

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: September 27, 2017

TO: Carlotta S. Stauffer, Commission Clerk, Office of Commission Clerk

FROM: Takira T. Thompson, Engineering Specialist, Division of Engineering ^{TT}

RE: Docket No. 20170169-EI-Petition for approval of negotiated renewable energy power purchase agreement with Bay County, Florida. _{POE}

Please file the attached document provided by the Utility in response to Staff's First Data Request in the above-referenced docket file.

Thank you

Attachment



Rhonda J. Alexander
Manager
Regulatory, Forecasting & Pricing

One Energy Place
Pensacola, FL 32520-0780
850 444 6743 tel
850 444 6026 fax
rjalexad@southernco.com

September 21, 2017

Ms. Takira Thompson
Division of Engineering
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399

RE: Docket No. 20170169-EI - Petition for Approval of Negotiated Renewable Energy
Power Purchase Agreement with Bay County, Florida

Dear Ms. Thompson:

Attached is Gulf Power Company's response to Staff's First Data request (Nos. 1-11) in
the above-referenced docket.

Sincerely,

A handwritten signature in blue ink that reads "Rhonda J. Alexander".

Rhonda J. Alexander
Regulatory, Forecasting and Pricing Manager

md

Attachments

cc w att.: Florida Public Service Commission
Carlotta Stauffer, Office of Commission Clerk
Gulf Power Company
Jeffrey A. Stone, Esq., General Counsel
Beggs & Lane
Russell Badders, Esq.

1. Please provide a copy of the fuel price forecast used for determining the net present value savings to Gulf Power Company's (Gulf or Utility) customers.

RESPONSE:

Table A shows the projected annual average fuel prices used in the 2017 production cost model runs from which Gulf's territorial avoided energy prices used in the Power Purchase Agreement (PPA) analysis were derived.

Year	Natural Gas \$/MMBtu	Coal \$/MMBtu
2017		
2018		
2019		
2020		
2021		
2022		

Table A: Projected Natural Gas and Coal Commodity Prices \$/MMBtu

2. Please refer to page 3, the second sentence of paragraph 8 of the petition. Please provide an estimate of the monetary value, if any, of the Renewable Energy Credits that Gulf would receive.

RESPONSE:

While renewable energy credits (RECs) can be bought and sold on the voluntary market, values vary based on the nature and vintage of the generation source and market demand in general. Presently, demand for RECs from early vintage Municipal Solid Waste facilities such as the Bay County facility is attenuated. Given the present absence of a robust market for RECs of this nature, it is difficult to accurately estimate a monetary value. Such value, if any, is not likely to be material and could be eclipsed by the transactional cost associated with the sales process. Gulf did not assign any monetary value to the RECs in its economic evaluation of the PPA.

3. Please refer to pages 3-4, paragraph 8 of the petition. Please provide copies of the two previous agreements between Gulf and Bay County mentioned.

RESPONSE:

See pages 2 through 16 of this response.

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

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

WITNESSETH:

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

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

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

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

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

1. Facility

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

6510 Bay Line Drive, Panama City, FL 32404 :

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

The entire Facility, whether comprised in whole or in part of the generator units set forth above, is designed to produce a maximum of 13,650 kilowatts (KW) of electric power at an 85% power factor. Hereinafter, the designated generator units listed above and related equipment will also be collectively referred to as "Facility." The Facility may be upgraded during the Term hereof to produce as much as 13,650 (KW) of electric power at an 85% power factor.

