on the value of the Avoided Unit or Resource that Gulf has designated below for purposes of the Renewable Standard Offer. The Avoided Unit is currently designated as ~~349~~866 MWs of Combustion Turbine generation with a June 1, 2023 anticipated in-service date. Energy is purchased at a unit cost, in cents per kilowatt-hour, at the Company's energy rates in accordance with the provisions of paragraph B below.

ISSUED BY: S. W. Connally, Jr.

GULF POWER
A SOUTHERN COMPANY

Section No. IX
Original Sheet No. 9.83

PAGE	EFFECTIVE DATE
3 of 16	May 22, 2007

(Continued from Schedule REF-1, Sheet No. 9.82)

A. Firm Capacity Rates

Four options, 1, 2, 3, and 4, as set forth in this paragraph, are available to calculate payments for firm capacity that is produced by the Facility and delivered to the Company. The capacity payment will be the product of the Facility's Committed Capacity and the applicable rate from the Facility's chosen capacity payment option. Once selected, an option shall remain in effect for the term of the contract with the Company. Tariff Sheet 9.85 contains the monthly rate per kilowatt in accordance with Options 1 through 4, of firm capacity the Facility has contractually committed to deliver to the Company and is based on the minimum contract term for an agreement pursuant to this Rate Schedule which extends ten (10) years after the anticipated in-service date of the Company's Avoided Unit or Resource. Payment schedules for other options specified within will be made available by the Company within thirty days (30) days if requested by a Facility. At a maximum, firm capacity and energy shall be delivered for a period of time equal to the anticipated plant life of the Avoided Unit or Resource, commencing with the anticipated in-service date of the Avoided Unit or Resource.

In addition to capacity payment Options 1 through 4 below, the Facility may elect a payment stream for the capital component of the Company's Avoided Unit or Resource, including front-end loaded capacity payments, that best meets the Facility's financing requirements. Early capacity payments consisting of the capital component of the Company's Avoided Unit or Resource may, at the election of the Facility, commence any time after the actual in-service date of the Facility and before the anticipated in-service date of the Company's Avoided Unit or Resource. Regardless of the payment stream elected by the Facility, the cumulative present value (CPV) of the capital cost payments made to the Facility over the term of the Renewable Standard Offer Contract shall not exceed the CPV of the capital cost payments which would have been made to the Facility pursuant to FPSC Rule 25-17.0832 (4)(g)(1), F.A.C. Fixed operation and maintenance expense shall be calculated in accordance with FPSC Rule 25-17.0832 (6) F.A.C.

Option 1 - Value of Deferral Capacity Payments - Value of Deferral Capacity Payments shall commence on the anticipated in-service date of the Company's Avoided Unit or Resource, provided the Facility is delivering firm capacity and energy to the Company. Capacity payments under this option shall consist of monthly payments, escalating annually, of the avoided capital and fixed operating and maintenance expense associated with the Avoided Unit or Resource, and shall be equal to the value of the year-by-year deferral of the Avoided Unit or Resource, calculated in conformance with the applicable provisions of FPSC Rule 25-17.0832 (4)(g)(1), F.A.C.

Option 2 - Early Capacity Payments - Payment schedules under this option are based on an equivalent net present value of the Value of Deferral Capacity Payments for the Company's Avoided Unit or Resource with an in-service date specified above. The Facility shall select

ISSUED BY: Susan Story

GULF POWER
A SOUTHERN COMPANY

Section No. IX
Original Sheet No. 9.84

PAGE	EFFECTIVE DATE
4 of 16	May 22, 2007

(Continued from Schedule REF-1, Sheet No. 9.83)

the month and year in which the delivery of firm capacity and energy to the Company is to commence and capacity payments are to start. Early Capacity Payments shall consist of monthly payments, escalating annually, of the avoided capital and fixed operating and maintenance expense associated with the Avoided Unit or Resource. Avoided capacity payments shall be calculated in conformance with the applicable provisions of FPSC Rule 25-17.0832 (4)(g)(2), F.A.C. At the option of the Facility, Early Capacity Payments may commence at any time after the specified earliest capacity payment date and before the anticipated in-service date of the Company's Avoided Unit or Resource provided the Facility is delivering firm capacity and energy to the Company. Where Early Capacity Payments are elected, the cumulative present value of the capacity payments made to the Facility over the term of the contract shall not exceed the cumulative present value of the capacity payments which would have been made to the Facility had such payments been made pursuant to Option 1.

