

Gulf Power Company
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Douglas L. McCrary
President

GPC-150.5.4

Gulf Power

the southern electric system

December 9, 1983

Mr. R. W. Scherer, President
Georgia Power Company
Post Office Box 4545
Atlanta GA 30302

Dear Bob:

Re: Gulf Ownership in Plant Scherer

As you know, after we received the inadequate rate increase from the Florida Public Service Commission late last year, we discussed with you and members of your staff the possibility of Gulf modifying or withdrawing altogether from its contract with Georgia Power Company to purchase a 25% interest in Units 3 and 4 at Plant Scherer. We knew that with the level of rates granted in that case Gulf's interest coverages could be below the minimum level required in the indenture, thus prohibiting us from issuing bonds in amounts necessary to finance our portion of the project to completion. In addition, our load growth projections have declined significantly from the time we initially committed to the purchase of an interest in both Units 3 and 4. Consequently, we felt that we must conduct additional economic analyses before making a final decision.

We have completed our analyses which continue to show that the Scherer capacity is overwhelmingly the lowest cost alternative for providing the future electrical requirements of our customers. Due to these significant cost advantages and because of several workshops, hearings, and orders in which the Florida Public Service Commission has clearly supported our participation in the Scherer capacity, we strongly believe and trust that the Commission will grant Gulf sufficient revenues to finance our part of the Scherer project and maintain our financial integrity.

However, due to the decline in Gulf's load growth projections, the management of Gulf Power Company has decided to limit Gulf's participation in Plant Scherer to 25% of Unit 3 only, if this arrangement is agreeable to Georgia Power Company. Our studies show that our present estimates of future demand on Gulf's system do not support our participation in Unit 4 at Plant Scherer.

If you are agreeable to this modification in our agreement, please signify your approval on the enclosed copy and return to us for our files. We stand ready to consummate the agreement as soon as we receive your approval and the Securities and Exchange Commission grants its final approval of the amended contract calling for Gulf's participation in 25% of Unit 3 only, rather than 25% of Units 3 and 4 at Plant Scherer.

Your kind consideration and cooperation in this matter is greatly appreciated.

Sincerely,



D. L. McCrary

Agreed:

R. W. Scherer, President
Georgia Power Company

Date

dbm

Enclosure

cc: Georgia Power Company
 J. H. Miller, Jr.
 H. G. Baker, Jr.
 A. W. Dahlberg
 W. Y. Jobe
Gulf Power Company
 E. B. Parsons, Jr.
 A. E. Scarbrough

bc: The Southern Company
 E. L. Addison
Florida Public Service Commission
 J. P. Cresse
 G. L. Gunter
 S. Leisner
 J. R. Marks, III
 K. Nichols