

# SECURITIES AND EXCHANGE COMMISSION

## FORM U-1

Application or declaration under the act 1935

Filing Date: **1995-07-28**  
SEC Accession No. **0000041091-95-000014**

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### FILER

#### GEORGIA POWER CO

CIK: **41091** | IRS No.: **580257110** | State of Incorporation: **GA** | Fiscal Year End: **1231**  
Type: **U-1** | Act: **35** | File No.: **070-08665** | Film No.: **95557174**  
SIC: **4911** Electric services

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ATLANTA GA 30308  
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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form U-1

APPLICATION OR DECLARATION

under

The Public Utility Holding Company Act of 1935

GEORGIA POWER COMPANY  
333 Piedmont Avenue, N.E.  
Atlanta, Georgia 30308

(Name of company or companies filing this statement  
and addresses of principal executive offices)

THE SOUTHERN COMPANY

(Name of top registered holding company parent  
of each applicant or declarant)

Judy M. Anderson, Vice President and Corporate Secretary  
Georgia Power Company  
333 Piedmont Avenue, N.E.  
Atlanta, Georgia 30308

(Names and addresses of agents for service)

The Commission is requested to mail signed copies of all  
orders, notices and communications to:

W. L. Westbrook, Financial Vice President  
The Southern Company  
64 Perimeter Center East  
Atlanta, Georgia 30346

John D. McLanahan, Esq.  
Troutman Sanders  
Suite 5200  
NationsBank Plaza  
600 Peachtree Street  
Atlanta, Georgia 30308-2216

## INFORMATION REQUIRED

### Item 1. Description of Proposed Transaction.

Georgia Power Company ("GPC") is a wholly-owned subsidiary of The Southern Company, a registered holding company under the Public Utility Holding Company Act of 1935. Florida Power Corporation ("FPC") is a corporation organized and existing under the laws of the State of Florida.

1.1 GPC proposes to purchase from FPC a percentage undivided ownership interest in the Intercession City Facility Combustion Turbine (the "Facility") pursuant to the Intercession City Siemens Unit Purchase and Ownership Participation Agreement dated as of June 8, 1994 between GPC and FPC (the "Ownership Agreement") and the Intercession City Siemens Unit Step-Up Transformer Purchase Agreement dated as of June 8, 1994 between GPC and FPC (the "Step-Up Transformer Agreement"). The Facility includes one complete Siemens V84.3 combustion turbine-generating unit and a step-up transformer. At the closing, which is currently scheduled to occur in January 1996, FPC will sell and transfer to GPC and GPC will purchase from FPC a one-third undivided ownership interest in the Facility, and FPC will furnish to GPC a release from any and all mortgages, deeds to secure debt or other security interests with respect to GPC's

undivided ownership interest in the Facility.

1.2 The purchase price for the assets to be acquired by GPC at the closing will be one-third of the costs of construction incurred with respect to the Facility which are currently

estimated to be \$13,137,680 (the "Purchase Price"). To such amount shall be added an amount to compensate FPC for federal and state income taxes payable due to differences in book and tax basis of the equity component of the allowance for funds used during construction with respect to the sale by FPC of such undivided ownership interest in the Facility (which is approximately \$40,000). At the closing, GPC also shall pay FPC the use of common facilities during the construction and testing period (which is stipulated to be \$87,500) and carrying charges with respect to the fuel inventory maintained during the testing period (which is approximately \$9,491). FPC will adjust the Purchase Price within one hundred eighty (180) days after the closing to account for any necessary true-ups and inform GPC of any amounts to be reimbursed to GPC or any amounts owed by GPC with respect to the Purchase Price.

1.3 Pursuant to the Long Term Lease Agreement dated as of June 8, 1994, between GPC and FPC, FPC shall lease to GPC an undivided one-third interest in the real property on which the

Facility will be developed. The annual rent for the leasehold interests conveyed to GPC shall be \$300.00 per year plus all Florida sales taxes applicable thereto.

1.4 The Facility will be managed, controlled, operated and maintained by FPC on its own behalf and as agent for GPC in accordance with the terms and conditions set forth in the Ownership Agreement and the Intercession City Siemens Unit Operating Agreement dated as of June 8, 1994 between GPC and FPC

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(the "Operating Agreement"). FPC and GPC shall pay all future costs of construction on a pro rata basis based on their percentage undivided ownership interests in the Facility at the time such costs are incurred. FPC and GPC will share operating costs and fuel costs as follows: fixed operation and maintenance costs and fixed fuel costs shall be allocated between FPC and GPC in proportion to their respective percentage undivided ownership interests in the Facility; variable operation and maintenance costs and variable fuel costs incurred by FPC during the months of June, July, August and September (the "Summer Period") shall be allocated solely to GPC; and variable operation and maintenance costs and variable fuel costs incurred by FPC during the months of October, November, December, January, February,

March, April and May (the "Winter Period") shall be allocated solely to FPC. In addition, GPC will pay a share of the monthly administrative and general costs of operating the Facility pursuant to the terms of the Operating Agreement.

1.5 GPC will be entitled to the net capacity and the net energy output of the Facility at all times during the Summer Period. FPC will be entitled to the net capacity and the net energy output of the Facility at all times during the Winter Period.

1.6 The Facility is currently scheduled to go into commercial operation in January 1996.

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Item 2. Fees, Commission and Expenses.

The fees and expenses to be paid or incurred, directly or indirectly, in connection with the proposed transactions will be filed by amendment.

Item 3. Applicable Statutory Provisions.

The proposed purchase by GPC from FPC is subject to Sections 9(a) (1) and 10 of the Act and Rule 44 thereunder. The proposed

transaction will be carried out in accordance with the procedures specified in Rule 23, pursuant to an order of the Commission with respect thereto.

Item 4. Regulatory Approval.

The Georgia Public Service Commission has issued a certificate of public convenience and necessity for the Facility. FPC's sale of the step-up transformer pursuant to the Step-Up Transformer Agreement is subject to the jurisdiction of the Federal Energy Regulatory Commission ("FERC"). Such approval was received by Order dated November 8, 1994. Approval of the FERC is also required for certain transmission agreements related to this transaction which was received by letter dated October 5, 1994. The proposed transaction is not subject to the jurisdiction of any federal commission other than the FERC as aforesaid and the Securities and Exchange Commission.

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Item 5. Procedure.

GPC requests that the Commission's order be issued as soon as the rules will allow, and that there be no thirty-day waiting

period between the issuance of the Commission's order and the date on which it is to become effective. GPC hereby waives a recommended decision by a hearing officer or other responsible officer of the Commission and hereby consents that the Division of Investment Management may assist in the preparation of the Commission's decision and/or Order herein, unless such division opposes the matters covered hereby.

Item 6. Exhibits and Financial Statements.

(a) Exhibits

- A None
- B-1 Intercession City Siemens Unit Purchase and Ownership Participation Agreement dated as of June 8, 1994, between FPC and GPC.
- B-2 Intercession City Siemens Unit Operating Agreement dated as of June 8, 1994, between FPC and GPC.
- B-3 Intercession City Siemens Unit Step-Up Transformer Purchase Agreement dated as of June 8, 1994, between GPC and FPC.
- B-4 Long Term Lease Agreement dated as of June 8, 1994, between GPC and FPC.
- C None
- D-1 Relevant Excerpts from the Georgia Power Company Application for Certification of the Intercession City Combustion Turbine Project.



- D-2 Certificate of Public Convenience and Necessity: Intercession City CT Project, No. GPC-3-SS.
- E Map showing the interconnection relationship of the properties of FPC with properties of GPC. (To be filed by amendment.)
- F Opinion of Troutman Sanders LLP. (To be filed by amendment.)

(b) Financial Statements

No financial statements are filed herewith since the financial condition of GPC is not material to the proposed transaction.

Item 7. Information as to Environmental Effects.

(a) In view of the nature of the proposed transactions described in Item 1 hereof, the Commission's action in these matters will not constitute any major federal action significantly affecting the quality of the human environment.

(b) No other federal agency has prepared or is preparing an environmental impact statement with regard to the proposed transactions.

SIGNATURE

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned company has duly caused this statement to be signed on its behalf by the undersigned thereunto duly authorized.

Date: July 28, 1995

GEORGIA POWER COMPANY

By: /s/Wayne Boston  
Wayne Boston  
Assistant Secretary



EXHIBIT B-1

INTERCESSION CITY SIEMENS UNIT  
PURCHASE AND OWNERSHIP  
PARTICIPATION AGREEMENT

between

GEORGIA POWER COMPANY

and

FLORIDA POWER CORPORATION

Dated as of June 8, 1994

INTERCESSION CITY SIEMENS UNIT  
PURCHASE AND OWNERSHIP PARTICIPATION AGREEMENT  
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ATTACHMENTS

- A DEFINITIONS
- B APPROVALS, PERMITS AND LICENSES TO BE OBTAINED BY GPC OR BY FPC AS AGENT FOR GPC
- C APPROVALS, PERMITS AND LICENSES TO BE OBTAINED BY FPC
- D FORM OF BILL OF SALE
- E DETERMINATION OF WORKING CAPITAL DEPOSIT AND CARRYING CHARGES WITH RESPECT TO FUEL INVENTORY FOR TESTING
- F DIAGRAM OF THE FACILITY
- G DIAGRAM OF THE FACILITY SITE (TO BE REPLACED BY LEGAL DESCRIPTION)



INTERCESSION CITY SIEMENS UNIT  
PURCHASE AND OWNERSHIP PARTICIPATION AGREEMENT

THIS INTERCESSION CITY SIEMENS UNIT PURCHASE AND OWNERSHIP PARTICIPATION

AGREEMENT (this "Agreement"), dated as of the 8th day of June, 1994, is entered into by and between GEORGIA POWER COMPANY, a corporation organized and existing under the laws of the State of Georgia ("GPC"), and FLORIDA POWER CORPORATION, a corporation organized and existing under the laws of the State of Florida ("FPC").

#### R E C I T A L S:

GPC and FPC desire and intend, by entering into this Agreement and the Collateral Documents, as defined in Attachment A, to establish their respective co-ownership rights in a Siemens combustion turbine generating unit and related facilities to be located at the Intercession City Site, as defined in Attachment A, to provide for the planning, licensing, design, procurement, construction, acquisition, completion, testing, startup, management, control, operation, maintenance, addition, replacement, modification, retirement, and disposal of such generating unit and related facilities, and to provide for the entitlement to and use of capacity and energy therefrom and the sharing of the costs related thereto.

#### OPERATIVE TERMS

In consideration of the promises and the mutual agreements set forth in this Agreement, GPC and FPC hereby agree as follows:

1. DEFINITIONS. In addition to the terms defined elsewhere in this

Agreement, the terms in Attachment A to this Agreement have the meanings set forth in Attachment A, which meanings shall be equally applicable to both singular and plural forms of such terms except as otherwise expressly provided.

2. REPRESENTATIONS AND WARRANTIES.

(a) GPC Representations and Warranties. GPC hereby represents and warrants to FPC as follows:

(i) Organization and Existence. GPC is a corporation duly organized, validly existing and in good standing under the laws of the State of Georgia and has sufficient corporate power and authority to execute and deliver this Agreement and the Collateral Documents and to perform its obligations hereunder and thereunder. GPC has full corporate power and authority to carry on its business as it is now being conducted and as it is contemplated hereunder and under the Collateral Documents to be conducted in the future.

(ii) Due Authorization. The execution, delivery and performance of this Agreement and the Collateral Documents by GPC have been duly and

effectively authorized by all requisite corporate action on the part of GPC. This Agreement and the Collateral Documents constitute the legal, valid and binding obligations of GPC enforceable against GPC in accordance with their terms, except as limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting the rights of creditors generally or by general principles of equity.

(iii) Litigation. There is no action, suit, claim, proceeding or investigation pending or, to GPC's knowledge, threatened against GPC by or before any Governmental Authority having jurisdiction over GPC which, if adversely determined, would have a material and adverse effect upon GPC's ability to enter into and perform its obligations and consummate the transactions contemplated by this Agreement and the Collateral Documents or the material rights of FPC under this Agreement and the Collateral Documents. GPC is not subject to any material outstanding judgment, order, writ, injunction or decree of any Governmental Authority having jurisdiction over GPC which would materially and adversely affect its ability to enter into and perform its obligations under this Agreement and the Collateral Documents or the material rights of FPC under this Agreement and the Collateral Documents.

(iv) No Material Violation; No Material Impairment. There is no provision of the charter or bylaws of GPC, nor any existing statute, law, regulation, material note, bond, resolution, indenture, agreement or instrument to which GPC is a party and which is enforceable against

it which would be materially violated by or which would materially

impair GPC's entry into this Agreement or the Collateral Documents, the performance by GPC of its material obligations hereunder and thereunder in accordance with the terms hereof and thereof or the consummation of the material transactions contemplated hereby or thereby in accordance with the terms hereof and thereof; provided, however, no representation or warranty is given with respect to the provisions of GPC's first mortgage bond indenture in the event of a default by GPC under such indenture.

(v) Approvals. Other than the approvals by the Governmental Authorities described in Attachment B hereto, there are no approvals or consents, other than those referenced in Section 7, CONDITIONS PRECEDENT TO THE CLOSING, the absence of which would materially impair the ability of GPC to consummate the transactions described in, or to perform its obligations under, this Agreement and the Collateral Documents.

(b) FPC Representations and Warranties. FPC hereby represents and warrants to GPC as follows:

(i) Organization and Existence. FPC is a corporation duly

organized, validly existing and in good standing under the laws of the State of Florida and has sufficient corporate power and authority to execute and deliver this Agreement and the Collateral Documents and to perform its obligations hereunder and thereunder. FPC has full corporate power and authority to carry on its business as it is now

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being conducted and as it is contemplated hereunder and under the Collateral Documents to be conducted in the future.

(ii) Due Authorization. The execution, delivery and performance of this Agreement and the Collateral Documents by FPC have been duly and effectively authorized by all requisite corporate action on the part of FPC. This Agreement and the Collateral Documents constitute the legal, valid and binding obligations of FPC, enforceable against FPC in accordance with their terms, except as limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting the rights of creditors generally or by general principles of equity.

(iii) Litigation. There is no action, suit, claim, proceeding or investigation pending or, to FPC's knowledge, threatened against FPC by or before any Governmental Authority having jurisdiction over FPC which,

if adversely determined, would have a material and adverse effect upon FPC's ability to enter into and perform its obligations and consummate the transactions contemplated by this Agreement and the Collateral Documents or the material rights of GPC under this Agreement and the Collateral Documents. FPC is not subject to any material outstanding judgment, order, writ, injunction or decree of any Governmental Authority having jurisdiction over FPC which would materially and adversely affect its ability to enter into and perform its obligations under this Agreement and the Collateral Documents or the material rights of GPC under this Agreement and the Collateral Documents.

