

AMENDMENT NO. 2
TO AMENDED AND RESTATED
UNIT POWER SALES AGREEMENT
BETWEEN
JACKSONVILLE ELECTRIC AUTHORITY
AND
ALABAMA POWER COMPANY, GEORGIA POWER COMPANY,
GULF POWER COMPANY, MISSISSIPPI POWER COMPANY AND
SOUTHERN COMPANY SERVICES, INC.

THIS AMENDMENT, made and entered into as of the 30th day of October, 1987, by and between JACKSONVILLE ELECTRIC AUTHORITY ("JEA") and ALABAMA POWER COMPANY, GEORGIA POWER COMPANY, GULF POWER COMPANY and MISSISSIPPI POWER COMPANY ("Southern Companies") and SOUTHERN COMPANY SERVICES, INC. ("SCS"), being Amendment No. 2 to the Amended and Restated Unit Power Sales Agreement (the "Agreement") by and between JEA, Southern Companies and SCS dated May 19, 1982, as amended on August 30, 1984.

W I T N E S S E T H:

WHEREAS, JEA, Southern Companies and SCS entered into the Agreement on May 19, 1982, pursuant to which Southern Companies undertook to sell to JEA and JEA undertook to purchase from Southern Companies capacity and energy from units as specified in the Agreement; and

WHEREAS, on August 30, 1984, the parties entered into Amendment No. 1 to the Agreement to effectuate various mutually agreeable changes; and

WHEREAS, the Agreement incorporates various formula rates whereby Southern Companies recover their cost of providing capacity, energy and other services to JEA, which costs include a return on common equity; and

WHEREAS, the parties desire to amend the Agreement to reduce the return on common equity incorporated therein and to implement certain other mutually agreeable changes.

NOW, THEREFORE, in consideration of the premises and the terms and conditions set forth herein, the parties agree to amend the Agreement as follows:

1. For unit power and transmission capacity charges associated with unit power sales made on or after January 1, 1987, Section 6.0 of the Unit Power Sales Manual is amended by striking the phrase "sixteen percent (16.0%)" from lines 4 and 5 of that section and substituting in its place "thirteen and three quarters percent (13.75%)". Capacity payments for capacity sold on or after January 1, 1987 which are in excess (or deficient) of amounts which would have been due based upon the adjusted return on common equity shall be credited (or debited) to JEA, together with interest thereon from the date each such capacity payment was due to the date payment is due on the invoice that includes such credit (or debit). Interest on any excess amounts arising as a consequence of this change in the return on common equity shall be accrued at one hundred percent (100%) of the prime rate quoted by Manufacturers Hanover Trust Company on the date each such capacity payment was due. Interest on any deficient amounts arising as a

consequence of this change in the return on common equity shall be accrued at one hundred percent (100%) of the prime rate as determined above multiplied by one minus the federal income tax rate. Said prime rate shall be applicable for either excess or deficient amounts until the next succeeding capacity payment date, at which time interest shall accrue based on the prime rate quoted by Manufacturers Hanover Trust Company on the date such next succeeding capacity payment was due. This interest accrual procedure shall be repeated monthly until such time as the excess (or deficient) amounts are credited (or debited) to JEA. To the extent the Internal Revenue Service or any court or tribunal having jurisdiction over any of the Southern Companies rules that the interest received from JEA is subject to federal income tax, then interest on such deficiency shall be accrued (retroactively) at the same rate and in the same manner as interest on the excess. As soon as practicable following any such ruling, Southern Companies will determine the difference between interest previously paid by JEA on the basis of the prime rate multiplied by one minus the federal income tax rate and interest calculated on the basis of one hundred percent (100%) of the prime rate, and will include such amount (together with interest based upon the prime rate) either on the next regular invoice to JEA reflecting capacity charges under Section 7.1, or on a separate invoice. JEA agrees to pay such amount in accordance with the terms and conditions of Section 7.1. The rate of interest calculated hereunder shall in no event exceed the maximum rate allowed by

law. The intention of the parties being to conform strictly to the usury laws now in force, any of said interest payments shall be held to be subject to reduction to the highest amount allowed under said usury laws as now or hereafter construed by the courts having jurisdiction.

2. As of the effective date described below, the Agreement and the Unit Power Sale Manual are amended as follows:

(1) Article V of the Unit Power Sale Manual will be stricken in its entirety and the following substituted therefor:

ARTICLE V

DERIVATION OF FIXED OPERATION
AND MAINTENANCE AND VARIABLE
OPERATION AND MAINTENANCE
EXPENSES FOR ELECTRIC
GENERATING UNITS

This article of the Unit Power Sale Manual establishes the formulary method for deriving fixed operation and maintenance and variable operation and maintenance expenses for the computation of charges for services under the Agreement.