<u>Option 3 - Levelized Capacity Payments</u> - Levelized Capacity Payments shall commence on the anticipated in-service date of the Company's Avoided Unit or Resource, provided the Facility is delivering firm capacity and energy to the Company. The capital portion of the capacity payment under this option shall consist of equal monthly payments over the term of the contract, calculated in accordance with the applicable provisions of FPSC Rule 25-17.0832 (4)(g)(3), F.A.C. The fixed operation and maintenance portion of the capacity payment shall be equal to the value of the year-by-year deferral of fixed operation and maintenance expense associated with the Company's Avoided Unit or Resource. Where Levelized Capacity Payments are elected, the cumulative present value of the capacity payments made to the Facility over the term of the contract shall not exceed the cumulative present value of the capacity payments which would have been made to the Facility had such payment been made pursuant to Option 1.

<u>Option 4 - Early Levelized Capacity Payments</u> - Payment schedules under this option are based on an equivalent net present value of the Value of Deferral Capacity Payments for the Company's Avoided Unit or Resource with an in-service date specified above. The capital portion of the capacity payment under this option shall consist of equal monthly payments over the term of the contract, calculated in accordance with the applicable provisions of FPSC Rule 25-17.0832 (4)(g)(4), F.A.C. The fixed operation and maintenance portion of the capacity payments shall be equal to the value of the year-by-year deferral of fixed operation and maintenance expense associated with the Company's Avoided Unit or Resource. At the option of the Facility, Early Levelized Capacity Payments shall commence at any time after the specified earliest capacity payment date and before the anticipated in-service date of the Company's Avoided Unit or Resource provided the Facility is delivering firm capacity and energy to the Company. The Facility shall select the month and year in which the delivery of firm capacity and energy to the Company is to commence and capacity payments are to start. Where Early Levelized Capacity Payments are elected, the cumulative present value of the

ISSUED BY: Susan Story

GULF POWER
A SOUTHERN COMPANY

Section No. IX
~~Seventh~~ Eighth Revised Sheet No. 9.85
Canceling ~~Sixth~~ Seventh Revised Sheet No. 9.85

PAGE	EFFECTIVE DATE
5 of 16	~~July 10, 2014~~

(Continued from Schedule REF-1, Sheet No. 9.84)

capacity payments made to the Facility over the term of the contract shall not exceed the cumulative present value of the capacity payments which would have been made to the Facility had such payments been made pursuant to Option 1.

All capacity payments made by the Company prior to the anticipated in-service date of the Company's Avoided Unit or Resource are considered "Early Payments". The owner, owner's representative, or operator of the Facility, as designated by the Company, shall secure its obligation to repay, with interest, the accumulated amount of Early Payments to the extent that the cumulative present value of the capacity payments made to the Facility over the term of the contract exceeds the cumulative present value of the capacity payments which would have been made to the Facility had such payments been made pursuant to Option 1, or to the extent that annual firm capacity payments made to the Facility in any year exceed that year's annual value of deferring the Company's Avoided Unit or Resource in the event the Facility defaults under the terms of its Renewable Standard Offer Contract with the Company. The Company will provide to the Facility monthly summaries of the total outstanding balance of such security obligations. A summary of the types of security instruments which are generally acceptable to the Company is set forth in Paragraph C of the SPECIAL PROVISIONS Section below.