(iv) No Material Violation; No Material Impairment. There is no provision of the charter or bylaws of FPC, nor any existing statute, law, regulation, material note, bond, resolution, indenture, agreement or instrument to which FPC is a party and which is enforceable against it which would be materially violated by or which would materially impair FPC's entry into this Agreement or the Collateral Documents, the performance by FPC of its material obligations hereunder and thereunder in accordance with the terms hereof and thereof or the consummation of the material transactions contemplated hereby or thereby in accordance with the terms hereof and thereof; provided, however, no representation

or warranty is given with respect to the provisions of the Indenture in the event of a default by FPC under the Indenture.

(v) Approvals. Other than the approvals of the Governmental Authorities and the permits and licenses described in Attachment C, there are no approvals or consents, other than those referenced in Section 7, CONDITIONS PRECEDENT TO THE CLOSING, the absence of which would materially impair FPC's ability to consummate the transactions described in, or to perform its obligations under, this Agreement and the Collateral Documents.

3. PURCHASE BY GPC OF AN UNDIVIDED OWNERSHIP INTEREST IN THE FACILITY.

(a) Sale Of Assets. Subject to the terms and conditions of this Agreement:

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(i) At the Closing, FPC will sell and transfer to GPC and GPC will purchase from FPC a one-third undivided ownership interest, as a tenant in common with FPC, in the Facility, less and except the undivided ownership interest in the Step-Up Transformer transferred to GPC pursuant to the Step-Up Transformer Agreement. The sale and



transfer hereunder will be by Bill of Sale substantially in the form of Attachment D hereto and made a part hereof.

(ii) At the Closing, FPC will furnish to GPC a Release from any and all mortgages, deeds to secure debt or other security interests with respect to GPC's undivided ownership interest in the Facility being sold to GPC at the Closing.

(b) Purchase Price and Payment.

(i) The purchase price for the undivided co-ownership interest in the Facility, less and except the undivided one-third ownership interest in the Step-Up Transformer, to be acquired by GPC at the Closing pursuant to Section 3(a), SALE OF ASSETS, hereof (the "Purchase Price") will be one-third of the Costs of Construction incurred with respect to the Facility, less and except the Step-Up Transformer, up to and including the date of the Closing. To such amount shall be added an amount to compensate FPC for federal and state income taxes payable due to differences in book and tax basis of the equity component of the allowance for funds used during construction with respect to the sale by FPC of such undivided co-ownership interest in the Facility.

(ii) At the Closing, GPC shall pay to FPC, in immediately available United States funds, (A) the Purchase Price, (B) the additional amount described in paragraph (i) above, (C) the sum of Eighty-Seven Thousand Five Hundred Dollars (\$87,500.00) for GPC's use of the Common Facilities during the Construction Period and the Testing Period, and (D) the Carrying Charges, as calculated in Attachment E hereto, with respect to the Fuel Inventory maintained during the Testing Period. In addition, GPC shall deposit the Working Capital Deposit with FPC on the date of Closing.

(iii) Not less than:

- (A) thirty (30) days prior to the Closing, FPC shall provide GPC with an estimated closing statement; and
- (B) ten (10) days prior to the Closing, FPC shall provide GPC with an actual closing statement;

setting forth the Purchase Price and the other amounts to be paid to or deposited with FPC at the Closing as described in paragraph (ii) above.

(iv) From time to time after the Closing, FPC and GPC shall execute and deliver such other instruments of conveyance and transfer as may be necessary or appropriate or as either of them may reasonably request to vest in FPC and GPC their respective undivided co-ownership interests in and to the Facility.

(v) FPC shall adjust the Purchase Price within one hundred eighty (180) days after the Closing to account for any necessary true-

ups and inform GPC of any amounts to be reimbursed to GPC or any amounts owed by GPC with respect to the Purchase Price or other amounts described in paragraph (ii) above (other than Subparagraph (C) thereof). GPC shall have the right to question or contest the correctness of the Purchase Price and such other amounts within ninety (90) days after receiving notice of the adjusted Purchase Price. In the event that during such ninety (90) days, GPC questions or contests the correctness of the Purchase Price or such other amounts, FPC shall promptly review the questioned amounts and shall notify GPC of the amount of any error and the amount of reimbursement, if any, that GPC is entitled to receive in respect of such error. In the event that either Party hereto is owed an amount under this paragraph (v), the other Party shall forward such amount to the Party to which it is owed in immediately available United States funds. FPC will provide GPC with such information as is reasonably required by GPC in order for GPC to review the Purchase Price and the other amounts described in paragraph (ii) above (other than subparagraph (C) thereof).

(c) Closing.

(i) Subject to the provisions of Section 7, CONDITIONS PRECEDENT

TO THE CLOSING, hereof, the closing of the sale and transfer contemplated in Section 3(a), hereof (the "Closing") will take place at 10:00 a.m., Eastern Time, on a Business Day to be selected by FPC in the month of December 1995, unless the Closing is extended to a later date pursuant to paragraph (iii) of this Section 3(c). FPC shall provide GPC

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with written notice of the scheduled date of the Closing at least ten (10) Business Days prior thereto. The Closing shall take place at the offices of Carlton, Fields, Ward, Emmanuel, Smith & Cutler, P.A., One Harbour Place, 777 South Harbour Island Drive, Tampa, Florida 33602.

(ii) If FPC and GPC agree in writing in their sole discretion that it is mutually beneficial for the Closing to take place prior to December 1, 1995, then the Closing shall take place on the date set forth in such agreement.

(iii) If, on the date set forth for the Closing, GPC is unable to consummate the Closing hereunder because of the failure of GPC to receive the approval of the Georgia Public Service Commission of GPC's Application for Certification of the Intercession City Combustion Turbine Project, but such approval has been applied for and has been diligently pursued, and such approval remains pending and not refused or

rejected by the Georgia Public Service Commission on such date, then GPC shall be entitled to a reasonable extension of the Closing in order to permit GPC to obtain such pending approval; provided, however, that the date of the Closing shall not be delayed beyond June 1, 1996.

(iv) In the event that the Closing does not occur on or before June 1, 1996, because of GPC's inability or refusal to close for any reason other than GPC's failure to obtain the approval of the SEC, as described in Attachment B hereto, or FPC's breach of this Agreement, then GPC shall pay to FPC, on or before June 5, 1996, the sum of Two

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Hundred Fifty Thousand Dollars (\$250,000.00), in immediately available United States funds, to compensate FPC for its expenses in negotiating and entering into this Agreement and the Collateral Documents and, upon such payment, this Agreement and the Collateral Documents shall thereupon be terminated and the Parties shall have no further obligations or liability to each other under this Agreement or the Collateral Documents.

(d) Option To Purchase Additional Intercession City Facility Generating Unit. FPC shall offer GPC an option to purchase a co-ownership interest in the next combustion turbine generating unit, if any, that FPC

decides to construct at the Intercession City Site and with respect to which FPC decides to offer a co-ownership interest and an arrangement for seasonal sharing of electric output; provided, however, that it shall be a condition precedent to such option or the exercise thereof by GPC that FPC determines, in its sole discretion, that it is economically desirable to FPC and consistent with its system requirements to construct the next combustion turbine generating unit for co-ownership and seasonal sharing with another electric utility; and provided further, however, that any such co-ownership shall be subject to FPC and GPC being able to agree in writing as to the terms of a co-ownership of, and the operations with respect to, such combustion turbine generating unit. In the event that FPC makes the determination described in the preceding sentence of this Section 3(d), FPC shall promptly give notice of such determination to GPC. GPC shall then have sixty (60) days after the date of such notice within which to give notice to FPC of its desire to enter into such a co-ownership and seasonal sharing arrangement with FPC.

If GPC gives FPC such notice, the Parties shall negotiate in good faith to attempt to enter into contracts with respect to such co-ownership and seasonal sharing arrangement within sixty-five (65) days after the date of such notice. If GPC and FPC have not, during such sixty-five (65) day period, entered into all necessary contracts with respect to such co-ownership and seasonal sharing arrangement, then FPC shall be free to offer a co-ownership of, and seasonal

sharing arrangement with respect to, such unit to any other person or entity. Prior to the expiration of the sixty (60) day period described in this Subsection above, and, in the event that GPC gives FPC notice (within such sixty (60) day period) exercising its option to purchase a co-ownership interest in the additional combustion turbine generating unit, then, during the sixty-five (65) day period described above, FPC shall not offer a co-ownership and seasonal sharing arrangement in such additional generating unit to any other party.

#### 4. AGENCY.

(a) Appointment. Subject to the terms of this Agreement and the Operating Agreement, the Participants hereby irrevocably appoint FPC as their Agent to act on behalf of the Participants in performing the Agency Functions with respect to the Facility. FPC hereby accepts such appointment and agrees that it shall discharge its responsibilities as Agent in accordance with the terms of this Agreement and the Operating Agreement and in accordance with Prudent Utility Practice.

(b) Authority and Responsibility. Subject to the provisions of this

Agreement and the Operating Agreement, FPC, as Agent, shall have sole authority and responsibility with respect to the Agency Functions, and in respect thereof, FPC as Agent is authorized to take and shall take, in the name and on behalf of the Participants, all reasonable actions which, in the discretion and judgment of FPC, are deemed necessary or advisable to effect the Agency Functions, including, without limitation, the following:

(i) the making of such agreements and modifications of existing agreements, other than this Agreement and the Collateral Documents, and the taking of such other action as FPC, as Agent, deems necessary or appropriate, in its sole discretion, or as may be required under the regulations or directives of any Governmental Authority having jurisdiction, with respect to the Agency Functions, which such agreements and modifications shall, together with all such existing agreements, be held by FPC, as Agent; provided, however, without GPC's prior written consent, which shall not be unreasonably withheld or delayed, FPC shall not enter into any amendments to, or modifications of, or waive any rights under, the Siemens Agreement which would materially and adversely affect GPC's co-ownership of, or right to output from, the Facility;

(ii) the execution and filing, with any Governmental Authority having jurisdiction (except the Georgia Public Service Commission), of applications, amendments, reports and other documents and filings in or



in connection with the licensing and other regulatory matters with respect to the Facility or any portion thereof;

(iii) the receipt of any notice or other communication from any Governmental Authority having jurisdiction (except the Georgia Public Service Commission), as to any licensing or other similar matter concerning the Facility; and

(iv) the provision of, or contracting with any third party to purchase or provide, any equipment, facilities or services in connection with the Facility, in accordance with the provisions of this Agreement or any of the Collateral Documents.

GPC and FPC agree that all such agreements which relate to the Facility described in this Section 4(b) which are entered into after the date hereof shall, by their terms, be made assignable by FPC as Agent to any successor Agent for the Agency Functions, pursuant to this Agreement and the Operating Agreement.

(c) Environmental Costs. From and after the date of this Agreement:

(i) FPC shall be solely responsible for all Environmental Costs which arise as a result of the ownership and operation, prior to the date of this Agreement, of the Intercession City Site and all activities conducted on the Intercession City Site prior to the date of this Agreement.

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(ii) GPC and FPC shall be responsible, in proportion to their respective Ownership Interests, with respect to Environmental Costs that arise as a result of the construction, installation or operation of the Facility.

(iii) FPC shall be solely responsible for Environmental Costs that arise as a result of the construction, installation or operation of any electric generating unit on the Intercession City Site other than the Facility or the Common Facilities.

(iv) GPC and FPC shall be responsible, in proportion to their respective Ownership Interests, with respect to Environmental Costs that arise as a result of the construction, installation or operation of Common Facilities that are dedicated solely to the Facility.

(v) GPC and FPC shall be responsible, in proportion to their respective Weighted Average Common Facilities Allocation Factors, with respect to Environmental Costs that arise as a result of the construction, installation or operation of Common Facilities other than those described in paragraph (iv) above.

(vi) GPC and FPC shall be responsible, in proportion to their respective Weighted Average Common Facilities Allocation Factors, with respect to Environmental Costs pertaining to the Facility or

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the Facility Site that are not described in paragraphs (i), (ii), (iii), (iv) or (v) above.

Notwithstanding any of the foregoing, GPC shall not be responsible for any Environmental Costs to the extent that such Environmental Costs are directly attributable to a spill or release of any Environmental Material prior to the date hereof or a failure by FPC to comply with Prudent Utility Practice, to a material breach by FPC of Section 6(d), COMPLIANCE WITH LAWS AND ENVIRONMENTAL MATTERS, hereof, or to the willful or intentional misconduct of FPC.

Each Party shall indemnify, defend and hold harmless the other Party from any investigation, enforcement action, consent agreement, administrative order, removal or remedial action, cleanup obligation, or other governmental or private third-party claim for damages, contribution, cost recovery, loss or injury at any time threatened, instituted or completed in any way arising out of, relating to, or in connection with any Environmental Material to the extent that the indemnifying party is responsible for Environmental Costs under the terms of this Section 4(c).

(d) Management and Construction Audits. GPC shall have the right from time to time to conduct management and construction audits, at its own cost, of FPC's performance as Agent hereunder, either by its own officers and employees or through its duly authorized agents or representatives. FPC shall cooperate with GPC, to a reasonable extent, in conducting any such audit and, subject to the applicable regulations of any Governmental Authority having

jurisdiction and to the provisions of Section 4(f), CONFIDENTIALITY OF INFORMATION, hereof give GPC reasonable access, after reasonable notice, to all contracts, records, and other documents relating to the Facility or any portion thereof.

(e) Right To Copies. Subject to the provisions of Section 4(f),

CONFIDENTIALITY OF INFORMATION, hereof, GPC shall be entitled, after reasonable notice to FPC and, for a reasonable charge to be paid by GPC, to obtain copies of (i) any and all contracts, books, records, reports and other documents and papers to which GPC is permitted access, or which FPC has agreed shall be available for audit under the terms of this Agreement or the Operating Agreement, and (ii) any and all planning, licensing, construction, testing, architectural, engineering and design drawings and specifications that have been or shall hereafter be prepared in connection with the Facility or any portion thereof. GPC shall use any such copy, the information contained therein, or both, only in the exercise of its rights and obligations hereunder or under the Operating Agreement; and GPC shall not sell or otherwise transfer any such copy or the information contained therein to any person or entity except that, subject to the provisions of Section 4(f), CONFIDENTIALITY OF INFORMATION, GPC may provide such copies or disclose their contents to its mortgagees, security deed holders and its agents and authorized representatives; and neither GPC nor its respective officers, employees, agents, representatives, consultants, mortgagees nor security deed holders may use any such copy or the information contained therein in connection with any other generating plant or for the benefit of any other person or entity.

(f) Confidentiality of Information. Notwithstanding any other

provision of this Agreement or any of the Collateral Documents, GPC recognizes that there are, or may be in the future, certain contracts, records, drawings, data or other documents or information relating to FPC or the Agency Functions which FPC or the party or parties supplying any such material to FPC have designated as proprietary, confidential or privileged, or as to which FPC is obligated not to disclose the same to any other person or entity without the express approval of such person or entity ("Proprietary Information"). GPC agrees that FPC shall have no obligation under this Agreement or the Operating Agreement to disclose, provide access to or permit copying of any such Proprietary Information (it being understood that FPC shall cooperate to a reasonable extent in obtaining consent or approval from third parties as to any such disclosure) and that any such disclosure to GPC shall be in accordance with all of the terms of any such approval.