Section 5.0 Fixed Operation and Maintenance Expenses: The fixed operation and maintenance expense (dollars) for a unit for the Contract Year is based upon the following components budgeted for the unit: (i) all operation supervision and engineering charged to FERC Account 500, (ii) the in-plant fuel handling expenses charged to FERC Account 501, (iii) operational labor (including overtime labor) charged to FERC Accounts 502 and 505, (iv) all miscellaneous steam power expenses charged to FERC Account 506, (v) rent charged to Account 507, (vi) all maintenance supervision and engineering charged to Account 510, (vii) all maintenance expenses charged to Account 511, (viii)

maintenance labor (including overtime labor) charged to Accounts 512 and 513, and (ix) all maintenance of miscellaneous steam plant charged to FERC Account 514.

Section 5.1 Variable Operation and Maintenance Expenses: The variable operation and maintenance expenses (\$/MWh) for a unit for the Contract Year shall be based upon the following components budgeted for the unit: (i) all operating material and non-labor expenses charged to Accounts 502 and 505, and (ii) all maintenance material and non-labor expenses charged to Accounts 512 and 513. The variable operation and maintenance expenses for the unit for the Contract Year shall be the sum of the components listed above (in dollars) divided by the budgeted net electrical output of the unit (in MWhs).

Section 5.2 Data to be Provided: The data used in the determination of the fixed and variable operation and maintenance expenses for each unit each Contract Year will be provided to the purchasers of unit power in accordance with Article VIII.

(2) Section 6.3 of the Agreement will be stricken in its entirety and the following substituted therefor:

6.3 Base Energy Rates: For Unit Energy supplied to JEA during each month from the units specified in Exhibit A pursuant to Section 3.4, JEA shall pay an amount per MWh (hereinafter called Base Energy Rate) delivered from each unit equal to the sum of the following items (expressed in \$/MWh):

- (a) Fuel Cost for each unit, which is defined in Article IV of the Unit Power Sale Manual, together with the procedure for determining this component of the energy charge.
- (b) The variable operation and maintenance expenses for the unit. The procedure for determining this component of the energy charge is described in Article V of the Unit Power Sale Manual.

- (c) Compensation for transmission losses, based on the average transmission loss percentage (%L_e). The procedure for determining "%L_e" is set forth in Article VII of the Unit Power Sale Manual. Using (a) and (b) above,

$$(c) = [(a) + (b)] \left[\frac{(\%L_e \div 100)}{1 - (\%L_e \div 100)} \right]$$

(3) Section 6.6 of the Agreement will be stricken in its entirety and the following substituted therefor:

6.6 Normalized Energy Rates: The Normalized Energy Rate each month for each unit specified in Exhibit A shall be equal to the sum of the following items (expressed in \$/MWh):

- (a) Normalized Fuel Cost for the unit, which is defined in Article IV of the Unit Power Sale Manual.
- (b) The variable operation and maintenance expenses for the unit as described in Article V of the Unit Power Sale Manual.
- (c) Compensation for transmission losses, based on the average transmission loss percentage (%L_e) set forth in Article VII of the Unit Power Sale Manual.

Using (a) and (b) above,

$$(c) = [(a) + (b)] \left[\frac{(\%L_e \div 100)}{1 - (\%L_e \div 100)} \right]$$

(4) Section 6.4, Section 6.5 and Section 6.8 of the Agreement will be amended by striking the phrase "in-plant fuel handling expenses," in the last sentence of each such section.

(5) Section 0.0 of the Unit Power Sale Manual will be amended by striking the title for Article V in its entirety and substituting the following:

- Derivation of Fixed Operation and Maintenance and Variable Operation and Maintenance Expenses for Electric Generating Units

(6) Section 2.2.9 of the Unit Power Sale Manual will be amended by striking the phrase "excluding 501" from the end of the first sentence of such section.

(7) Section 9.2 of the Unit Power Sale Manual will be amended by striking the phrase "and the in-plant fuel handling expenses" from the first and second sentences of such section.

The foregoing amendments pertaining to the treatment of operation and maintenance and in-plant fuel handling expenses shall not become effective except upon mutual agreement of the parties hereto, which agreement shall be submitted to the Federal Energy Regulatory Commission at least thirty (30) days in advance of the proposed effective date. It is the intent of the parties that such submittal will be treated as an informational filing only, and not as a change in rates within the meaning of Section 205 of the Federal Power Act. It is presently anticipated that the foregoing amendments will become effective concurrent with the implementation of a new Intercompany Interchange Contract of the Southern Companies incorporating the same methodology for the treatment of such operation and maintenance and in-plant fuel handling expenses.