MONTHLY CAPACITY PAYMENT RATE (MCR)
BASED ON GULF'S CURRENTLY SPECIFIED
AVOIDED UNIT OR RESOURCE

June - May Contract Period	Option 1 Normal $/KW-MO	Option 2 Early $/KW-MO	Option 3 Levelized $/KW-MO	Option 4 Early Levelized $/KW-MO
~~2014 to 2015~~	~~0.00~~	~~2.36~~	~~0.00~~	~~2.74~~
2015 to 2016	0.00	~~2.42~~1.75	0.00	~~2.75~~2.01
2016 to 2017	0.00	~~2.48~~1.80	0.00	~~2.76~~2.02
2017 to 2018	0.00	~~2.54~~1.84	0.00	~~2.78~~2.03
2018 to 2019	0.00	~~2.61~~1.89	0.00	~~2.79~~2.04
2019 to 2020	0.00	~~2.67~~1.94	0.00	~~2.81~~2.05
2020 to 2021	0.00	~~2.74~~1.99	0.00	~~2.82~~2.07
2021 to 2022	0.00	~~2.81~~2.04	0.00	~~2.84~~2.08
2022 to 2023	0.00	~~2.88~~2.09	0.00	~~2.85~~2.09
2023 to 2024	~~6.75~~4.59	~~2.95~~2.14	~~7.31~~4.96	~~2.87~~2.11
2024 to 2025	~~6.92~~4.71	~~3.03~~2.20	~~7.35~~4.99	~~2.89~~2.12
2025 to 2026	~~7.09~~4.83	~~3.10~~2.25	~~7.39~~5.02	~~2.90~~2.13
2026 to 2027	~~7.27~~4.95	~~3.18~~2.31	~~7.43~~5.05	~~2.92~~2.15
2027 to 2028	~~7.45~~5.07	~~3.26~~2.37	~~7.47~~5.08	~~2.94~~2.16
2028 to 2029	~~7.64~~5.20	~~3.34~~2.43	~~7.51~~5.11	~~2.96~~2.18
2029 to 2030	~~7.84~~5.33	~~3.43~~2.49	~~7.55~~5.15	~~2.98~~2.20
2030 to 2031	~~8.03~~5.47	~~3.52~~2.55	~~7.60~~5.18	~~2.99~~2.21
2031 to 2032	~~8.24~~5.61	~~3.60~~2.61	~~7.64~~5.22	~~3.01~~2.23
2032 to 2033	~~8.45~~5.75	~~3.70~~2.68	~~7.69~~5.26	~~3.04~~2.25

ISSUED BY: S. W. Connally, Jr.

GULF POWER
A SOUTHERN COMPANY

Section No. IX
Original Sheet No. 9.86

PAGE	EFFECTIVE DATE
6 of 16	May 22, 2007

(Continued from Schedule REF-1, Sheet No. 9.85)

The capacity payment for a given month will be added to the energy payment for such month and tendered by the Company to the Facility as a single payment as promptly as possible, normally by the twentieth business day following the day the meter is read.

B. Energy Rates

1. Payments Starting On In-Service Date of Avoided Unit or Resource: The Facility shall be paid at the Avoided Unit or Resource's energy rate for all energy delivered to the Company during each hour of the monthly billing period in which the Avoided Unit or Resource would have operated had the unit been installed. For each hour of the monthly billing period in which the Avoided Unit or Resource would not have operated, the Facility shall be paid for all energy delivered to the Company during that hour at the lesser of the Company's As-Available energy rate as described in its Rate Schedule COG-1, Sheet 9.3 or the Avoided Unit or Resource's energy rate.

   The Avoided Unit or Resource's energy rate, in cents per kilowatt-hour, shall be the product of the Avoided Unit or Resource's applicable fuel cost and heat rate, plus the applicable variable operation and maintenance expense. All energy purchases shall be adjusted for losses from the point of metering to the point of interconnection.

All energy purchases shall be adjusted for losses from the point of metering to the point of interconnection.

2. Payments Prior To In-Service Date of Avoided Unit or Resource: The Company's As-Available energy rate, as described in Rate Schedule COG-1, Sheet 9.3, will be applied to all energy delivered by the Facility to the Company prior to the Avoided Unit or Resource's in-service date. As-available energy payments to the Facility shall be based on the sum, over all hours of the monthly billing period in which the Facility delivers energy to the Company, of the product of each hour's As-Available energy rate times the energy received by the Company during that hour. All energy purchases shall be adjusted for losses from the point of metering to the point of interconnection.