GPC agrees to take all reasonable steps to protect the Proprietary Information furnished to it, including, without limitation, limiting access to and disclosure of such Proprietary Information and ensuring that those receiving any such Proprietary Information understand the proprietary, confidential or privileged nature of such Proprietary Information. Notwithstanding the foregoing, GPC may, with FPC's prior written consent, disclose Proprietary Information to other parties, including, without limitation, any Governmental Authority having jurisdiction, as necessary to obtain approval of the purchases contemplated herein or to otherwise effectuate the purposes of this Agreement. GPC agrees to promptly notify FPC of any other legal or administrative proceedings, in which it is participating

or of which it is aware, in which an issue to be determined includes the potential disclosure of any or all of the contents of any Proprietary Information.

Furthermore, GPC shall be permitted to produce and disclose Proprietary Information if required by subpoena or other binding process of an administrative agency or other Government Authority but shall cooperate with the supplier of such Proprietary Information in seeking a protective order with respect to such production or disclosure.

(g) Right of Inspection. Upon reasonable prior notice to FPC from time to time, representatives of GPC shall be entitled to inspect the Facility, the Facility Site and the Common Facilities, review operating and maintenance practices with respect thereto and discuss the operations and maintenance thereof with the plant manager of the Facility, provided that such inspections and discussions shall not materially interfere with the operations of the Facility or the Common Facilities and provided that GPC complies with the rules and regulations of Governmental Authorities having jurisdiction with respect to the Facility, the Facility Site and the Common Facilities, and FPC's policies and procedures applicable to operations at the Facility Site including, without limitation, those with respect to safety.

(h) Record Keeping. In furtherance of its duties as Agent, FPC shall also keep and maintain appropriate plant records with respect to the Facility in accordance with applicable Legal Requirements and FPC's record retention policies; and upon reasonable notice from time to time by GPC, FPC will inform

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GPC of the location of such records and, subject to Section 4(f) above, CONFIDENTIALITY OF INFORMATION, provide GPC with reasonable access thereto. To the extent that GPC would like to retain those records for longer periods of time than FPC would retain such records, then, upon written request from GPC, and subject to Section 4(f) above, CONFIDENTIALITY OF INFORMATION, FPC shall provide GPC, at GPC's sole expense, with originals or copies as appropriate of such records on or prior to the date that FPC would dispose of such records.

(i) Non-Discrimination. In no event will FPC, in its performance of the Agency Functions, materially discriminate against the Facility (in a manner that is adverse to a Participant's undivided ownership interest in the Facility or right to output from the Facility) in comparison with other comparable electric peak-load generating units owned or operated by FPC; provided, however, that the foregoing non-discrimination provision shall not apply with respect to the construction, operation or use of any facilities for



natural gas for any other electric generating units at the Intercession City Site or elsewhere in FPC's electric system.

5. OWNERSHIP, RIGHTS AND OBLIGATIONS.

(a) Ownership.

(i) The Participants shall have title to the Facility as co-owners with undivided ownership interests therein, subject to the terms of this Agreement and the Operating Agreement, and shall own the

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Facility and possess rights and obligations related thereto, including, without limitation, payment therefor, as specified in Sections 3(a) and (b), SALE OF ASSETS, and PURCHASE PRICE AND PAYMENT, hereof. The Participants shall be entitled to the capacity and the associated energy of the Facility in accordance with Section 3(a), AVAILABILITY OF OUTPUT, of the Operating Agreement.

(ii) FPC shall have sole title to the Common Facilities.

(iii) The real property interests in the Facility Site shall be as follows: (A) FPC shall own fee simple title to the Facility Site

subject to the leasehold interest granted by FPC to GPC pursuant to the Long Term Lease; and (B) GPC shall have (1) an undivided one-third interest in a leasehold estate as a tenant in common with FPC in the Facility Site, and (2) the Access Easement (as defined in the Long Term Lease).

(b) Alienation and Assignment.

(i) So long as FPC and GPC are Participants under the terms of this Agreement, neither of them shall sell, lease, convey, transfer, assign, encumber or alienate in any manner whatsoever, except as otherwise provided herein, its ownership interest, or any portion or portions thereof, in the Facility or any rights under this Agreement without first giving to the other Party the offer described in Section 5(b)(ii) hereof; provided, however, that upon notice to the other Party

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hereto but without its consent, FPC may assign its entire co-ownership interest, or any portion thereof, to any Affiliate of FPC, and GPC may assign its entire co-ownership interest, or any portion thereof, to any other Operating Subsidiary.

(ii) In the event that a Participant wishes to sell, transfer or

otherwise assign its ownership interest in the Facility, or any portion thereof, other than as permitted in Section 5(b)(i) above, it shall first offer, subject to all requisite regulatory approvals, including, without limitation, the approval of the SEC, if required, pursuant to the Public Utility Holding Company Act of 1935, such sale, transfer or assignment to the other Party, upon the same terms and conditions as the proposed sale, transfer or assignment to the third party (unless, pursuant to the terms of the Public Utility Holding Company Act of 1935 and any amendments or successor legislation thereto, the terms and conditions of such sale, transfer or assignment are regulated, in which case the terms and conditions of such sale, transfer or assignment shall not be inconsistent with such Act), which offer shall be made in the form of a proposed contract and shall be open for acceptance by the other Party to this Agreement for a period of sixty (60) days after the date of the offer for the interest being offered, and in the event such offer is accepted by the other Party, the Parties shall proceed to a closing of the transaction with respect to such interest, pursuant to the terms of the aforesaid contract and in an expeditious manner.

(iii) In no event shall the offering Participant sell, transfer

or assign such interest, pursuant to Section 5(b)(ii) above, to any person or entity (including, without limitation, GPC or FPC) which is not financially responsible or do so on any terms materially different from those set forth in the aforesaid offer.

(iv) Each Participant shall notify the other Participant in writing as soon as possible after it learns that any lien or security interest in respect of an obligation or liability in excess of \$100,000 has been or will be imposed upon its ownership interest in the Facility or any portion or portions thereof or has reason to believe that such a lien or security interest will be imposed (other than a lien or security interest created by such Participant as security for bonds or other obligations issued or to be issued by it).

(v) In the event of any sale, transfer or assignment (other than solely as security for an indebtedness) by one of the Participants of its ownership interest in the Facility or any portion or portions thereof, such Participant shall also assign its interest in the Long Term Lease to the transferee (in the case of a transfer by GPC) or, in the case of a transfer by FPC, grant a lease to the transferee with respect to the Facility Site on terms that correspond to the Long Term Lease. As a condition precedent to the consummation of the foregoing transactions, the transferring Participant shall cause the transferee of such interest to become a Party to this Agreement and the Collateral Documents (except the Long-Term Lease in the case where FPC is the

transferor), and assume the obligations of the transferor hereunder and thereunder in proportion to the interest so sold, transferred or assigned, or alienated, whereupon such transferee shall become a Participant hereunder.

(vi) Each Participant hereby expressly waives and renounces, for the duration of its co-ownership of the Facility, for itself, its successors, transferees and assigns, all rights to a partition of the Facility and its respective interest in the Facility Site and to an accounting associated therewith.

(vii) Notwithstanding paragraphs (i) through (iv) of this Section 5(b), each Participant shall have the right to mortgage or to convey a security interest in its ownership in the Facility, or any portion or portions thereof, as security for bonds or other obligations issued or to be issued by such Participant.

(viii) In the event either Participant sells, transfers or assigns to any transferee (including, without limitation, GPC or FPC) any ownership interest in the Facility in accordance with the provisions of this Section 5(b), or pursuant to any other provisions of this

Agreement authorizing such sale, transfer or assignment, such Participant's rights and obligations hereunder and under the Operating Agreement as a Participant and co-owner of the Facility, including, without limitation, the obligation to make payments of future Additional Costs of Construction, Operating Costs, Fuel Costs, and Major Outage

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Costs, shall be reduced to the extent of the interests so sold, transferred or assigned and the other Participant shall look solely to such transferee for performance of the corresponding future obligations relating to the interest sold.

(ix) If, pursuant to this Section 5(b), either Participant makes a sale, transfer or assignment of all or any portion of its co-ownership interest in the Facility, such Participant shall also assign to the transferee its interest in the Collateral Documents (except the Long Term Lease in the case where FPC is the transferor), pro tanto, and shall cause the transferee to assume to the same extent the rights and obligations of such Participant thereunder; provided, however, that FPC shall not assign its responsibilities as Agent hereunder without the prior written approval of GPC, which shall not be unreasonably withheld or delayed.

(x) Any attempted or purported assignment of this Agreement or any of the Collateral Documents not in compliance with this Section 5(b) shall be null and void and of no force or effect whatsoever.

(c) Successor Agent. In the event that FPC assigns its entire Ownership Interest in the Facility under the terms of this Agreement, its assignee or successor shall be a successor Agent, subject to the prior written approval of GPC, which shall not be unreasonably withheld or delayed. Any successor Agent as contemplated hereby shall exercise all of the rights and powers and shall be subject to all of the duties and obligations of FPC as

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Agent hereunder and under the Operating Agreement, and FPC shall take all action and execute (and file where appropriate) all documents and instruments which shall be requested by the successor Agent to effect the transfer to such successor Agent of such rights, powers, duties and obligations, including, but not limited to, taking such actions and executing such documents and instruments necessary to enable the successor Agent to operate and maintain the Common Facilities.

(d) Damage or Destruction. Subject to the receipt of all requisite approvals of any Governmental Authority having jurisdiction:

(i) In the event the Facility or any portion thereof is damaged or destroyed during the first thirty (30) years of the term of this Agreement, and the estimated cost of repairs or reconstruction:

(A) exceeds by more than Three Million Dollars (\$3,000,000.00) in 1994 Dollars the aggregate amount of insurance coverage procured and maintained by FPC, as Agent, on behalf of the Participants (less applicable deductibles) covering such repairs or reconstruction, then, unless the Participants mutually agree to repair or reconstruct the Facility, the Facility shall not be repaired or reconstructed, and FPC, as Agent, shall use reasonable efforts to salvage the Facility, or remaining portion thereof, and divide the proceeds thereof, net of de-commissioning, dismantling and salvaging costs, between the Participants in accordance with

their Ownership Interests, whereupon this Agreement and the Collateral Documents shall be deemed terminated; or

(B) does not exceed by more than Three Million Dollars (\$3,000,000.00) in 1994 Dollars the aggregate amount of insurance coverage procured and maintained by FPC, as Agent, on behalf of



the Participants (less applicable deductibles) covering such repairs or reconstruction, then, the Facility shall be repaired or reconstructed as the case may be.

(ii) In the event the Facility or any portion thereof is damaged or destroyed after the first thirty (30) years of the term of this Agreement, and the estimated cost of repairs or reconstruction:

(A) exceeds Three Million Dollars (\$3,000,000.00) in 1994 Dollars, then, unless the Participants mutually agree to repair or reconstruct the Facility, the Facility shall not be repaired or reconstructed, and FPC, as Agent, shall use reasonable efforts to salvage the Facility, or remaining portion thereof, and divide the proceeds thereof, net of de-commissioning, dismantling and salvaging costs, between the Participants in accordance with their Ownership Interests, whereupon this Agreement and the Collateral Documents shall be deemed terminated; or

(B) does not exceed Three Million Dollars (\$3,000,000.00) in 1994

Dollars, then, the Facility shall be repaired or reconstructed as the case may be.

(e) Term. Unless earlier terminated under the terms of this Agreement, this Agreement shall be effective upon its execution and delivery and shall remain in effect for forty (40) years after the date of Commercial Operation and such additional time as is reasonably necessary for the de-commissioning, dismantling and salvaging of the Facility at the end of such forty (40) years, but in no event shall such additional time exceed two (2) years.

(f) Taxes. To the extent possible, each Participant shall separately report, file returns with respect to, be responsible for and pay all property, business, and other taxes or fees (except payroll taxes for FPC employees) arising out of its ownership interest in the Facility; provided, however, that to the extent that such taxes or fees may be levied on or assessed against the Facility, its operation, or the Participants in such a manner so as to make impossible or impractical the carrying out of the foregoing provisions of this Section 5(f), such taxes or fees shall be considered as Costs of Construction, or Operating Costs, as appropriate, but in no event shall any taxes or fees as to the payment of which any Participant is exempt by law be considered as part of the Costs of Construction or Operating Costs. All prorrations of taxes shall be based on estimated taxes (if estimates are available or, otherwise, the prior year's tax bill) and shall be adjusted between the Participants upon receipt of the actual tax bills. All sales and transfer taxes, recording and

filing fees, if any, incurred in connection with the (i) sale to GPC of an undivided co-ownership interest in the Facility pursuant to Section 3, PURCHASE BY GPC OF AN UNDIVIDED OWNERSHIP INTEREST IN THE FACILITY, hereof, or (ii) the leasehold interest in the Facility Site, pursuant to the Long Term Lease, shall be paid by GPC.

(g) Insurance. FPC and GPC acknowledge that Siemens is required, under the Siemens Agreement, to carry adequate insurance coverage and to bear all risk of loss in connection with the Facility up to and including the date of Official Acceptance (as such term is defined in the Siemens Agreement) by FPC of the Facility; provided however, that each Participant that will have any employees, agents or representatives present on the Facility Site during construction or installation of the Facility shall carry such worker's compensation insurance as it deems appropriate with respect to its operations on the Facility Site, but not less than such insurance as is required by law. The insurance provided by Siemens under the Siemens Agreement shall be primary to any insurance held or maintained by either of the Participants. From and after the date of Official Acceptance by FPC of the Facility, insurance shall be maintained by FPC in accordance with the Operating Agreement.

(h) Payments Made During Construction. FPC, as Agent, shall be

responsible for making, and shall make, payment to third parties of all Costs of Construction.

(i) Sharing of Costs - General. The Participants shall share all items of cost, obligation and liability incurred in connection with the Facility (other than the financing of each Participant's respective ownership interests in the Facility), which are not otherwise expressly provided for in this Agreement or in the Collateral Documents, in proportion to their respective Ownership Interests; provided, however, that any such cost, obligation or liability incurred at the request of and for the sole benefit of a particular Participant shall be the sole responsibility of such Participant and such Participant hereby agrees to indemnify and hold harmless the other Participant against any claims, costs, damages, expenses, losses or any other liability of any kind arising from such costs, obligations or liability.

6. CERTAIN ADDITIONAL AGREEMENTS AMONG THE PARTICIPANTS. FPC and GPC hereby mutually covenant and agree as follows:

(a) Collateral Documents. Contemporaneously with the execution and

delivery of this Agreement, FPC and GPC agree to execute and deliver to each other the Collateral Documents.