3. Section 7.1 of the Agreement is hereby amended by adding to that section the following:

Payments of capacity charges associated with sales made on or after January 1, 1988 which are in excess of amounts which would have been due based upon actual true up costs shall be credited to JEA together with interest thereon from the date payment was due on the budgeted amount to the date payment is made for such credit resulting from the true up. Interest on the excess amount shall be accrued at one hundred percent (100%) of the prime rate quoted by Manufacturers Hanover Trust Company on the date payment of the budgeted amount was due. Payments of capacity charges associated with sales made on or after January 1, 1988 which are deficient of amounts which would have been due based upon actual true up costs shall be debited to JEA together with interest thereon from the date payment was due on the budgeted amount to the date payment is made for such debit resulting from the true up. Interest on the deficient amount shall be accrued at one hundred percent (100%) of the prime rate as determined above multiplied by one minus the federal income tax rate. Said prime rate shall be applicable for either excess or deficient amounts until the next succeeding payment date, at which time interest shall accrue based on the prime rate quoted by Manufacturers Hanover Trust Company on the date such next succeeding payment was due. This interest accrual procedure shall be repeated monthly until such time as the excess (or deficient) amounts are credited (or debited) to JEA. To the extent the Internal Revenue Service or any court or tribunal having jurisdiction over any of the Southern Companies rules that the interest received from JEA is subject to federal income tax, then interest on such deficiency shall be accrued (both retroactively and prospectively) at the same rate and in the same manner as interest on the excess. As soon as practicable following any such ruling, Southern Companies will determine the difference between interest previously paid by JEA on the basis of the prime rate multiplied by one minus the federal income tax rate and interest calculated on the basis of one

hundred percent (100%) of the prime rate, and will include such amount (together with interest based upon the prime rate) either on the next regular invoice to JEA reflecting capacity charges under Section 7.1, or on a separate invoice. JEA agrees to pay such amount in accordance with the terms and conditions of Section 7.1. The rate of interest calculated hereunder shall in no event exceed the maximum rate allowed by law. The intention of the parties being to conform strictly to the usury laws now in force, any of said interest payments shall be held to be subject to reduction to the highest amount allowed under said usury laws as now or hereafter construed by the courts having jurisdiction.

The foregoing amendment to Section 7.1 shall become effective with respect to capacity sales made on or after January 1, 1988.

4. Section 7.2 of the Agreement is hereby amended by striking the last sentence of that Section and substituting the following sentence:

An adjusted invoice, if required to reflect the actual charges due for energy sales made on or after January 1, 1988, shall be included in the monthly invoice immediately following the initial invoice, together with accrued interest on overpayments (or underpayments) at the rates and under the conditions contained in Section 7.1.

The foregoing amendment to Section 7.2 shall become effective with respect to energy sales made on or after January 1, 1988.

5. Section 9.1 of the Unit Power Sale Manual is hereby stricken in its entirety and the following is substituted therefor:

Section 9.1 Capacity Cost for Transmission Service:
The transmission capacity cost computed under Article III for the Contract Year will be recalculated using actual cost and load data and the formulae specified in

Section 3.2 of Article III. Southern Companies shall make this adjustment on a periodic basis, but not less frequently than annually as soon as practicable following the end of Contract Year.

The foregoing amendment pertaining to the recalculation of transmission capacity cost shall become effective with respect to capacity sales made on or after January 1, 1988.

[The next page is the signature page, p. 11.]

IN WITNESS WHEREOF, the parties hereto have caused the foregoing document to be executed by their duly authorized officers effective as of the date first set forth above.

Attest:

Maureen M. Higgins
Administrative Assistant

By Raymond L. [Signature]
Managing Director

Attest:

Wayne [Signature]
Asst. Secretary

SOUTHERN COMPANY SERVICES, INC.

By L. O. [Signature]
Vice President

Attest:

Wayne [Signature]
Asst. Secretary

ALABAMA POWER COMPANY

By R. E. [Signature]
Vice President

Attest:

Wayne [Signature]
Asst. Secretary

GEORGIA POWER COMPANY

By Fred [Signature]
Vice President

Attest:

Wayne [Signature]
Asst. Secretary

GULF POWER COMPANY

By Earl B. [Signature]
Vice President

Attest:

Wayne [Signature]
Asst. Secretary

MISSISSIPPI POWER COMPANY

By [Signature]
Vice President

Approved to form:

Thomas R. Welch
Thomas R. Welch
1st Assistant Counsel