3. Fixed Energy Payments: Upon request by the Facility, the Company will provide the following fixed payment options for energy delivered to the Company.

   a. As-Available energy payments made prior to the Avoided Unit or Resource's in-service date shall be based on the Company's year-by-year projection of system incremental fuel costs, prior to hourly economy energy sales to other utilities, based on normal weather and fuel market conditions. A fuel market volatility risk premium may be added to the energy payments upon mutual agreement between Company and Facility regarding the method or mechanism for determining such risk premium.

ISSUED BY: Susan Story

GULF POWER
A SOUTHERN COMPANY

Section No. IX
Original Sheet No. 9.87

PAGE	EFFECTIVE DATE
7 of 16	May 22, 2007

(Continued from Schedule REF-1, Sheet No. 9.86)

b. Firm Energy Payments: Subsequent to the determination of full avoided cost and subject to provisions of FPSC Rule 25.17-0832 (3) (a) through (d), a mutually agreed portion of the Avoided Unit or Resource's base energy costs shall be fixed and amortized on a present value basis over the term of the contract starting as early as the in-service date of the Facility. Base energy costs associated with the Avoided Unit or Resource shall mean the energy costs that would have resulted had the Avoided Unit or Resource been operated.

PERFORMANCE CRITERIA

Payments from the Company for firm capacity are conditioned on the Facility's ability to maintain the following performance criteria:

A. Commercial In-Service Date

Capacity payments shall not commence until the Facility has attained and demonstrated, commercial in-service status. The commercial in-service date of a Facility shall be defined as the first day of the month following the successful completion of a test in which the Facility maintains an hourly kilowatt (KW) output, as metered at the point of interconnection with the Company, equal to or greater than the Facility's Committed Capacity specified in its Renewable Standard Offer Contract for an entire test period. A Facility shall coordinate the selection of the test period with the Company to ensure that the performance of the Facility during this period is reflective of day-to-day operational conditions likely to be experienced by the Company's Avoided Unit or Resource if it were to be in actual operation during a similar period.

B. Facility Capacity Availability Requirement

Payments for firm capacity shall be made monthly in accordance with the capacity payment rate option selected by the Facility, subject to the condition that, beginning on the Avoided Unit or Resource's in-service date and continuing through the remainder of the contract term, the Facility maintains the minimum Equivalent Availability Factor (EAF) that is defined in the ANNUAL CAPACITY AVAILABILITY FACTOR DETERMINATION Section below for each 12 month performance period ending August 31. Failure to satisfy this availability requirement shall result in an obligation for repayment by the Facility of an amount calculated in accordance with the Capacity Repayment procedure contained in Paragraph A of the ANNUAL CAPACITY AVAILABILITY FACTOR DETERMINATION Section below.

ISSUED BY: Susan Story

GULF POWER
A SOUTHERN COMPANY

Section No. IX
Third Revised Sheet No. 9.88
Canceling Second Revised Sheet No. 9.88

PAGE	EFFECTIVE DATE
8 of 16	July 10, 2014

(Continued from Schedule REF-1, Sheet No. 9.87)

For the first performance period of the Renewable Standard Offer Contract, the repayment obligation shall be determined as below, except that the period for which the availability requirement applies and which is subject to repayment shall begin on the Avoided Unit or Resource's in-service date and end on the August 31 immediately following the Avoided Unit or Resource's in-service date.

In addition to the foregoing, when early capacity payments have been elected and received, the failure of the Facility to satisfy the availability requirement set forth below shall also result in an obligation for additional repayments by the Facility to the Company. The amount of such additional repayment shall be equal to the difference between: (1) what the Facility would have been paid during the previous twelve months ending August 31 had it elected the normal payment option; and (2) what it was paid pursuant to the payment option selected. Prior to the in-service date of the Avoided Unit or Resource, all performance requirements as listed in Paragraph B of the following Section will apply at the time initial capacity and energy deliveries from the Facilty commence.