(b) Cooperation. FPC and GPC will cooperate with each other in all activities relating to the Facility, including, without limitation, the execution and filing of applications for authorizations, permits and licenses with Governmental Authorities having jurisdiction, fuel procurement and the execution of such other documents as may be reasonably necessary to carry out the provisions of this Agreement. Without FPC's written consent, GPC shall

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not incur any obligation in connection with the Facility which would or could obligate FPC to any third party.

(c) Approvals. Following the execution and delivery of this Agreement, GPC and FPC shall use reasonable efforts to obtain as quickly as possible all requisite and contemplated judicial, governmental, regulatory and vendor (with regard to assignment of contractual rights and obligations, if any) approvals for the consummation of the transactions contemplated hereby.

(d) Compliance With Laws and Environmental Matters.

(i) FPC and GPC acknowledge and agree that FPC, as Agent, shall plan, design, license, permit, procure, construct, acquire, complete, test, startup, manage, control, operate, maintain, add to, renew, modify, replace and dispose of the Facility in compliance with all local, state and federal laws, codes, regulations, ordinances or orders now or hereinafter in effect; provided, however, that any failure to comply with such local, state or federal laws, regulations, ordinances or orders shall not be deemed a breach of this Agreement if, and so long as, such failure is in accordance with a court order or decree, or a formal agreement with the regulatory agency having jurisdiction over the subject matter of noncompliance or having authority to issue the required approval.

(ii) Prior to December 31 of each calendar year during which the Facility is operated during the Summer Period, GPC shall transfer to FPC

all Allowances, as defined below, required as a result of the operation of the Facility during the Summer Period under Title IV of the Clean Air Act, as amended from time to time, and any regulations and requirements arising thereunder, at the operating level utilized by GPC. "Allowance" shall have the meaning set forth in Section 402(3) of the Clean Air Act, as amended from time to time. FPC, as Agent, in consultation with GPC,

shall develop reasonable procedures for determining the amount of the emissions attributable to each Participant for the purpose of determining the number of Allowances required of each Participant. Each Participant shall provide reasonable assurance to FPC, as Agent, that such Allowances are or will be available in order to operate the Facility at the actual and anticipated levels of operation.

(iii) The Parties acknowledge that so-called "soft" continuous environmental monitoring devices will be installed in or in connection with the Facility, under the terms of 40 C.F.R. sections 75.11, 75.12 and 75.13, including 40 C.F.R. Part 75, Appendices D, E and G, respectively, with respect to the monitoring of SO<sub>2</sub>, NO<sub>x</sub>, and CO<sub>2</sub>, respectively. The Parties also acknowledge that if the Facility exceeds a 20% capacity factor in any one year (1752 equivalent full load run hours) or an average of a 10% capacity factor over any three year period (an average of 876 equivalent full load run hours), the Facility will be required to install so-called "hard" continuous environmental monitoring devices ("Hard CEMs"). In an effort to legally avoid the requirement of having Hard CEMs installed and operational in the Facility, the Parties agree to reasonably cooperate with each other in their operation of the

Facility; provided, however, that (A) neither Party shall be limited in

its hours of operation of the Facility to avoid the requirement of Hard CEMs, and (B) in the event that Hard CEMs are legally required to be installed in the Facility, then such Hard CEMs shall be installed as a part of the Facility and the costs thereof (including, without limitation, all installation costs) shall be considered Additional Costs of Construction.

(iv) Each Participant shall be a permittee for any air quality permit(s) issued for the Facility by a Governmental Authority having jurisdiction, only if such Governmental Authority determines that the air quality permits cannot be issued under applicable law unless each Participant is a joint permittee.

(v) FPC, as Agent, shall not use, treat, store, dispose, or recycle at the Facility any Environmental Material in amounts or under circumstances requiring notification of, or a permit, license, or approval from, any Governmental Authority of competent jurisdiction, unless such Environmental Material was generated at the Facility or is required to be used, treated, stored, disposed of or recycled incident to the construction or operation of Facility.

(e) Safety. FPC and GPC acknowledge and agree that in the acquisition, construction and completion of the Facility, FPC shall at all times take all reasonable precautions for the safety of its employees on the work site and of the public, and shall comply with all applicable provisions



of federal, state, and municipal safety laws and building and construction codes, including, without limitation, all regulations of the Occupational Safety and Health Administration. The requirements of this Subsection shall be for the sole benefit of the Participants only, and shall not create or impose any standard of care or duty to any third party or to any employee or contractor's or subcontractor's employee or to the public, beyond the duty incumbent upon FPC which would exist under applicable law without reference to any term or provision of this Agreement.

(f) Equal Employment Opportunity and Civil Rights. FPC, as Agent, shall conform to the requirements of the Equal Employment Opportunity clause in Section 202, Paragraphs 1 through 7 of Executive Order 11246, as amended, and applicable portions of Executive Orders 11701 and 11758, relative to Equal Employment Opportunity and the Implementing Rules and Regulations of the Office of Federal Contract Compliance Programs.

## 7. CONDITIONS PRECEDENT TO THE CLOSING.

(a) FPC's Conditions. The obligations of FPC to close the transactions under this Agreement and the Collateral Documents are subject to the fulfillment, prior to or at the Closing, of each of the following

conditions (or the waiver in writing of such conditions by FPC):

(i) Representations and Warranties Correct; Performance by GPC. GPC's representations and warranties contained in this Agreement shall have been materially true and correct at the date hereof, and shall be

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deemed to have been made again at and as of the time of the Closing and shall then be true and correct in all material respects; GPC shall have performed and complied with all agreements, covenants and conditions required by this Agreement to be performed or complied with by it prior to or at the Closing; and FPC shall have been furnished with a certificate of the President or a Vice President of GPC, dated the date of the Closing, certifying in such detail as FPC may request to the fulfillment of the foregoing conditions.

(ii) Litigation Certificate. GPC shall have delivered to FPC a certificate executed by the President or a Vice President of GPC that, as of the time of the Closing, such officer of GPC has no personal knowledge of actual or threatened litigation against GPC which might materially adversely affect the rights of FPC as a holder of an undivided co-ownership interest in the Facility, other than such pending or threatened litigation described or referred to in such certificate,

and the contents of such certificate shall be reasonably satisfactory to FPC.

(iii) Collateral Documents. At the Closing, the Collateral Documents shall be in full force and effect and GPC shall not be in material breach under this Agreement or any of the Collateral Documents.

(iv) Opinion of GPC's Counsel. FPC shall have been furnished with an opinion of Troutman Sanders, counsel for GPC, dated the date of the Closing, to the effect that:

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(A) GPC is a corporation duly organized, validly existing and in good standing under the laws of the State of Georgia and has the requisite power and authority to own those portions of the Facility as GPC is required to own following the Closing, to execute and deliver this Agreement and the Collateral Documents and to perform its obligations hereunder and thereunder, and to conduct its business as it is then being conducted;

(B) the execution, delivery and performance of this Agreement and the Collateral Documents by GPC have been duly and effectively authorized by all requisite corporate action; and

(C) GPC had full power and authority to execute this Agreement and the Collateral Documents, and this Agreement and the Collateral Documents have been fully executed and delivered by GPC and are the legal, valid and binding obligations of GPC enforceable against it in accordance with their terms (except as the provisions hereof or thereof may be limited by bankruptcy, insolvency, reorganization or other laws relating to or affecting the enforcement of creditors' rights and by other laws of general application affecting the rights and remedies of creditors, and that the availability of the remedy of specific enforcement or of injunctive relief is subject to the discretion of the court before which any proceeding therefor may be brought, and except that no opinion shall be expressed as to the validity and enforceability

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of the restrictions on alienation set forth in Section 5(b), ALIENATION AND ASSIGNMENT, hereof).

Such opinion shall cover such other matters as FPC may reasonably request and shall be reasonably satisfactory to FPC's counsel.

(b) GPC's Conditions. The obligations of GPC to close the transactions under this Agreement and the Collateral Documents are subject to the fulfillment, prior to or at the Closing, of each of the following conditions (or the waiver in writing of such conditions by GPC):

(i) Representations and Warranties Correct; Performance by FPC. FPC's representations and warranties contained in this Agreement shall have been materially true and correct at the date hereof, and shall be deemed to have been made again at and as of the time of the Closing and shall then be true and correct in all material respects; FPC shall have performed and complied with all agreements, covenants and conditions required by this Agreement to be performed or complied with by it prior to or at the Closing; and GPC shall have been furnished with a certificate of the President or a Vice President of FPC, dated the date of the Closing, certifying in such detail as GPC may request to the fulfillment of the foregoing conditions.

(ii) Litigation Certificate. FPC shall have delivered to GPC a certificate executed by the President or a Vice President of FPC that, as of the time of the Closing, such officer of FPC has no personal

knowledge of actual or threatened litigation against FPC which might

materially adversely affect the rights of GPC as a holder of an undivided co-ownership interest in the Facility, other than such pending or threatened litigation described or referred to in such certificate, and the contents of such certificate shall be reasonably satisfactory to GPC.

(iii) Collateral Documents. At the Closing, the Collateral Documents shall be in full force and effect and FPC shall not be in material breach under this Agreement or any of the Collateral Documents.

(iv) Opinion of FPC's Counsel. GPC shall have been furnished with an opinion of Carlton, Fields, Ward, Emmanuel, Smith & Cutler, P.A., counsel to FPC, dated the date of the Closing, to the effect that:

(A) FPC is a corporation duly organized, validly existing and in good standing under the laws of the State of Florida and has the requisite power and authority to execute and deliver this Agreement and the Collateral Documents and to perform its obligations hereunder and thereunder, and to conduct its business as it is then being conducted;

(B) the execution, delivery and performance of this Agreement and the Collateral Documents by FPC have been duly and effectively authorized by all requisite corporate action; and

(C) FPC had full power and authority to execute this Agreement and the Collateral Documents, and this Agreement and the Collateral Documents have been fully executed and delivered by FPC and are the legal, valid and binding obligations of FPC enforceable against it in accordance with their terms (except as the provisions hereof or thereof may be limited by bankruptcy, insolvency, reorganization or other laws relating to or affecting the enforcement of creditors' rights and by other laws of general application affecting the rights and remedies of creditors, and that the availability of the remedy of specific enforcement or of injunctive relief is subject to the discretion of the court before which any proceeding therefor may be brought, and except that no opinion shall be expressed as to the validity and enforceability of the restrictions on alienation set forth in Section 5(b), ALIENATION AND ASSIGNMENT, hereof).

Such opinion shall cover other matters as GPC may reasonably request and shall be reasonably satisfactory to GPC's counsel.

(v) Due Diligence Satisfactory. GPC shall have had adequate opportunity to conduct Due Diligence, as described in Section 14(k) of

this Agreement, and, in the course thereof, shall not have discovered any information, state of facts, condition or event which, in the exercise of reasonable judgment, causes GPC to determine that it would be materially deprived of the value of the bargain intended to be obtained thereby on the date hereof.

(c) Mutual Conditions. The respective obligations of GPC and FPC under this Agreement and the Collateral Documents are subject to the fulfillment, prior to or at the Closing (unless waived in writing by GPC and FPC prior to or at the Closing), of the further conditions that the following shall have been achieved:

(i) the receipt of all requisite or contemplated governmental, regulatory, judicial or other authorizations, consents, orders, permits, licenses, certifications, filings, waivers or approvals with respect to the Closing (including, without limitation, those listed on Attachments B and C hereto); provided, however, that GPC, or the Operating Subsidiary to which GPC may assign this Agreement, shall have the right to waive, on behalf of itself and FPC, as a condition to the Closing, the approval by the Georgia Public Service Commission described in item 1 of Attachment B;



(ii) the Official Acceptance (as such term is defined in the Siemens Agreement) by FPC of the Facility; and

(iii) the receipt by GPC from the trustee under the Indenture of a Release of the undivided ownership interest in that portion of the Facility to be sold to GPC at the Closing.

8. FORCE MAJEURE. Notwithstanding any other provision of this Agreement, no delay in or failure of performance by either party to this Agreement shall constitute a breach under this Agreement, and neither party shall be liable for any loss or damage suffered by the other Party as a result thereof, when and to the extent such delay in or failure of performance is caused by a Force Majeure Event; provided that:

(a) the non-performing Party gives the other Party prompt notice describing the particulars of the Force Majeure Event, including, without limitation, the nature of the occurrence and its expected duration;

(b) the suspension of performance is of no greater scope and of no longer duration than is required by the Force Majeure Event; and

(c) the non-performing Party uses reasonable efforts to remedy its inability to perform; provided, however, that neither Party shall be required to settle any strike or labor trouble or to settle any lawsuit or other legal proceeding brought against it.

#### 9. DISPUTE RESOLUTION PROCEDURES.

(a) Mandatory Procedures. In the event of any dispute between the Parties hereto with respect to any matter in connection with this Agreement, compliance with the procedures set forth in this Section shall be a condition precedent to the filing of any lawsuit, other than for injunctive relief, with respect to such dispute; provided, however, that a Party shall not be required

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to comply with the alternative dispute resolution procedures of this Section upon the breach of this Agreement because of the other Party's willful or intentional misconduct.

(i) The Parties agree that representatives designated by the Parties shall meet at mutually agreeable times and engage in good faith

negotiations at a mutually convenient location to resolve such dispute.

(ii) If either Party subsequently determines that negotiations between the representatives of the Parties are at an impasse, the Party declaring that the negotiations are at an impasse shall give notice to the other Party stating with particularity the issues that remain in dispute.

(iii) Not more than fifteen (15) days after the giving of such notice, each Party shall deliver to the other Party a list of the names and addresses of at least five individuals, any one of whom would be acceptable as a neutral advisor in the dispute (the "Neutral Advisor") to the Party delivering the list. Any individual proposed as a Neutral Advisor shall have experience in determining, mediating, evaluating, or trying commercial litigation and shall not be affiliated with the Party that is proposing such individual. Within 10 days after delivery of such lists, the Parties shall agree on a Neutral Advisor. If they are unable to so agree within that time, they shall each, within 10 days thereafter, select one individual from the lists. The individuals so

selected shall meet promptly and appoint a third individual from the

lists to serve as the Neutral Advisor.

(iv) Within thirty (30) days after the selection of a Neutral Advisor:

(A) each Party shall meet separately with the Neutral Advisor on a schedule established by the Neutral Advisor;

(B) following the meeting described in Section 9(a)(iv)(A), each Party shall make a presentation with respect to its position concerning the dispute at a joint meeting of the Parties and the Neutral Advisor; and

(C) following such joint meeting, each Party shall meet separately with the Neutral Advisor, who will advise such Party of his or her opinion of the position of each Party in the dispute.

(v) The expenses of the Neutral Advisor shall be shared by the Parties equally. All other out-of-pocket costs and expenses for the alternative dispute resolution procedure required under this Section shall be paid by the party incurring the same.

(vi) Positions taken and statements made during this alternative dispute resolution procedure shall be deemed settlement negotiations and shall not be admissible for any purpose in any subsequent proceeding.

(b) Failure to Resolve Dispute. If any dispute has not been resolved within thirty (30) days following the joint meeting described in Section 9(a) (iv) (B) above, either Party may file appropriate administrative or judicial proceedings with respect to the dispute.