2. Required Regulatory Approval and Commencement Date

This Agreement shall be effective when executed by both Parties and shall continue throughout the Term hereof, as defined in Paragraph 4 below. The Company shall begin purchasing all of the Net Generation (as defined below) pursuant to the terms hereof as of the hour ending 1:00 A.M. prevailing Central time on the date following the date upon which the County executes the Agreement. The Company shall use its reasonable efforts to obtain Florida Public Service Commission (FPSC) approval of this Agreement and target a filing for approval as soon as reasonably practicable after execution of this Agreement. The County shall use its reasonable efforts to support the Company's petition for approval of the Agreement. If after 300 days from the filing date by the Company of the petition with the FPSC for approval of this Agreement, the FPSC has not approved this Agreement through the issuance of an order that has been rendered final as a matter of law, then either Party may terminate this Agreement upon written notice to the other Party, provided that such notice is delivered to such other Party no later than thirty (30) Days after the 300 Days from the FPSC filing date. If such Party fails to exercise the aforementioned termination right within such thirty (30) Day period, then such Party shall be deemed to have waived such termination right. If the FPSC's approval is not obtained as contemplated herein, then the Company's obligation to pay for the Net Generation delivered from the Facility and purchased by the Company shall be equal to the Company's "As-Available Energy Cost," as defined in the FPSC's Rules, for all electrical

energy delivered from the Facility to the Company during the period between the Commencement Date and the termination date, regardless whether the Company's As-Available Energy Cost is greater than or less than the amounts paid by the Company for the Facility's Net Generation during the period between the Commencement Date and the termination date.

3. Sale of Electricity by the Facility; Purchase of Electricity by the Company

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

4. Payment for Electricity Produced by the Facility; Term

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

5. Metering Requirements

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

6. Electricity Production

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

- (a) Adjust reactive power flow in the interconnection so as to remain within the range of 85% leading to 85% lagging power factor during normal operations, provided that the County will use commercially reasonable efforts to adjust reactive power flow within the above values during start-up and shut-down, but the County will not be deemed to be in violation of this obligation if reactive power flow falls outside the specified range during start-up or shut-down;

- (b) Provide the Company, prior to October 1 of each calendar year (January through December), an estimate including the time, duration and magnitude of any planned outages or reductions in generation and;
- (c) Promptly notify the Company of any forced or unplanned outages that occur which would impact the Facility's ability to generate at rated load for periods longer than three (3) days.

7. Default

The County Facility shall be in default under this Agreement if the County fails to perform its material obligations under the Agreement, excepting to the extent that such failure to perform is the result of a force majeure event and also excepting any such failure to perform that is caused by actions of the Company. In the event that such a non-excused default occurs, the Company shall notify the County of what it believes to be such a default, and the County shall have a commercially reasonable time to remedy such default. The Company's obligation to pay for the Net Generation delivered from the Facility shall continue throughout the pendency of any default.

8. General Provisions

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

8.2 Force Majeure. If either party shall be unable, by reason of force majeure, to carry out its obligations under this Agreement, either wholly or in part, the party so failing shall give written notice and full particulars of such cause or causes to the other party as soon as possible after the occurrence of any such cause; and such obligations shall be suspended during the continuance of such hindrance which, however, shall be extended for such period as may be necessary for the purpose of making good any suspension so caused. The term "force majeure" shall be taken to mean acts of God, strikes, lockouts or other industrial disturbances, wars, blockades, insurrections, riots, arrests and restraints of rules and people, environmental constraints lawfully imposed by federal, state or local government bodies, explosions, fires, floods, lightning, wind,

perils of the sea, and similar events and occurrences beyond the control of the Party claiming that a force majeure event has occurred, provided, however, that no 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 County agrees to pay the costs necessary to reactivate the Facility to the extent that such reactivation or repairs are caused by actions of the County or its agents or by force majeure events. 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, or by force majeure events.

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

8.4 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 Facility or any assignee of this Agreement.

8.5 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 Facility:

James D. Jones
Utility Services Director
3400 Transmitter Road
Panama City, FL 32404

For Company:

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

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

8.7 Severability. If any part of this Agreement, for any reason, be declared invalid, or unenforceable by a public authority of appropriate jurisdiction, then such decision shall not affect the validity of the remainder of the Agreement, which remainder shall remain in force and effect as if this Agreement had been executed without the invalid or unenforceable portion, provided that, if

the severance of any provision from the Agreement shall result in a material change in the economic bargain embodied in the Agreement, the Parties agree to negotiate in good faith toward an equitable resolution that preserves, to the extent legally possible, the original economic bargain embodied in the Agreement.