ANNUAL CAPACITY AVAILABILITY FACTOR DETERMINATION

In October following each performance period, the Company will calculate the availability of the Facility over the most recent twelve month performance period ending August 31. For purposes of this Schedule, the annual capacity availability is determined using the NERC Generation Availability Data System (GADS) formula for EAF that is shown below. The Facility will be entitled to retain capacity payments received during the annual period if an EAF of 95% is maintained for each performance period. If the Facility fails to maintain this EAF, then the Facility will repay the Company a portion of the performance period capacity payments as calculated in accordance with the procedure in Paragraph A.

$EAF = \{[\ AH - (EUDH + EPDH + ESEDH)] / PH \} \times 100\ (\%)$ where,

AH = Available Hours
Sum of all SH, RSH, Pumping Hours, and Synchronous Condensing Hours.

EPDH = Equivalent Planned Derated Hours
Product of the Planned Derated Hours and the Size of Reduction, divided by the NMC.

ESEDH = Equivalent Seasonal Derated Hours
NMC less the NDC, times the Available Hours (AH), divided by the NMC.

EUDH = Equivalent Unplanned Derated Hours
Product of the Unplanned Derated Hours and the Size of Reduction, divided by the NMC.

ISSUED BY: S. W. Connally, Jr.

GULF POWER
A SOUTHERN COMPANY

Section No. IX
Fourth Revised Sheet No. 9.89
Canceling Third Revised Sheet No. 9.89

PAGE	EFFECTIVE DATE
9 of 16	July 10, 2014

(Continued from Schedule REF-1, Sheet No. 9.88)

NDC = Net Dependable Capacity
NMC modified for ambient limitations.

NMC = Capacity a unit can sustain over a specified period when not restricted by ambient conditions or equipment deratings, minus the losses associated with station service or auxiliary loads.

PH = Period Hours
Number of hours a unit was in the active state. A unit generally enters the active state on its commercial date.

RSH = Reserve Shutdown Hours
Total number of hours the unit was available for service but not electrically connected to the transmission system for economic reasons.

SH = Service Hours
Total number of hours a unit was electrically connected to the transmission system.

A. Capacity Repayment Calculation

The following conditions will determine the amount of the Facility's Capacity Repayment obligation:

1. If EAF is greater than or equal to 95%, then;

   Capacity Repayment (CR) = 0

2. If EAF is less than 95% but equal to or greater than 60%, then;

   CR = [Monthly Capacity Rate (MCR) X Committed Capacity (CC) X Months in Performance Period (MPP) X ((95-EAF)/95)

3. If EAF is less that 60%, then;

   CR = MCR X CC X MPP

B. Additional Performance Criteria

1. The Facility shall provide monthly generation estimates by October 1 for the next calendar year; and
2. The Facility shall promptly update its yearly generation schedule when any changes are determined necessary; and

ISSUED BY: S. W. Connally, Jr.

GULF POWER
A SOUTHERN COMPANY

Section No. IX
First Revised Sheet No. 9.90
Canceling Original Sheet No. 9.90

PAGE	EFFECTIVE DATE
10 of 16	June 14, 2011

(Continued from Schedule REF-1, Sheet No. 9.89)

3. The Facility shall agree to reduce generation or take other appropriate action as requested by the Company for safety reasons or to preserve system integrity; and
4. The Facility shall coordinate scheduled outages with the Company; and
5. The Facility shall comply with the reasonable requests of the Company regarding daily or hourly communications and;
6. The Facility must promptly notify the Company of its inability to supply any portion of its full Committed Capacity from the Facility. Failure of the Facility to notify the Company of a known derating or inability to meet its Committed Capacity obligation may, at the sole discretion of the Company, result in a determination of non-performance.

DELIVERY VOLTAGE ADJUSTMENT

Energy payments to Facilities directly interconnected with the Company shall be adjusted according to the delivery voltage by dividing the energy delivered at that voltage by the following factors:

Transmission Voltage Delivery	1.01801#
Substation Voltage Delivery	1.03208##
Primary Voltage Delivery	1.05862###
Secondary Voltage Delivery	1.08576####

\# Any Facility interconnected at a voltage of 46 KV or above.