10. THIRD PARTY CLAIMS. FPC agrees to indemnify, hold harmless and defend GPC against any loss, cost, damages or expense (including attorneys' fees) arising out of any claim for personal injury, death, property damage or other loss asserted against GPC by a third party to the extent caused by FPC's gross negligence as Agent or willful or intentional misconduct as Agent.

11. LIMITATION OF LIABILITY. Notwithstanding any other provisions of this Agreement or any of the Collateral Documents, in no event shall FPC or GPC have any liability to the other under this Agreement or any of the Collateral Documents for (A) any special, incidental, indirect or consequential damages; (B) damages with respect to costs of capital, costs of replacement power, loss of profits or revenues, loss of use of plant or equipment, or claims of customers of FPC or GPC, as the case may be, irrespective of whether such damages may be categorized as direct, special, consequential, incidental, indirect or otherwise; or (C) costs, losses, damages, expenses, fines or penalties to the extent that either Participant is entitled to receive

insurance proceeds pursuant to an insurance policy or policies covering such costs, losses, damages, expenses, fines or penalties.

12. BREACH OF AGREEMENT.

(a) By GPC. GPC shall be in breach of this Agreement in the event that:

(i) it fails to pay any monetary obligation owing by it under this Agreement or any of the Collateral Documents within thirty (30) days after notice thereof by FPC;

(ii) it fails to observe or perform any of its other obligations under this Agreement or any of the Collateral Documents, and such failure is not cured within thirty (30) days after notice thereof by FPC; or

(iii) it becomes insolvent, or files a petition in bankruptcy, or there is filed against it a petition in bankruptcy which is not

dismissed within one hundred twenty (120) days after the filing thereof.

(b) By FPC. FPC shall be in breach of this Agreement if:

(i) it fails to observe or perform any of its obligations under this Agreement or any of the Collateral Documents and such failure continues for thirty (30) days after notice thereof by GPC; provided, however, that if such failure is not reasonably capable of being cured by FPC within such thirty (30) day period, FPC shall not be deemed to be in breach of this Agreement or any of the Collateral Documents, as a

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result of such failure, if FPC commences the cure of such failure within a reasonable time after receipt of notice of such failure from GPC and FPC proceeds with diligence to cure such failure; provided further however, that any such cure period shall not exceed six (6) months;

(ii) it fails to perform the Agency Functions in accordance with Prudent Utility Practice and such failure continues for thirty (30) days after notice thereof by GPC; provided, however, that if such failure is not reasonably capable of being cured by FPC within such thirty (30) day period, FPC shall not be deemed to be in breach of this Agreement, as a result of such failure, if FPC (A) commences the cure of such failure

within a reasonable time after receipt of notice of such failure from GPC; (B) cures such failure within six (6) months after such notice from GPC; and (c) pays for all costs, expenses, penalties and fees associated with the cure of the failure; or

(iii) it becomes insolvent, or files a petition in bankruptcy, or there is filed against it a petition in bankruptcy which is not dismissed within one hundred twenty (120) days after the filing thereof.

### 13. REMEDIES.

(a) Remedies of FPC. Upon the breach of this Agreement by GPC, FPC, in addition to its right to recover damages from GPC with respect to such breach, or any equitable remedies to which it may be entitled, shall have the right, at FPC's option, by notice to GPC, to purchase GPC's entire co-

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ownership interest in the Facility at a purchase price equal to the lower of (A) the Fair Market Value, as determined under Subsection (c) below, or (B) Net Book Value, as determined under Subsection (d) below, of GPC's co-ownership interest in the Facility. In the event FPC exercises its option to purchase GPC's entire co-ownership interest in the Facility in accordance with this Section 13(a), FPC shall have the absolute right to withhold from GPC the



capacity and energy to which GPC would have been entitled in the absence of such breach and FPC shall be entitled to utilize or sell, solely for FPC's benefit and without any obligations to account to GPC, all or any portion of such capacity and energy until such time as GPC transfers its undivided co-ownership interest in the Facility to FPC pursuant to Section 13(e) of this Agreement.

(b) Remedies of GPC.

(i) FPC's Willful or Intentional Misconduct. Upon a breach of this Agreement because of FPC's willful or intentional misconduct, GPC, in addition to its right to recover damages from FPC with respect to such breach, or any equitable remedies to which it may be entitled, shall have the right, at GPC's option, by notice to FPC, to require FPC to purchase GPC's entire co-ownership interest in the Facility at a purchase price equal to the greater of (A) 125% of Fair Market Value, as determined under Subsection (c) below, or (B) 125% of the Net Book Value, as determined under Subsection (d) below, of GPC's co-ownership interest in the Facility.

(ii) Failure to Operate in Accordance with Prudent Utility

Practice. Upon a breach of this Agreement because of FPC's failure to perform the Agency Functions in accordance with Prudent Utility Practice, where such failure does not constitute willful or intentional misconduct, GPC, in addition to its right to recover damages from FPC with respect to such breach, or any equitable remedies to which it may be entitled, shall have the right, at GPC's option, by notice to FPC, to require FPC to purchase GPC's entire co-ownership interest in the Facility at a purchase price equal to the greater of (A) the Fair Market Value, as determined under Subsection (c) below, or (B) the Net Book Value, as determined under Subsection (d) below, of GPC's co-ownership interest in the Facility.

(iii) Any Other Breach. Upon any breach of this Agreement by FPC other than a breach described in paragraphs (i) or (ii) above, GPC may elect as its exclusive remedy with respect to such breach, other than any equitable remedies to which it may be entitled, to either (A) recover damages from FPC with respect to such breach; or (B) require that FPC purchase GPC's entire co-ownership interest in the Facility at the same purchase price as determined under paragraph (ii) above.

(c) Determination of Fair Market Value. Within thirty (30) days after the date of the notice by GPC or FPC, exercising its option under Subsection (a) or (b), as the case may be, GPC and FPC shall attempt to agree as to the fair market value of GPC's co-ownership interest in the Facility, taking into account, (i) in the case of a purchase under Subsection (a) above, GPC's

accrued share and projected future share of decommissioning, dismantling and salvage costs of the Facility, as if GPC were going to continue to co-own its entire interest in the Facility until such de-commissioning, dismantling and salvage, or (ii) in the case of a purchase under subsection (b) above, GPC's accrued share of de-commissioning, dismantling and salvage costs of the Facility to the date of such determination of fair market value (the "Fair Market Value"). If they are unable to agree on such Fair Market Value during such thirty (30) day period, then, within ten (10) days thereafter, each of the Participants shall select an appraiser and give notice to the other Participant of its selection. The two appraisers shall promptly select a third appraiser, who shall determine the Fair Market Value, and whose determination of Fair Market Value shall be binding on both Participants.

(d) Determination of Net Book Value. The net book value of GPC's interest in the Facility (the "Net Book Value") shall be determined as follows:

(i) For purposes of Subsection (a) above, the net book value of GPC's interest in the Facility shall be determined in the same manner as FPC has determined the net book value of its co-ownership interest in the Facility, adjusted appropriately to take into account GPC's accrued share and

projected future share of de-commissioning, dismantling and salvage costs of the Facility, as if GPC were going to continue to co-own its entire interest in the Facility until such de-commissioning, dismantling and salvage.

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(ii) For purposes of Subsection (b), the net book value of GPC's interest in the Facility shall be as reflected in GPC's books and records, adjusted appropriately to take into account, if not already taken into account in the determination of net book value in GPC's books and records, GPC's accrued share of de-commissioning, dismantling and salvage costs of the Facility to the date of such determination of net book value.

(e) Closing of the Purchase. Within twenty (20) days after (i) the determination of the purchase price under Subsection (a) or (b) above, or (ii) the receipt of all governmental approvals necessary for such transfer and assignment, whichever is later, GPC shall transfer and assign to FPC, by bill of sale and other appropriate assignment documents, GPC's entire co-ownership interest in the Facility, free and clear of all liens, claims and encumbrances, and FPC shall pay to GPC the purchase price for such co-ownership interest in immediately available United States funds. GPC shall use its reasonable efforts to obtain any and all governmental approvals

necessary for such transfer and assignment.

(f) Termination of the Collateral Documents. Upon the purchase by FPC of GPC's co-ownership interest pursuant to this Section 13, this Agreement and the Collateral Documents shall automatically terminate.

14. MISCELLANEOUS.

(a) Survival. The agreements, covenants, representations and warranties contained in this Agreement shall survive the Closing.

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(b) Further Assurances. From time to time after the date hereof, each Party will execute and deliver such instruments of conveyance and other documents, upon the request of the other Party, as may be necessary or appropriate to carry out the intent of this Agreement.

(c) Governing Law. The validity, interpretation, and performance of this Agreement and each of its provisions shall be governed by the laws of the State of Florida.

(d) Notice. Any notice to be given or that may be given under this Agreement shall be in writing and shall be (i) delivered by hand; (ii)

delivered through the United States Mail, postage prepaid, certified, return receipt requested; or (iii) delivered through or by Federal Express, Express Mail, or other expedited mail or package service, if a receipt evidencing delivery has been retained; and addressed to the Parties as follows:

If to GPC: Georgia Power Company  
333 Piedmont Avenue, N.E.  
Atlanta, Georgia 30308  
Attention: F.D. Williams, Senior  
Vice President, Bulk Power Markets

With copy to: Southern Company Services, Inc.  
800 Shades Creek Parkway  
Birmingham, Alabama 35209  
Attention: W. K. Newman, Vice President,  
Operating and Planning Services

If to FPC: Florida Power Corporation  
3201 Thirty-Fourth Street South  
St. Petersburg, Florida 33711  
Attention: Director,  
Combustion Turbine Operations

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- and to -

Florida Power Corporation  
P. O. Box 368  
Intercession City, Florida 33848  
Attention: Intercession City  
Plant Manager

With copy to: General Counsel  
Florida Power Corporation  
3201 Thirty-Fourth Street South  
St. Petersburg, Florida 33711

Any notice that may be given under this Agreement shall be deemed given (i) five days after such notice has been deposited in the United States Mail, certified, return receipt requested, with proper postage affixed thereto, (ii) one Business Day after such notice has been deposited with Federal Express, Express Mail or other expedited mail or package delivery service guaranteeing delivery not later than the next Business Day, or (iii) upon hand delivery to the appropriate address and person as herein provided if a receipt evidencing delivery has been retained. Either Party hereto may change the address provided hereinabove or the person to whose attention notices are to be given, by notice to the other party in the manner hereinabove provided.

(e) Headings Not To Affect Meaning. The descriptive headings of the various provisions of this Agreement have been inserted for convenience of reference only and shall in no way modify or restrict any of the terms and provisions hereof.

(f) No Partnership. Notwithstanding any provision of this Agreement, neither of the Parties intends to create hereby any joint venture,

partnership, association taxable as a corporation, or other entity for the

conduct of any business for profit between themselves.

(g) Amendments. This Agreement may be amended by and only by a written instrument duly executed by each of the Parties.

(h) Successors and Assigns; No Third Party Beneficiaries. This Agreement shall inure to the benefit of and be binding upon each of the Parties and their respective successors and upon their permitted assigns pursuant to the provisions of Section 5(b), ALIENATION AND ASSIGNMENT, hereof. Nothing in this Agreement, express or implied, is intended to confer upon any other person any rights or remedies hereunder.

(i) Counterparts. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

(j) Disclaimer. FPC MAKES NO REPRESENTATION OR WARRANTY WHATSOEVER IN THIS AGREEMENT OR THE COLLATERAL DOCUMENTS, EXPRESS, IMPLIED OR STATUTORY, INCLUDING, WITHOUT LIMITATION, ANY REPRESENTATION OR WARRANTY AS TO THE VALUE, QUANTITY, CONDITION, SALABILITY, OBSOLESCENCE, MERCHANTABILITY, FITNESS OR SUITABILITY FOR USE OR WORKING ORDER OF THE FACILITY OR ANY PORTION THEREOF OR CAPACITY OF THE FACILITY; AND FPC DOES NOT REPRESENT OR WARRANT THAT THE USE OR OPERATION OF ANY PORTION OF THE FACILITY WILL NOT VIOLATE PATENT, TRADEMARK OR SERVICE MARK RIGHTS OF ANY THIRD PARTIES. GPC IS WILLING TO PURCHASE ITS INTEREST IN THE FACILITY "AS IS" AND "WHERE IS" SUBJECT TO AND IN ACCORDANCE



WITH THE TERMS AND CONDITIONS OF THIS AGREEMENT. Notwithstanding the foregoing, GPC shall have the benefit, consistent with its co-ownership interest in the Facility, of all manufacturers' and vendors' warranties and all patent, trademark and service mark rights running to GPC in connection with the Facility.

(k) Continuing Due Diligence. From the date hereof and until the consummation of the Closing, GPC shall, in addition to any other rights conferred otherwise hereunder or under the Operating Agreement, be entitled, upon reasonable prior notice to FPC, and without disruption to the operations of the Facility or on the Facility Site, to conduct such reasonable review of the Facility and the Facility Site as it may reasonably deem appropriate. This review shall be referred to herein as "Due Diligence."

(l) Several Agreements; Entire Agreements. The agreements and obligations of the Parties set forth in this Agreement and the Collateral Documents shall be the several, and not joint, agreements and obligations of the Parties. This Agreement and the Collateral Documents supersede all prior agreements between the Parties with respect to their subject matter, including, without limitation, the letter of intent between FPC and Southern Company Services, Inc., as agent for the operating subsidiaries of The

Southern Company, dated August 12, 1993, as amended, and are intended (with the documents referred to herein and in the Collateral Documents) as a complete and exclusive statement of the terms of the agreements between the parties with respect thereto.

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(m) Construction of "Including". Wherever the term "including" is used in this Agreement, such term shall not be construed as limiting the generality of any statement, clause, phrase or term and shall not be deemed to exclude any person or thing otherwise within the meaning of the statement, clause, phrase or term which it modifies.

(n) No Delay. No disagreement or dispute of any kind between the Participants concerning any matter, including, without limitation, the amount of any payment due from GPC, or the correctness of any charge made to GPC, shall permit GPC to delay or withhold any payment pursuant to this Agreement.

The undersigned parties hereto have duly executed this Agreement as of the date first above written.