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

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

9. Environmental Interests

The Company will be entitled to receive one hundred percent (100%) of all Energy Certificates, Green Tags, carbon credits or allowances, or other tradable environmental interests, if any, which result from the Net Generation of the Facility that is purchased by the Company during the term of this Agreement. Any such tradable environmental interests that result from the Facility's generation of its Station Service Load shall remain the property of the County unless the Parties agree in writing otherwise. Details regarding the delivery of such interests to the Company will be mutually agreed upon by the Parties.

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

ATTEST:

Terry A. Davis
ASST. Secretary

GULF POWER COMPANY

BY T. McCullagh
Vice President
TITLE VP Generation
DATE 7/23/08

ATTEST:

Edw. Smith
Witness as to Facility
Lisa M. Williams
Witness as to Facility

Facility
BY Angela D. Yamin
TITLE Chm., BOCC
Official Capacity
DATE 7-22-08

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

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

WITNESSETH:

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

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

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

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

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

1. Facility

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

6510 Bay Line Drive, Panama City, FL 32404 :

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

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

2. Required Regulatory Approval and Commencement Date

This Agreement shall be effective when executed by both Parties and shall continue throughout the Term hereof, as defined in Paragraph 4 below. The Company shall begin purchasing all of the Net Generation (as defined below) pursuant to the terms hereof as of the hour ending 1:00 A.M. prevailing Central time on July 23, 2014, (Commencement Date). The Company shall use its reasonable efforts to obtain Florida Public Service Commission (FPSC) approval of this Agreement and target a filing for approval as soon as reasonably practicable after execution of this Agreement. The County shall use its reasonable efforts to support the Company's petition for approval of the Agreement. If the FPSC does not approve this Agreement in the time period set forth below or FPSC approval is granted, but such approval is not retroactive to the Commencement Date, the price for all energy delivered pursuant to this Agreement for the period beginning on the Commencement Date and continuing to either the date of the FPSC approval/denial or termination by either party pursuant to this paragraph shall be the Company's "As-Available Energy Cost" (as defined by Florida law). In the event that the actual energy price paid by the Company was greater than the Company's "As-Available Energy Cost", the County shall pay the Company the difference between the actual amounts paid and the Company's "As-Available Energy Cost". Likewise, if the actual energy price paid by the Company was less than the Company's "As-Available Energy Cost", the Company shall pay the County the difference

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

3. Sale of Electricity by the County

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

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

The Company agrees to pay the County for the Net Generation on the basis that such Net Generation is "as-available energy" as defined in Rule 25-17.0825(1), Florida Administrative Code. The rates for purchase and sale of energy pursuant to this Agreement shall be for a term of three (3) years beginning on the Commencement Date (the "Term") with rates fixed at Thirty-four Dollars Fifty-six Cents per megawatt-hour (\$34.56/MWh) (the "Contract Price") for the entire Term. The Net Generation shall be measured to the nearest whole kilowatt-hour.

5. Metering Requirements

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

6. Electricity Production

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

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

7. Default

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

8. General Provisions

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

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

8.3 Force Majeure. If either party shall be unable, by reason of force majeure, to carry out its obligations under this Agreement, either wholly or in part, the party suffering such inability to perform shall give written notice and full particulars of such cause or causes to the other party as soon as possible after the occurrence of any such cause; and such obligations shall be suspended

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

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

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

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

For County:
Jamie Jones
General Services Director
Bay County
8110 John Pitts Road
Panama City, Florida 32409

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

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

8.8 Severability. If any part of this Agreement, for any reason, shall be declared invalid, or unenforceable by a public authority of appropriate jurisdiction, then such decision shall not affect the validity of the remainder of the Agreement, which remainder shall remain in force and effect as if this Agreement had been executed without the invalid or unenforceable portion, provided that, if the severance of any provision from the Agreement shall result in a material change in the economic bargain embodied in the Agreement, the Parties agree to negotiate in good faith toward an equitable resolution that preserves, to the extent legally possible, the original economic bargain embodied in the Agreement.