\## Any Facility interconnected at a voltage on the low side of a substation below 46 KV and above 4 KV. This substation, where the Facility takes electricity on the low side, shall have transmission voltage on the high side (115, 69, or 46 KV) and distribution voltage on the low side (25, 12, or 4 KV).

\### Any Facility interconnected at a distribution voltage, 4 to 25 KV inclusive.

\#### Any Facility interconnected at a voltage below 4 KV.

METERING REQUIREMENTS

Facilities directly interconnected with the Company shall pay the Company for meters required hereunder. Hourly demand recording meters shall be required for each individual generator unit comprising a Facility with a total installed capacity of 100 KW or more. Where the total installed capacity of the Facility is less than 100 KW, the Facility may select from either hourly demand recording meters, dual kilowatt-hour register time-of-day meters or standard kilowatt-hour meters. Meters shall be installed to measure the energy production from each generating unit of the

ISSUED BY: Mark Crosswhite

GULF POWER
A SOUTHERN COMPANY

Section No. IX
Fourth Revised Sheet No. 9.91
Canceling Third Revised Sheet No. 9.91

PAGE	EFFECTIVE DATE
11 of 16	July 17, 2014

(Continued from Schedule REF-1, Sheet No. 9.90)

Facility as well as net delivered energy at the point of interconnection. Purchases from Facilities indirectly interconnected with the Company shall be measured as the quantities scheduled for interchange to the Company by the utility delivering firm capacity and energy to the Company.

BILLING OPTIONS

The Facility may elect to make either simultaneous purchases and sales or net sales. The decision to change billing methods can be made once every twelve (12) months coinciding with the next Fuel and Purchased Power Cost Recovery Factor billing period providing the Company is given at least thirty days written notice before the change is to take place. In addition, allowance must be made for the installation or alteration of needed metering or interconnection equipment for which the Facility must pay; and such purchases and/or sales must not abrogate any provisions of the tariff or contract with the Company.

A statement covering the charges and payments due the Facility is rendered monthly, and payment normally is made by the twentieth business day following the end of the billing period.

CHARGES TO THE FACILITY

A. Base Charges

Monthly base charges for meter reading, billing and other applicable administrative costs shall be equal to the base charge applicable to a customer receiving retail service under similar load characteristics.

B. Interconnection Charge for Non-Variable Utility Expenses

The Facility, in accordance with Rule 25-17.087, F.A.C., shall bear the cost required for interconnection including the cost of metering and the cost of accelerating construction of any transmission or distribution system improvements required in order to accommodate the location chosen by the Facility. The Facility shall have the option of payment in full for interconnection or making equal monthly installment principle payments over a thirty-six (36) month period plus interest at the thirty (30) day commercial paper rate.

ISSUED BY: S. W. Connally, Jr.

GULF POWER
A SOUTHERN COMPANY

Section No. IX
Second Revised Sheet No. 9.92
Canceling First Revised Sheet No. 9.92

PAGE	EFFECTIVE DATE
12 of 16	July 17, 2014

(Continued from Schedule REF-1, Sheet No. 9.91)

C. Interconnection Charge for Variable Utility Expenses

The Facility shall be billed monthly for the cost of variable utility expenses associated with the operation and maintenance of the interconnection. These include (a) the Company's inspections of the interconnection, and (b) maintenance of any equipment beyond that which would be required to provide normal electric service to the Facility if no sales to the Company were involved.

D. Taxes and Assessments

The Facility shall 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 and capacity from the Facility in lieu of other energy and capacity. Any savings in regards to taxes or assessments shall be included in the avoided cost payments made to the Facility to the extent permitted by law. In the event the Company becomes liable for additional taxes, assessments or impositions arising out of its transactions with the Facility under this tariff schedule or any related interconnection agreement or due to changes in laws affecting the Company's purchases of energy and capacity from the Facility occurring after the execution of an agreement under this tariff schedule and for which the Company would not have been liable if it had produced the energy and/or constructed facilities sufficient to provide the capacity contemplated under such agreement itself, the Company may bill the Facility monthly for such additional expenses or may offset them against amounts due to the Facility from the Company. Any savings in taxes, assessments or impositions that accrue to the Company as a result of its purchase of energy and capacity under this tariff schedule that are not already reflected in the avoided energy or avoided capacity payments made to the Facility hereunder, shall be passed on to the Facility to the extent permitted by law without consequential penalty or loss of such benefit to the Company.