WITNESSES:

GEORGIA POWER COMPANY, as a  
Participant

By:

H. Allen Franklin, as

President  
and Chief Executive Officer

FLORIDA POWER CORPORATION, as Agent  
and as a Participant

By:

A.J. Keesler, Jr., as  
President  
and Chief Executive Officer

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## ATTACHMENT A

### DEFINITIONS

1. ADDITIONAL COSTS OF CONSTRUCTION. The "Additional Costs of Construction" shall refer to all costs incurred by FPC, as Agent for the Participants, after the Closing, in connection with the planning, design, licensing, procurement, acquisition, construction, completion, testing, startup, renewal, addition, modification, retirement, replacement or disposal of the Facility, or any portion thereof, including, without limitation, that portion of administrative and general expenses incurred by FPC, as Agent, which is properly and reasonably allocable to the Facility and for which FPC has not been otherwise reimbursed by GPC, which costs are properly recordable

in accordance with the Electric Plant Instructions and in appropriate accounts as set forth in the Uniform System of Accounts, and shall also include all costs incurred by FPC, as Agent, in connection with (i) the purchase and acquisition of Spare Parts, and any replacements for such Spare Parts, that are to be utilized for the Facility, including, without limitation, that portion of administrative and general expenses incurred by FPC, as Agent, which is properly and reasonably allocable to such acquisition of Spare Parts and for which FPC has not been otherwise reimbursed by GPC, (ii) the acquisition of all necessary governmental permits, materials and supplies, engineering drawings and records, and operation and maintenance procedure manuals, (iii) any taxes, including, without limitation, sales, use or excise taxes incurred in connection with the acquisition or construction of the Facility, and (iv) any and all costs to dismantle, remove, salvage or de-commission all or any portion of the Facility; provided, however, that Additional Costs of Construction shall not include any costs and expenses incurred by FPC for the sole benefit of FPC.

2. AFFILIATE. An "Affiliate" of a Participant shall mean any corporation, partnership (limited or general), limited liability company or other person or entity controlling, under common control with, or controlled by, such Participant. The term "control" (including the terms "controlling," "controlled by" and "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management

and policies of a person, whether through the ownership of voting shares, by contract, or otherwise.

3. AGENCY FUNCTIONS. The "Agency Functions" shall mean those activities which the Agent shall undertake on behalf of the Participants which relate to the planning, design, licensing, procurement, acquisition (other than acquisition by GPC of a leasehold interest in the Facility Site and an undivided co-ownership interest in the Facility pursuant to this Agreement), construction, completion, testing, startup, administration of the Siemens Agreement (including, without limitation, negotiation of amendments to the Siemens Agreement determined by FPC, as Agent, to be necessary with respect to the Facility and any litigation or other dispute resolution in connection with the Siemens Agreement), management, control, operation, de-commissioning, dismantling, salvage, maintenance, renewal, addition, replacement, modification, retirement and disposal of the Facility, and to arrange for and acquire all fuel and fuel transportation for the Facility under this Agreement and the Operating Agreement.

4. AGENT. "Agent" shall mean FPC or its successors with respect to its or their rights and obligations in the performance of the Agency

Functions. The term "Agent" shall also mean and refer to FPC (or any of its

successors as Agent) acting on its own behalf with respect to the Facility and the Common Facilities for so long as FPC (or its successor, as Agent) owns an undivided ownership interest in the Facility.

5. BUSINESS DAY. A "Business Day" shall be any Monday, Tuesday, Wednesday, Thursday or Friday other than a day which has been established by law or required by executive order as a holiday for any commercial banking institution in the State of Florida or the State of Georgia.

6. CARRYING CHARGES. "Carrying Charges" shall mean carrying charges for which GPC is responsible, under the Ownership Agreement or the Operating Agreement, with respect to (a) Fuel Inventory, as calculated pursuant to Attachment E to the Ownership Agreement and Attachment B to the Operating Agreement, and (b) Common Facilities, as calculated pursuant to Attachment F to the Operating Agreement.

7. CLOSING. The "Closing" has the meaning set forth in Section 3(c) of the Ownership Agreement.

8. COLLATERAL DOCUMENTS. The term "Collateral Documents":  
(a) as used in the Ownership Agreement, shall refer to the Operating Agreement, the Transmission Service Agreement, the Long Term Lease Agreement and the Step-Up Transformer Agreement, collectively; or

(b) as used in the Operating Agreement, shall refer to the Ownership Agreement, the Transmission Service Agreement, the Long Term Lease Agreement and the Step-Up Transformer Agreement, collectively.

9. COMMERCIAL OPERATION. "Commercial Operation" shall refer to the date on which the Facility is completed and declared fully operable by FPC.

10. COMMON FACILITIES. The "Common Facilities" shall be the items described in Attachment E to the Operating Agreement that will serve (a) the Facility, or (b) the Facility and other facilities located on the Intercession City Site, and any and all modifications to, replacements of or additions to such items.

11. COMMON FACILITIES CARRYING CHARGES. "Common Facilities Carrying Charges" shall mean the annual charges, as calculated in the manner set forth in Attachment F to the Operating Agreement for the use of the Common Facilities by the Facility, based upon FPC's investment in the Common Facilities, as adjusted from time to time, FPC's cost of capital, depreciation and property taxes with respect to the Common Facilities.

12. CONSTRUCTION PERIOD. "Construction Period" shall refer to the

period of time from and including the effective date of the "Notice of Commencement of Construction" that FPC files with the County of jurisdiction for the Facility until and including the day before the Facility is fired for the first time.

13. COSTS OF CONSTRUCTION. The "Costs of Construction" shall refer to all costs incurred by FPC, as Agent for the Participants, in connection with the planning, design, licensing, procurement, acquisition, construction, completion, testing, startup, renewal, addition, modification, retirement, replacement or disposal of the Facility, or any portion thereof, including, without limitation, that portion of administrative and general expenses incurred by FPC, as Agent, which is properly and reasonably allocable to the Facility and for which FPC has not been otherwise reimbursed by GPC, which costs are properly recordable in accordance with the Electric Plant Instructions and in appropriate accounts as set forth in the Uniform System of Accounts, and shall also include all costs incurred by FPC, as Agent, in connection with (i) the cost of fuel consumed by the Facility on and prior to the date of Commercial Operation with respect to the testing of the Facility (less all applicable credits provided for in FPSC Staff Accounting Bulletin No. 2 and FERC Electric Plant Instruction No. 3 (18a)), including, without limitation, that portion of administrative and general expenses incurred by



FPC, as Agent, which is properly and reasonably allocable to the acquisition of such fuel and for which FPC has not been otherwise reimbursed by GPC, (ii) the purchase and acquisition of the initial supply of Spare Parts, and any replacements for such Spare Parts, that are utilized, during pre-Commercial Operation construction activities, for the Facility, including, without limitation, that portion of administrative and general expenses incurred by FPC, as Agent, which is properly and reasonably allocable to such acquisition of Spare Parts and for which FPC has not been otherwise reimbursed by GPC, (iii) the acquisition of all necessary governmental permits, materials and supplies, engineering drawings and records, and operation and maintenance

procedure manuals, (iv) any bonus earned by Siemens under the Siemens Agreement, (v) any taxes, including, without limitation, sales, use or excise taxes incurred in connection with the acquisition or construction of the Facility, (vi) the expenditure or advancement of funds during construction with respect to Facility (including, without limitation, an Allowance for Funds Used During Construction for the period on or before the date of Commercial Operation), and (vii) if the date of the Closing is delayed, under the terms of Section 3(c)(iii) of the Ownership Agreement, because of GPC's failure to obtain or receive the approval by the Georgia Public Service Commission of GPC's Application for Certification of the Intercession City Combustion Turbine Project, FPC's cost of capital, determined by reference to

the sum of FPC's Pre-Tax Weighted Cost Rates as shown in Attachment E to the Ownership Agreement (for example, 13.35% as of the date of this Agreement) for the period from and after the date scheduled by FPC for the Closing, pursuant to Section 3(c)(i), CLOSING, of the Ownership Agreement, and extending to and including the actual date of the Closing); provided, however, that Costs of Construction shall not include any costs and expenses (A) incurred by FPC for the sole benefit of FPC, or (B) incurred by any Participant in connection with the development of this Agreement or the Collateral Documents.

14. DEDICATED COMMON FACILITIES. "Dedicated Common Facilities" shall mean those items that are not part of the Facility but which, in the reasonable determination of FPC, as Agent, support solely the Facility and are included in item 45 of Attachment E to the Operating Agreement, as revised from time to time.

15. ENVIRONMENTAL COSTS. "Environmental Costs" shall mean all costs, losses, damages, expenses, fines or penalties, exclusive of insurance proceeds, which arise from the possession, ownership or use by FPC, GPC, or third parties of Environmental Material; provided, however, that modifications to the Facility that are required in order to comply with environmental laws or regulations shall not be considered Environmental Costs.

16. ENVIRONMENTAL MATERIAL. "Environmental Material" shall mean and include asbestos, radioactive material, petroleum, petroleum products, petroleum fractions, petroleum distillates, and any substance, material or waste designated as hazardous under the Comprehensive Environmental Response, Compensation, and Liability Act and amendments thereto, or designated as toxic or hazardous or otherwise regulated under the Toxic Substances Control Act and amendments thereto, the Resource Conservation and Recovery Act and amendments thereto, the Clean Water Act and amendments thereto, the Clean Air Act and amendments thereto, the Florida Air Quality Act and amendments thereto, the Florida Hazardous Waste Management Act and amendments thereto, or the Florida Water Quality Control Act and amendments thereto.

17. EQUIVALENT OPERATING HOURS. The term "Equivalent Operating Hours" shall (a) mean the sum of (1) the actual operating hours that the Facility is on-line during any designated period of time, and (2) the product determined by multiplying (A) the number of starts with respect to the Facility during the same designated period of time, by (B) ten (10); or (b) have such other meaning, as reasonably determined by FPC, and which is consistently used by FPC in connection with its maintenance plans for the Facility.

18. FACILITY. The term "Facility" shall refer to:

(i) All property comprising the combustion turbine-generating unit to be known as the Intercession City Facility CT, including, without limitation, one complete Siemens V84.3 combustion turbine-generating unit (comprised of a gas turbine block, two combustion chambers, a generator exciter block, a stack, a fin fan cooler, an auxiliary skid, a water injection block, a cooling water block, a power and control module, a battery module, a generator breaker module, a generator bus duct, unit auxiliary transformer secondary switchgear, a fuel oil pump block, an air intake filter, a unit auxiliary transformer and a transfer switch module), the enclosures housing the same, and the Step-Up Transformer, which are to be used solely in connection with such Siemens unit, all as the foregoing list of property may be modified or supplemented at or prior to the Closing;

(ii) Such modifications to the Facility or such additional facilities and other tangible property as may be acquired, constructed, installed or replaced solely in connection with the Facility; provided that (A) the cost of such modifications or additional facilities or other tangible property shall be properly recordable in accordance with the Uniform System of Accounts, and (B) such modifications or additional facilities or other tangible property shall have been acquired, constructed, installed or replaced for the joint use of the Participants under and subject to the provisions of the Ownership Agreement or the Operating Agreement;

(iii) The Spare Parts; and

(iv) Existing intangible property rights, and such additional intangible property rights as may be hereafter acquired, associated with the planning, licensing, design, construction, acquisition, completion, testing, startup, management, control, operation, maintenance, renewal, addition, replacement, modification and disposal of any of the items comprising the Facility.

Notwithstanding any of the foregoing, the Facility shall not include the Facility Site or the Common Facilities.

A diagram of the Facility, as contemplated by FPC as of the date of the Ownership Agreement, is as shown in Attachment F to the Ownership Agreement.

19. FACILITY SITE. The "Facility Site" shall refer to that certain parcel of land located within the Intercession City Site upon which the Facility shall be constructed and located. The exact legal description of the Facility Site shall be determined upon completion of the construction of the Facility, and shall consist of a parcel of land approximately 105 feet by 435 feet, which shall be approximately as shown within the crosshatched area

labeled as the "demised premises" on Attachment G to the Ownership Agreement, together with such additional land, appurtenant easements or other rights therein as may hereafter be acquired solely and exclusively for the purposes of the Facility. GPC and FPC agree that the exact legal description of the parcel of land described above shall be attached as Attachment G to the

Ownership Agreement upon completion of the survey of such parcel of land and the approval of such survey by FPC, and such legal description shall become a part of the Ownership Agreement and supersede the existing Attachment G.

20. FDEP. The "FDEP" shall refer to the Department of Environmental Protection, of the State of Florida, or any entity succeeding to the powers and functions thereof.

21. FERC. The "FERC" shall mean the Federal Energy Regulatory Commission or any entity succeeding to the powers and functions thereof.

22. FIXED FUEL COSTS. The "Fixed Fuel Costs" shall mean all Fuel Costs other than the Variable Fuel Costs.

23. FIXED O&M COSTS. The "Fixed O&M Costs" shall mean all Operating Costs other than the Variable O&M Costs.

24. FORCE MAJEURE EVENT. A "Force Majeure Event" shall refer to any occurrence reasonably beyond the control and not attributable to the neglect of a Party, including, without limitation, any one or more of the following: failure, interruption, or curtailment of transportation or supply of fuels; inability to obtain materials or equipment; failure or breakdown of materials or equipment; breakdown of or damage to the Facility or the Common Facilities; absence as of any particular time of precise engineering and scientific knowledge generally available to fashion a method for compliance with Legal Requirements or absence as of any particular time of appropriate technology

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generally available which may be required for compliance with Legal Requirements; confiscation of facilities by Governmental Authorities; restraint by court order or order of public authority; challenge by third party or governmental agency with respect to the construction, ownership, or operation of the Facility or the Common Facilities; act or failure to act of any Governmental Authority; act of war; act of a public enemy; explosion; rebellion, terrorism, or sabotage, or damage resulting therefrom; fire, hurricane, tornado, lightning, flood, earthquake or other casualty or act of God; explosion or other physical disaster; act or omission of any third party; discovery of hazardous or toxic wastes on or under the property leased to GPC under the Long Term Lease; riot, rebellion, strike, or other concerted act of

workmen; protests or pranks; embargo, blockade, quarantine, restriction, epidemic; or any other cause, direct or indirect, which is reasonably beyond the control and not attributable to the neglect of the Party, whether similar or dissimilar to those enumerated above.

25. FPSC. The "FPSC" shall mean the Florida Public Service Commission or any governmental agency succeeding to the powers and functions thereof.

26. FUEL CARRYING CHARGES. "Fuel Carrying Charges" shall mean those Carrying Charges with respect to Fuel Inventory, as determined in Attachment E to the Ownership Agreement and Attachment B to the Operating Agreement.

27. FUEL COSTS. The "Fuel Costs" shall mean all costs incurred by the Agent for the Participants that are allocable to the acquisition, processing, transportation, delivering, handling, storage, treatment, analysis,

measurement and disposal of fuel consumed by the Facility after the date of Commercial Operation, including, without limitation, any advance payments in connection therewith, less credits related to such costs applied as appropriate, and including, without limitation, that portion of administrative and general expenses which is properly and reasonably allocable to acquisition and management of fuel and for which the Agent has not been otherwise



reimbursed by GPC. Fuel Costs shall consist of Fixed Fuel Costs and Variable Fuel Costs.

28. FUEL INVENTORY. The "Fuel Inventory" shall mean the initial and on-going supply of fuel for the Facility.

29. GOVERNMENTAL AUTHORITY. A "Governmental Authority" shall mean any local, state, regional or federal administrative, legal, judicial, or executive agency, court, commission, department or other entity, but excluding any agency, commission, department or other such entity acting in its capacity as lender, guarantor or mortgagee.