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

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

9. Environmental Interests

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

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

ATTEST:

Terry A. Davis
ASST. Secretary, **TERRY A. DAVIS**
7/17/14

GULF POWER COMPANY

BY *Michael L. Burroughs*
Vice President Michael L.
Burroughs
VP & SPO

TITLE _____

DATE July 16, 2014

ATTEST:

[Signature]
Witness as to County
[Signature]
Witness as to County

County *[Signature]*
BY *[Signature]*
TITLE Chairman
Official Capacity

DATE July 1, 2014



Please refer to page 5, paragraph 10 of the petition for questions 4-9, below.

4. Please identify the sources and dates of Gulf's fuel price forecast used in support of its proposed purchase power agreement (PPA).

RESPONSE:

Short-term (current year plus two) fuel price forecasts for natural gas and coal are developed by Southern Company Services Fuel Services, while the long-term (year four and beyond) forecasts are developed each year by Charles River Associates (CRA), the modeling vendor used by the Southern Electric System (SES), with input from members of cross-functional SES planning teams, including Gulf Power personnel.

Natural gas commodity prices are forecast at the Henry Hub, Louisiana benchmark delivery point. Domestic coal commodity prices are forecast on either a mine-mouth basis or free on board (FOB) barge basis, while import coals are forecast on an FOB ship basis at the port of import. Price forecasts for natural gas and coal underlying the energy prices that were used in the PPA evaluation were finalized in the fall of 2016.

5. Please discuss the methodology employed for developing the fuel price forecast used in this docket.

RESPONSE:

The short-term forecasts are developed by Southern Company Services Fuel Services for use in the system's fuel budgeting process and marginal pricing dispatch procedures. The long-term forecasts are developed in the spring of each year for use in fuel budgeting and system planning activities. Charles River Associates (CRA) is the modeling vendor used by the system to develop the long-term forecasts. This process is a collaborative effort between CRA and members of cross-functional Southern Electric System (SES) planning teams, including Gulf Power personnel.

Fuel market-driving assumptions, developed in collaboration between CRA and SES personnel, are integrated into CRA's model to develop long-term commodity forecast prices. Domestic coal commodity prices are forecast on either a mine-mouth basis or free on board (FOB) barge basis, while import coals are forecast on an FOB ship basis at the port of import. Because mine-mouth coal prices vary by source, sulfur content, and Btu level, SES prepares commodity price forecasts for different coal classifications used on the SES. Natural gas commodity prices are forecast at the Henry Hub, Louisiana benchmark delivery point. Because natural gas does not possess the same quality variations as coal, SES prepares a single commodity price forecast for natural gas at Henry Hub, and applies a basis differential between Henry Hub and the various pipelines serving SES plants.

6. Please detail whether or not Gulf compared, for reasonableness, the fuel price forecast used in this docket to any other fuel price forecast. If so, please provide all alternative fuel price forecasts of natural gas prices that Gulf used and the results of the comparison.

RESPONSE:

Gulf's fuel forecasts, which result from the Southern Electric System (SES) fuel forecast process, are routinely compared for reasonableness to forecasts from third party sources. From a range of high to low fuel price forecasts, a moderate view of projected fuel prices is reflected in the avoided energy prices used to evaluate this PPA's pricing. The Company believes that its moderate fuel price forecasts are reasonable and within the range of fuel price forecasts from third party sources.