TERMS OF SERVICE

A. It shall be the Facility's responsibility to inform the Company of any change in its electric generation capability.

B. Any electric service delivered by the Company to the Facility shall be metered separately and billed under the applicable retail rate schedule and the terms and conditions of the applicable rate schedule shall pertain.

C. A security deposit will be required in accordance with FPSC Rules 25-17.082(5) and 25-6.097, F.A.C. and the following:

1. In the first year of operation, the security deposit shall be based upon the singular month in which the Facility's projected purchases from the Company exceed, by the greatest

ISSUED BY: S. W. Connally, Jr.

GULF POWER
A SOUTHERN COMPANY

Section No. IX
First Revised Sheet No. 9.93
Canceling Original Sheet No. 9.93

PAGE	EFFECTIVE DATE
13 of 16	June 14, 2011

(Continued from Schedule REF-1, Sheet No. 9.92)

amount, the Company's estimated purchases from the Facility. The security deposit should be equal to twice the amount of the difference estimated for that month. The deposit shall be required upon interconnection.

2. For each year thereafter, a review of the actual sales and purchases between the Facility and the Company shall be conducted to determine the actual month of maximum difference. The security deposit shall be adjusted to equal twice the greatest amount by which the actual monthly purchases by the Facility exceed the actual sales to the Company in that month.

D. The Company shall specify the point of interconnection and voltage level.

E. Facilities directly interconnected with the Company shall be required to sign the Company's filed Standard Interconnection Agreement in order to to engage in parallel operations with the Company. The Facility shall recognize that its generation equipment and other related infrastructure may have unique interconnection requirements which will be separately addressed by modifications to the Company's General Standards for Safety and Interconnection where applicable.

F. Facilities indirectly interconnected with the Company are required to make all arrangements needed to deliver the capacity and energy purchased from the Facility by the Company to the Company's interchange point with the delivering utility.

G. Service under this Schedule is subject to the rules and regulations of the Company and the FPSC as well as other applicable federal and state legislation or regulations.

SPECIAL PROVISIONS

A. Special contracts deviating from the above Schedule are allowable provided they are agreed to by the Company and approved by the FPSC.

B. A Facility directly interconnected with the Company may sell firm capacity and energy to a utility other than the Company. Where such agreements exist, the Company will provide transmission wheeling service to deliver the Facility's power to the purchasing utility or to an intermediate utility. In addition, the Company will provide transmission wheeling service through its territory for a Facility indirectly interconnected with the Company, for delivery of the Facility's power to the purchasing utility or to an intermediate utility. In either case, where existing Company transmission capacity exists, the Company will impose a charge for wheeling Facility capacity and energy, measured at the point of delivery to the Company.

The Facility shall be responsible for all costs associated with such wheeling including:

1. Wheeling charges;
2. Line losses incurred by the Company; and
3. Inadvertent energy flows resulting from such wheeling.

ISSUED BY: Mark Crosswhite

GULF POWER
A SOUTHERN COMPANY

Section No. IX
First Revised Sheet No. 9.94
Canceling Original Sheet No. 9.94

PAGE	EFFECTIVE DATE
14 of 16	June 14, 2011

(Continued from Schedule REF-1, Sheet No. 9.93)

Energy delivered to the Company shall be adjusted before delivery to another utility.

Interstate transactions are defined as those determined to be in the jurisdiction of the Federal Energy Regulatory Commission (FERC).

Capacity delivered to the Company shall be adjusted before delivery to another utility. The following estimated adjustment factors are supplied for informational purposes only:

Renewable Facility Delivery Voltage	Adjustment Factor
Transmission Voltage Delivery	0.96758
Substation Voltage Delivery	0.94103
Primary Distribution Voltage Delivery	0.91001

All charges and adjustments for wheeling will be determined on a case-by-case basis.