30. INDENTURE. The "Indenture" shall refer to that certain Indenture of Mortgage and Deed of Trust, dated as of January 1, 1944, and Supplemental Indentures thereto, from FPC to Morgan Guaranty Trust Company of New York, as Trustee, and First Union National Bank of Florida, as Co-Trustee.

31. INTERCESSION CITY SITE. The "Intercession City Site" shall refer to the land located in Osceola County, Florida described in Attachment H to the Ownership Agreement.

32. LEGAL REQUIREMENTS. "Legal Requirements" shall mean all laws,

codes, ordinances, orders, judgments, decrees, injunctions, licenses, rules, permits, approvals, regulations and requirements of every Governmental Authority having jurisdiction over the matter in question, whether federal, state or local, which may be applicable to FPC, as Agent, or either Participant, as required by the context in which used, or to the Facility, or to the use, manner of use, occupancy, possession, planning, licensing, design, procurement, construction, acquisition, testing, startup, operation, maintenance, management, control, addition, renewal, modification, replacement or disposal of the Facility or any portion or portions thereof.

33. LONG TERM LEASE. The "Long Term Lease" shall refer to that certain Long Term Lease Agreement, dated as of June 8, 1994, between FPC and GPC, as such Agreement may be amended from time to time.

34. MAJOR OUTAGE. A "Major Outage" shall refer to any blade recoating, blade replacement, combustion tile replacement and/or generator rewinding (individually, a "Procedure") with respect to the Facility that is performed (a) during any Scheduled Maintenance Outage to meet the preventive maintenance schedule or standards of the manufacturer of the Facility, as the same may be amended from time to time, or (b) after not less than ten thousand (10,000) Equivalent Operating Hours since (i) the last such Procedure was performed, or (ii) the date of Commercial Operation, in the case of the first such Procedure.

35. MAJOR OUTAGE COSTS. "Major Outage Costs" shall mean all costs incurred by FPC with respect to a Major Outage.

36. METERED WATER COST. "Metered Water Cost" shall mean the sum of (a) the monthly metered volume of demineralized water multiplied by the contractual cost (incurred by FPC to the operator of the water systems at the Facility Site) per unit of volume for demineralized water, and (b) 1.5 multiplied by the same metered volume of demineralized water, and multiplied by the contractual costs (incurred by FPC to the supplier of raw water) per unit of volume for raw water.

37. 1994 DOLLARS "1994 Dollars" shall mean the dollar amount, at the applicable time, discounted to December 1994 based on the Consumer Price Index For All Urban Consumers (CPI-U) [1982-84=100], All Cities, as published by the United States Department of Labor, Bureau of Labor Statistics or comparable successor index.

38. OPERATING AGREEMENT. "Operating Agreement" shall refer to that certain Intercession City Siemens Unit Operating Agreement, dated as of June 8, 1994, between GPC and FPC, as such Agreement may be amended from time to time.

39. OPERATING COSTS. "Operating Costs" shall mean all of the costs to operate the Facility (including, without limitation, administrative and general costs). Operating Costs shall consist of Fixed O&M Costs and Variable O&M Costs.

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40. OPERATING SUBSIDIARY. "Operating Subsidiary" shall mean Georgia Power Company, Savannah Electric and Power Company, Gulf Power Company, Alabama Power Company, or Mississippi Power Company or any successor corporation that is a regulated public utility and subsidiary of The Southern Company.

41. OWNERSHIP AGREEMENT. The "Ownership Agreement" shall refer to the Intercession City Siemens Unit Purchase and Ownership Participation Agreement, dated as of June 8, 1994, between FPC and GPC, as such Agreement may be amended from time to time.

42. OWNERSHIP INTEREST. An "Ownership Interest" shall mean for each Participant the percentage undivided co-ownership interest in the Facility which such Participant actually owns at any relevant time following the Closing.

43. PARTICIPANTS. "Participant" and "Participants" shall refer individually or collectively, as the case may be, to GPC and FPC (in their capacities as co-owners of the Facility) and to any permitted transferee or assignee of either of them of an ownership interest in the Facility pursuant to the Ownership Agreement; provided, however, such references shall only refer to an entity for so long as said entity has an ownership interest in the Facility.

44. PARTY. A "Party" shall refer to any entity, which is now or hereafter a party to this Agreement and the Collateral Documents.

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45. PRIME RATE. The "Prime Rate" shall mean the prime rate of interest as published from time to time in the Wall Street Journal or comparable successor publication. The Prime Rate shall be calculated on the basis of a 365-day year for the actual number of days that a payment, reimbursement or adjustment, as the case may be, has not been made.

46. PRUDENT UTILITY PRACTICE. "Prudent Utility Practice" at a particular time shall mean any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry prior to such time, or any of the practices, methods and acts, which in the exercise of reasonable judgment by FPC in light of the facts known to it at the time the

decision was made, could have been expected to accomplish the desired result at a reasonably low cost consistent with good business practices, reliability, safety and expedition. "Prudent Utility Practice" is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but rather to be a spectrum of possible practices, methods or acts having due regard for, among other things, manufacturers' warranties and the requirements of Governmental Authorities having competent jurisdiction and the requirements of this Agreement.

47. PURCHASE PRICE. The "Purchase Price" shall have the meaning set forth in Paragraph (i) of Section 3(b), PURCHASE PRICE AND PAYMENTS, of the Ownership Agreement.

48. RELEASE. "Release" shall mean a release executed and delivered by the holder of a mortgage, deed to secure debt or other security interest

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(including, without limitation, a release from the Indenture trustee) sufficient to release GPC's co-ownership interest in the Facility from the lien, security title and effect of such mortgage, deed to secure debt or other security interest.

49. SCHEDULED MAINTENANCE OUTAGE. A "Scheduled Maintenance Outage"

shall mean a maintenance outage with respect to the Facility which is planned for the purpose of preventive maintenance and scheduled a reasonable time prior to the commencement of such outage.

50. SEC. The "SEC" shall refer to the U.S. Securities and Exchange Commission or any governmental agency succeeding to the powers and functions thereof.

51. SIEMENS AGREEMENT. The "Siemens Agreement" shall refer to that certain Contract dated September 28, 1993, between Siemens Power Corporation and FPC with respect to the Facility as such Agreement may be amended from time to time.

52. SPARE PARTS. "Spare Parts" shall mean the spare parts purchased or acquired by FPC, as Agent, from time to time, for use in the Facility.

53. STEP-UP TRANSFORMER. The "Step-Up Transformer" shall mean the step-up transformer described in the Step-Up Transformer Agreement.

54. STEP-UP TRANSFORMER AGREEMENT. The "Step-Up Transformer

Agreement" shall refer to that certain Intercession City Siemens Unit Step-Up Transformer Purchase Agreement, dated as of June 8, 1994, between FPC and GPC, as such Agreement may be amended from time to time.

55. SUMMER PERIOD. The "Summer Period" shall refer to all of the calendar months of June, July, August and September during the term of the Ownership Agreement that include or follow the date of the Closing.

56. TESTING PERIOD. The "Testing Period" shall refer to the period of time from and including the date on which the Facility is fired for the first time until and including the day before the date of Commercial Operation.

57. TRANSMISSION SERVICE AGREEMENT. The "Transmission Service Agreement" shall refer to that certain Intercession City Siemens Unit Transmission Service Agreement, dated as of June 8, 1994, between GPC and FPC, as such Agreement may be amended from time to time.

58. UNIFORM SYSTEM OF ACCOUNTS. The "Uniform System of Accounts" shall mean the FERC Uniform System of Accounts prescribed for Public Utilities and Licensees (subject to the provisions of the Federal Power Act) as the same now exists or may be hereafter amended by the FERC.

59. VARIABLE FUEL COSTS. The "Variable Fuel Costs" shall mean all Fuel Costs as recorded in FPC account 547.10 or equivalent successor account.



60. VARIABLE O&M COSTS. The "Variable O&M Costs" shall consist of the Metered Water Costs, and any environmental permit charges, fees and costs imposed by federal, state or local law with respect to emissions which are produced by the Facility during a Participant's respective period of operation.

61. WATER COSTS. The "Water Costs" shall mean the total costs (including, without limitation, taxes and fees) of (a) all water consumed in the operation of the Facility, (b) all wastewater discharged in connection with the operation of the Facility, and (c) all water treatment costs. All Water Costs other than Metered Water Costs shall be deemed Fixed O&M Costs.

62. WEIGHTED AVERAGE COMMON FACILITIES ALLOCATION FACTORS. The "Weighted Average Common Facilities Allocation Factors" for GPC and FPC shall be as determined in Attachment E to the Operating Agreement.

63. WINTER PERIOD. The "Winter Period" shall refer to all of the calendar months (other than the calendar months included in the Summer Period) during the term of the Ownership Agreement that include or follow the date of the Closing.

64. WORKING CAPITAL DEPOSIT. The "Working Capital Deposit" shall be as defined in Attachment E to the Ownership Agreement and Attachment H to the Operating Agreement.

ATTACHMENT B

APPROVALS, PERMITS AND LICENSES  
TO BE OBTAINED BY GPC OR BY FPC AS AGENT FOR GPC

1. Approval by the Georgia Public Service Commission of Georgia Power Company's 1993 Application for Certification of the Intercession City Combustion Turbine Project.
2. Approval by the Securities and Exchange Commission pursuant to the Public Utilities Holding Company Act of 1935, as amended, of Georgia Power Company's acquisition of an ownership interest in the Facility.
3. Surface Water Management Permit from the South Florida Water Management District.
4. Permit to Construct an Industrial Wastewater Treatment and Disposal System from the Florida Department of Environmental Protection.
5. Authorization by the Department of the Army Corps of Engineers to fill wetlands pursuant to Nationwide Permit No. 91 NW-41755.
6. General Water Use Permit from the South Florida Water Management District.
7. Consent by Florida Department of Environmental Protection to use of state-owned submerged lands.
8. Permits to construct and operate the Facility from Florida Department of Environmental Protection, Division of Air Resources Management and Bureau of Air Regulation, pursuant to Chapter 403, Florida Statutes.

9. Building Permit for construction of the Facility from Osceola County, Florida.

ATTACHMENT C

APPROVALS, PERMITS AND LICENSES TO BE OBTAINED BY FPC

1. Surface Water Management Permit from the South Florida Water Management District.
2. Permit to Construct an Industrial Wastewater Treatment and Disposal System from the Florida Department of Environmental Protection.
3. Authorization by the Department of the Army Corps of Engineers to fill wetlands pursuant to Nationwide Permit No. 91 NW-41755.
4. General Water Use Permit from the South Florida Water Management District.
5. Consent by Florida Department of Environmental Protection to use of state-owned submerged lands.
6. Permits to construct and operate the facility from Florida Department of Environmental Protection, Division of Air Resources Management and Bureau of Air Regulation, pursuant to Chapter 403, Florida Statutes.
7. Building Permit for construction of the Facility from Osceola County, Florida.
8. FERC acceptance for filing of the Transmission Service Agreement.
9. FERC approval of the sale of the Step-Up Transformer.

ATTACHMENT D

FORM OF BILL OF SALE

FLORIDA POWER CORPORATION, a Florida corporation ("Seller"), for and in consideration of Ten Dollars (\$10.00), and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, has granted, bargained, sold, transferred, set over and delivered, and by these presents does grant, bargain, sell, transfer, set over and deliver to GEORGIA POWER COMPANY, a Georgia corporation ("Purchaser"), a one-third undivided interest to be held as co-owner with Seller in and to the Facility as such term is defined in that certain Intercession City Siemens Unit Purchase and Ownership Participation Agreement (the "Agreement") between Seller and Purchaser dated as of the 8th day of June, 1994, which definition is incorporated herein as if set out in its entirety.

TO HAVE AND TO HOLD such one-third undivided interest in the Facility unto Purchaser, its permitted successors and assigns under the Agreement, forever.

Seller covenants that it is the sole owner of the Facility and that the one-third undivided interest in the Facility being granted, bargained, sold, transferred, set over and delivered to Purchaser is free and clear of any and all liens and encumbrances, except for real and tangible personal property taxes for [insert calendar year of the Closing] and subsequent years. Seller shall forever warrant and defend title to the one-third interest in the Facility against the claims of all persons claiming by, through or under Seller.

This instrument shall be binding upon Seller, its successors and assigns, and shall inure to the benefit of Purchaser, and its permitted successors and assigns under the Agreement.

IN WITNESS WHEREOF, Seller has caused this instrument to be duly executed as of the \_\_\_\_\_ day of \_\_\_\_\_, 199\_\_.

WITNESSES:

FLORIDA POWER CORPORATION

By:  
Name:  
Title:

ATTACHMENT E

DETERMINATION OF WORKING CAPITAL DEPOSIT AND

WORKING CAPITAL DEPOSIT

The Working Capital Deposit due on the date of the Closing shall be based on FPC's budgeted forecast of the average of two months of total billings to GPC under the Operating Agreement. The Working Capital Deposit will be adjusted effective as of each January 1 (commencing with the first January 1 after not less than two monthly bills have been sent to GPC under the Operating Agreement), to equal the average of two months of total billings to GPC under the Operating Agreement during the immediately preceding calendar year. For purposes of this Attachment E, "total billings to GPC under the Operating Agreement" shall mean all amounts billed to GPC under the Operating Agreement of whatever nature, including, without limitation, Additional Costs of Construction, Common Facilities Carrying Charges, Fuel Carrying Charges, Fuel Costs and Major Outage Costs.

SAMPLE CALCULATION

ORIGINAL DEPOSIT

Billing budget for the calendar year with respect to GPC	\$1,200,000
Average monthly budgeted total billings to GPC under Operating Agreement	\$100,000
Two months average of budgeted total billings to GPC under Operating Agreement	\$200,000

ADJUSTMENT PROCEDURE

Working Capital Deposit on hand with FPC	\$200,000
Average of two months of total billings to GPC under Operating Agreement based on prior calendar year's total billings	\$210,000
Increase in deposit	\$10,000

-or-

Working Capital Deposit on hand with FPC	\$200,000
Average of two months of total billings to GPC under Operating Agreement based on prior calendar year's total billings	\$190,000
Decrease in deposit	\$10,000

ATTACHMENT E - Continued

CARRYING CHARGES WITH RESPECT TO  
FUEL INVENTORY FOR TESTING

GPC's Fuel Carrying Charges with respect to the Testing Period shall be calculated as follows:

1. Determine the sum of FPC's Pre-Tax Weighted Cost Rates (the "Total Pre-Tax Weighted Cost Rate"), based on the methodology set forth in the chart on page 3 of this Attachment (for example, 13.35%, as of the date of this Agreement).
2. Multiply the Total Pre-Tax Weighted Cost Rate by a fraction, the numerator of which is the number of days in the Testing Period, and the denominator of which is 365 (the "Daily Weighted Cost Rate").
3. Determine FPC's average cost of the daily average volume of fuel inventory for all electric generating units on the Intercession City Site during the Testing Period (the "Daily Average Site Fuel Cost"), and multiply the Daily Average Site Fuel Cost by one-third (the "Daily Adjusted Average Site Fuel Cost").
4. Multiply the Daily Adjusted Average Site Fuel Cost by a fraction, the numerator of which is the name plate rating of the Facility and the denominator of which is the sum of the name plate ratings of all electric generating units on the Intercession City Site (the "Daily Average Facility Fuel Cost").
5. Multiply the Daily Average Facility Fuel Cost by .93 (the "Daily Adjusted Average Facility Fuel Cost").
6. The Fuel Carrying Charges for the Testing Period shall be the product determined by multiplying the Daily Adjusted Average Facility Fuel Cost by the Daily Weighted Cost Rate (the product determined under item 5 x the product determined under item 2).