Shown in Table B below are the third party natural gas forecasts used in the SES fuel forecast process as compared to Gulf's forecasted prices. Gulf's forecasted natural gas prices used in this docket are lower.

Year	Gulf's Forecast \$/MMBtu	EVA Forecast \$/MMBtu	BTU Analytics \$/MMBtu
2017			
2018			
2019			
2020			
2021			
2022			

Table B: Gulf's vs Third Party Projected Natural Gas Prices, nominal \$/MMBtu

7. Please identify the date, if known, of Gulf's next/updated fuel price forecast that will be used for Utility/business planning purposes.

RESPONSE:

The next fuel price forecast will be available for future planning purposes no later than December of 2017.

8. Please detail whether or not Gulf performed any sensitivity analysis of its fuel price forecast for the purposes of determining the "net present value savings to its customers totaling approximately \$250,000 in 2017 dollars".
 - a. If not, please explain why the Utility did not perform a sensitivity analysis of its fuel price forecast.

RESPONSE:

Gulf's evaluation of the PPA pricing used avoided energy prices that reflect a moderate view of projected fuel prices. No other sensitivity analysis was performed due to the Company's belief that its fuel price forecasts are reasonable and within the range of fuel price forecasts from other third party sources.

9. Please provide the net present value savings analysis that resulted in the approximately \$250,000 savings to customers for 2017.
 - a. Please provide an estimate of the total annual savings to customers throughout the entirety of the contract period with Bay County as compared to the purchase of as-available energy.

RESPONSE:

See page 2 of this response for the analysis of the total annual savings to customers throughout the 6-year contract period.

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6 Year PPA

(A)	(B)	(C)	(D)	(E)	(F)
	Avoided Cost (\$/MWh)	MWh	Total Avoided Cost (B x C)	PPA Revenue (C x \$30.59)	Margin (D - E)
2017	\$ 28.73	35,000	\$ 1,005,518	\$ 1,070,650	\$ (65,132)
2018	\$ 28.27	60,000	\$ 1,696,373	\$ 1,835,400	\$ (139,027)
2019	\$ 30.75	60,000	\$ 1,844,899	\$ 1,835,400	\$ 9,499
2020	\$ 32.03	60,000	\$ 1,921,820	\$ 1,835,400	\$ 86,420
2021	\$ 33.35	60,000	\$ 2,000,892	\$ 1,835,400	\$ 165,492
2022	\$ 34.24	60,000	\$ 2,054,527	\$ 1,835,400	\$ 219,127
2023	\$ 36.26	25,000	\$ 906,578	\$ 764,750	\$ 141,828
	Total	360,000	\$ 11,430,606	\$ 11,012,400	\$ 418,206
	NPV	279,453	\$ 8,794,691	\$ 8,548,457	\$ 246,234
	Discount Rate	0.0687			

Levelized Avoided Cost \$ 31.47
PPA Price \$ 30.59

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10. Please refer to page 8, paragraph 9 of the Agreement. Please explain why it was necessary to add the language "at no additional cost" in the first sentence.

RESPONSE:

This language was added to clarify that Gulf would receive all RECs resulting from Gulf's energy purchases at the contracted price per the terms of the PPA.

11. Please refer to Exhibit B of Gulf's petition. Please provide a copy, if different than the forecast provided in response to question 1, of the fuel price forecast used to formulate the "Territorial Energy" prices shown on this exhibit.

RESPONSE:

The fuel price forecasts underlying the territorial avoided energy prices shown on Exhibit B of the petition are the same as those provided in the response to question 1.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

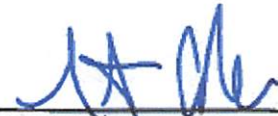
IN RE: **Petition of Gulf Power Company for**)
Approval of Negotiated Renewable Energy Power)
Purchase Agreement with Bay County, Florida)

Docket No.: **20170169-EI**

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing was furnished by electronic mail this 21st day of September, 2017 to the following:

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