Where wheeling power produced by a Facility for delivery to the Company or to another utility will impair the Company's ability to give adequate service to the rest of the Company's customers or place an undue burden on the Company, the Company may petition the FPSC for a waiver of this Special Provision B, or require the Facility to pay for the necessary transmission system improvements in accordance with the National Energy Policy Act of 1992, or other applicable Federal law.

In order to establish the appropriate transmission service arrangements, the Facility must contact:

Manager Transmission Services
Southern Company Services
Post Office Box 2625
Birmingham AL 35202

C. As a means of protecting the Company's customers from the possibility of a Facility not coming on line as provided for under an executed Renewable Standard Offer Contract and in order to provide the Company with additional and immediately available funds for its use to secure replacement and reserve power in the event that the Facility fails to successfully complete construction and come on line in accord with the executed Renewable Standard Offer Contract, the Company requires that a cash completion security deposit equal to $20 per kw of the nameplate capacity of the Facility's generator unit(s) at the time the Company's Renewable Standard Offer Contract is executed by the Facility. At the election of the Facility, the completion security deposit may be phased in such that one half of the total deposit due is paid at contract execution and the remainder within 12 months after contract execution.

ISSUED BY: Mark Crosswhite

GULF POWER
A SOUTHERN COMPANY

Section No. IX
Original Sheet No. 9.95

PAGE	EFFECTIVE DATE
15 of 16	May 22, 2007

(Continued from Schedule REF-1, Sheet No. 9.94)

Depending on the nature of the Facility's operation, financial health and solvency, and its ability to meet the terms and conditions of the Company's Renewable Standard Offer Contract, one of the following, at the Company's discretion, may be used as an alternative to a cash deposit as a means of securing the completion of the Facility's project in accord with the executed Renewable Standard Offer Contract:

1. an unconditional, irrevocable direct pay letter; or

2. surety bond; or

3. other means acceptable to the Company.

The Company will cooperate with each Facility seeking an alternative to a cash security deposit as an acceptable means of securing the completion of the Facility's installation in accord with an executed Renewable Standard Offer Contract. The Company will endeavor in good faith to accommodate an equivalent to a cash security deposit which is in the best interests of both the Facility and the Company's customers.

In the case of a governmental solid waste Facility, pursuant to Subsection 366.91 (3), Florida Statutes and FPSC Rule 25-17.091, F.A.C., the following will be acceptable to the Company:

> The unsecured promise of a municipal, county, or state government that it will pay the actual damages incurred by the Company because the governmental Facility fails to come on line prior to the planned in-service date for the Avoided Unit or Resource.

D. Election of Early Capacity Payments under an Option other than (1) through (4) above, and/or election of the Fixed Energy Payments will result in the Company's immediate re-evaluation of the completion security requirements as addressed above in order to determine the adequacy of such security instruments. Given the terms and conditions ultimately set in the Renewable Standard Offer Contract, additional security requirements may be specified by the Company.

ISSUED BY: Susan Story

GULF POWER
A SOUTHERN COMPANY

Section No. IX
First Revised Sheet No. 9.96
Canceling Original Sheet No. 9.96

PAGE	EFFECTIVE DATE
16 of 16	July 14, 2009

(Continued from Schedule REF-1, Sheet No. 9.95)

E. The Company, in evaluating the viability of any particular offer may exercise its rights under FPSC Rule 25-17.0832(4)(c)(2)(b), F.A.C.

F. In the event that the Facility decides to sell any or all Renewable Energy Certificates, Green Tags, or other tradable environmental interests (collectively "Environmental Interests") that result from the electric generation of the Facility during the term of an executed Renewable Standard Offer Contract, the Facility shall provide notice to the Company of its intent to sell such Environmental Interests and provide the Company a reasonable opportunity to offer to purchase such Environmental Interests.

G. All Renewable Standard Offer Contracts for the purchase of capacity and energy from a Facility shall include a provision to reopen the contract, at the election of either party, limited to changes affecting the Company's full avoided costs of the unit on which the Renewable Standard Offer Contract is based as a result of new environmental or other regulatory requirements enacted during the term of the contract.

ISSUED BY: Susan Story