S A M P L E C A L C U L A T I O N

Total Pre-Tax Weighted Cost Rate = 13.35%

Number of Days in the Testing Period = 100

Daily Weighted Cost Rate ( $100/365 \times 13.35\% = 3.6575\%$  (.036575))

Daily Average Site Fuel Cost = \$5,000,000

Daily Adjusted Average Site Fuel Cost = ( $\$5,000,000 \times 1/3 = \$1,666,665$ )

Daily Average Facility Fuel Cost ( $\$1,666,665 \times 165/965 = \$284,974$ )

Daily Adjusted Average Facility Fuel Cost ( $\$284,974 \times 0.93 = \$265,026$ )

Fuel Carrying Charges for the Testing Period ( $\$265,026 \times .036575 = \$9,693$ )

## ATTACHMENT E - Continued

## FPC'S PRE-TAX WEIGHTED COST RATES

FPC Capital Structure Components	Amount	Ratio	Cost Rate	Weighted Cost Rate	Income Tax Multiplier	Pre-Tax Weighted Cost Rates
Common Equity	\$1,195,942	45.84%	12.00%	5.50%	1.628134	8.95%
Preferred Stock	179,643	6.89%	7.18%	0.50%	1.628134	0.81%
Long Term Debt:						
Fixed Rate	998,561	38.28%	8.26%	3.16%		3.16%
Variable Rate	89,247	3.42%	6.11%	0.21%		0.21%
Short Term Debt	145,421	5.57%	4.00%	0.22%		0.22%
Total	\$2,608,814	100.00%		9.59%		13.35%

NOTE: The items in the above chart, other than Income Tax Multiplier, will be updated effective as of January 1 of each calendar year based on FPC's capital structure components and cost rates as of December 31 of the immediately preceding calendar year. [For example, the Common Equity Cost Rate shown in the above chart represents FPC's authorized return on equity as of the date of this Agreement. This item will be updated effective as of January 1 of each succeeding calendar year to reflect FPC's authorized

return on equity as of December 31 of the immediately preceding calendar year.]

The Income Tax Multiplier in the above chart sets forth FPC's federal corporate income tax rate and Florida corporate income tax rate (which are 35% and 5.5%, respectively, as of the date of this Agreement). This column will be updated from time to time to reflect changes in FPC's federal or Florida corporate income taxes. Any such update will be effective as of the effective date of the applicable change in corporate income tax rate.

ATTACHMENT F

DIAGRAM OF FACILITY - TO BE INSERTED

ATTACHMENT G

DIAGRAM OF THE FACILITY SITE

ATTACHMENT H

LEGAL DESCRIPTION OF INTERCESSION CITY SITE



A TRACT OR PARCEL OF LAND LYING IN SECTION 31, TOWNSHIP 25 SOUTH, RANGE 28 EAST, OSCEOLA COUNTY, FLORIDA AND BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS;

COMMENCE AT THE SOUTHEAST CORNER FOR SECTION 31 AND RUN N00 degrees 35'58"E ALONG THE EAST LINE THEREOF A DISTANCE OF 961.13 FEET TO A POINT ON THE NORTHERLY RIGHT-OF-WAY LINE FOR C.S.X. RAILROAD (100 FOOT RIGHT-OF-WAY), SAID POINT BEING THE POINT OF BEGINNING; THENCE RUN S63 degrees 29'13"W ALONG SAID NORTHERLY RIGHT-OF-WAY LINE A DISTANCE OF 1441.59 FEET TO THE POINT OF CURVE (P.C.) CONCAVE SOUTHEASTERLY, SAID RIGHT-OF-WAY CURVE BEING 50.00 FEET FROM AND PARALLEL WITH A CENTERLINE LINE CURVE HAVING A RADIUS OF 11459.16 FEET AND A 150 FOOT SPIRAL; THENCE CONTINUE ALONG THE ARC OF SAID RIGHT-OF-WAY A CHORD BEARING OF S63 degrees 20'58"W A CHORD DISTANCE OF 349.76 FEET TO THE INTERSECTION OF THE NORTH RIGHT-OF-WAY LINE FOR STATE ROAD NUMBER 532 (200 FOOT RIGHT-OF-WAY); THENCE N89 degrees 15'56"W ALONG SAID NORTH RIGHT-OF-WAY LINE A DISTANCE OF 1307.75 FEET TO A POINT ON THE EAST RIGHT-OF-WAY LINE FOR WESTMONT BOULEVARD (60.00 FOOT RIGHT-OF-WAY) AS RECORDED IN PLAT BOOK 2, PAGE 82 AND 83 OF THE PUBLIC RECORDS FOR OSCEOLA COUNTY, FLORIDA, SAID POINT BEING THE POINT OF CURVE (P.C.) FOR A CURVE HAVING THE FOLLOWING ELEMENTS: A RADIUS OF 25.00 FEET, A CENTRAL ANGLE OF 90 degrees 00'00, A CHORD OF 35.35 FEET AND A CHORD BEARING OF N44 degrees 15'56"W; THENCE CONTINUE ALONG SAID RIGHT-OF-WAY LINE AND CURVE TO THE RIGHT AN ARC DISTANCE OF 39.27 FEET TO THE POINT OF TANGENCY (P.T.) FOR SAID CURVE; THENCE CONTINUE ALONG SAID RIGHT-OF-WAY LINE N00 degrees 44'04"E A DISTANCE OF 48.77 FEET TO THE POINT OF CURVE (P.C.) FOR A CURVE HAVING THE FOLLOWING ELEMENTS: A RADIUS OF 229.99 FEET, A CENTRAL ANGLE OF 14 degrees 58'35", A CHORD OF 59.95 FEET AND A CHORD BEARING OF N06 degrees 45'14"W; THENCE CONTINUE ALONG SAID RIGHT-OF-WAY LINE AND CURVE TO THE LEFT AND ARC DISTANCE 60.12 FEET TO THE POINT OF TANGENCY (P.T.) FOR SAID CURVE; THENCE CONTINUE ALONG SAID RIGHT-OF-WAY LINE N14 degrees 14'32"W A DISTANCE OF 1536.82 FEET TO THE POINT OF CURVE (P.C.) FOR A CURVE HAVING THE FOLLOWING ELEMENTS: A RADIUS OF 170.00 FEET, A CENTRAL ANGLE OF 15 degrees 21'23", A CHORD OF 45.43 FEET AND A CHORD BEARING OF N06 degrees 33'50"W; THENCE CONTINUE ALONG SAID RIGHT-OF-WAY LINE AND CURVE TO THE RIGHT AN ARC DISTANCE OF 45.56 FEET TO THE POINT OF TANGENCY (P.T.) FOR SAID CURVE; THENCE CONTINUE ALONG SAID RIGHT-OF-WAY LINE N01 degrees 06'52" E A DISTANCE OF 1224.15 FEET; THENCE S89 degrees 54'12"E A DISTANCE OF 3.54 FEET; THENCE N00 degrees 24'52"E A DISTANCE OF 910.53 FEET THENCE N89 degrees 44'57"E A DISTANCE OF 664.59 FEET; THENCE N89 degrees 44'59"E A DISTANCE OF 664.47 FEET; THENCE S00 degrees 29'20"W A DISTANCE OF 1319.32 FEET; THENCE N89 degrees 38'03"E A DISTANCE OF 663.63 FEET; THENCE S00 degrees 31'33"W A DISTANCE OF 1336.73 FEET ;THENCE N89 degrees 45'54"E A DISTANCE OF 1325.50 FEET TO A POINT ON THE EAST LINE FOR SAID SECTION 31; THENCE S00 degrees 35'58"W ALONG SAID EAST LINE A DISTANCE OF 378.66 FEET TO THE POINT OF BEGINNING, CONTAINING 167.192 ACRES MORE OR LESS. BEARING STRUCTURE AND DISTANCES BASED ON STATE PLANE COORDINATE, GRID VALUES.

EXHIBIT B-2

INTERCESSION CITY SIEMENS UNIT

OPERATING AGREEMENT

between

GEORGIA POWER COMPANY

and

FLORIDA POWER CORPORATION

Dated as of June 8, 1994

INTERCESSION CITY SIEMENS UNIT

OPERATING AGREEMENT

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INTERCESSION CITY SIEMENS UNIT  
OPERATING AGREEMENT



THIS INTERCESSION CITY FACILITY SIEMENS UNIT OPERATING AGREEMENT (this "Agreement"), dated as of the 8th day of June, 1994, is entered into by and between GEORGIA POWER COMPANY, a corporation organized and existing under the laws of the State of Georgia ("GPC"), and FLORIDA POWER CORPORATION, a corporation organized and existing under the laws of the State of Florida ("FPC").

R E C I T A L S :

A. GPC and FPC have heretofore entered into that certain Intercession City Siemens Unit Purchase and Ownership Participation Agreement dated as of the date hereof (the "Ownership Agreement") with respect to a Siemens combustion turbine generating unit and related facilities.

B. Under this Agreement, the Participants intend to provide for the management, control, operation, maintenance, renewal, addition, replacement, modification, retirement and disposal of the Facility, in all respects not covered by the Ownership Agreement and for the entitlement and use of capacity and energy from the Facility and the sharing of the costs with respect to the Facility.

OPERATIVE TERMS

In consideration of the premises and the mutual agreements herein set forth, GPC and FPC hereby agree as follows:

1. DEFINITIONS. In addition to the terms defined elsewhere in this Agreement, the terms in Attachment A to this Agreement have the meanings indicated in Attachment A, which meanings shall be equally applicable to both singular and plural forms of such terms except as otherwise expressly provided.

2. APPOINTMENT AND AUTHORITY OF AGENT.

(a) Agent. Subject to the terms of this Agreement and of the Ownership Agreement, the Participants hereby irrevocably appoint FPC as their Agent to act on behalf of the Participants in performing the Agency Functions. FPC hereby accepts such appointment and agrees that it shall discharge its responsibilities as Agent in accordance with this Agreement and the Ownership Agreement and in accordance with Prudent Utility Practice.

(b) Record Keeping. In furtherance of its duties as Agent, FPC shall also keep and maintain appropriate plant records with respect to the Facility in accordance with applicable Legal Requirements and FPC's record retention policies; and upon reasonable notice from time to time by GPC, FPC will inform GPC of the location of such records and, subject to Section 4(f) CONFIDENTIALITY OF INFORMATION, of the Ownership Agreement, provide GPC reasonable access thereto. To the extent that GPC would like to retain such

records for longer periods of time than FPC would retain such records, then, upon written request from GPC, and subject to Section 4(f) CONFIDENTIALITY OF INFORMATION, of the Ownership Agreement, FPC shall provide GPC, at GPC's sole expense, with originals or copies as appropriate of such records on or prior to the date that FPC would dispose of such records.

(c) Authority and Responsibility For Operation. Subject to the provisions of this Agreement and the Ownership Agreement, FPC, as Agent for the Participants, shall have sole authority and responsibility with respect to the Agency Functions, and in respect thereof, FPC, as Agent, is authorized to take and shall take, in the name and on behalf of the Participants, all reasonable actions which, in the discretion and judgment of FPC, are deemed necessary or advisable to effect the Agency Functions, including, without limitation, the following:

(i) the making of such agreements and modifications of existing agreements, other than this Agreement and the Collateral Documents, and the taking of such other action as FPC, as Agent, deems necessary or appropriate, in its sole discretion, or as may be required under the regulations or directives of any Governmental Authority having jurisdiction, with respect to the Agency Functions, which such agreements and modifications shall, together with all such existing agreements, be held by FPC as Agent; provided, however, without GPC's

prior written consent, which shall not be unreasonably withheld or delayed, FPC shall not enter into any amendments to, or modifications of, or waive any rights under, the Siemens Agreement which would

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materially and adversely affect GPC's co-ownership of, or right to output from, the Facility;

(ii) the execution and filing, with any Governmental Authority having jurisdiction (except the Georgia Public Service Commission), of applications, amendments, reports and other documents and filings in or in connection with the licensing and other regulatory matters with respect to the Facility or any portion thereof;

(iii) the receipt of any notice or other communication from any Governmental Authority having jurisdiction (except the Georgia Public Service Commission), as to any licensing or other similar matter concerning the Facility; and

(iv) the provision of, or the contracting with any third party to purchase or provide, any equipment, facilities or services in connection with the Facility, in accordance with this Agreement or any of the Collateral Documents.

GPC and FPC agree that all such agreements which relate to the Facility described in this Section 2(c) which are entered into after the date of this Agreement shall, by their terms, be made assignable by FPC, as Agent, to any successor Agent for the Agency Functions, pursuant to this Agreement and the Ownership Agreement.

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Subject to the terms of this Agreement and the Ownership Agreement, FPC, as Agent, shall also, at all times, be responsible for ensuring the continued availability of any equipment and services necessary to support the operation and maintenance of the Facility and the Common Facilities as contemplated in this Agreement and the Ownership Agreement.

(d) FPC'S Right To Provide Equipment, Facilities or Services;  
Contracts With Affiliates. In discharging its obligations as Agent hereunder, FPC shall have the right, on behalf of the Participants, to provide, or contract with any of its Affiliates, on terms that are within Prudent Utility Practice, to purchase or provide any equipment or facilities or to perform services in connection with the Facility, the Common Facilities, or any portion thereof. FPC shall give GPC reasonable notice of any contract with

its Affiliates described in the preceding sentence.

3. OPERATIONS.

(a) Availability of Output.

(i) Subject to the further provisions of this Agreement and the Ownership Agreement, GPC shall be entitled to the net capacity and the net energy output of the Facility (measured at the high side of the Step-Up Transformer) at all times during the Summer Period, and FPC

shall be entitled to the net capacity and the net energy output of the Facility (measured at the high side of the Step-Up Transformer) at all times during the Winter Period. The net energy output of the Facility shall be dispatched in accordance with the provisions of Section 3(b), SCHEDULING AND DISPATCHING, hereof.

(ii) GPC and FPC agree that the Facility shall be limited to a maximum number of 3390 hours of operation each calendar year based on environmental permit limitations. The 3390 hours shall be allocated one-third to the Summer Period and two-thirds to the Winter Period. Neither GPC nor FPC shall exceed its allocated share of hours of operation, as determined herein, without the prior written consent of the other Party.

(iii) In the event of any change to the environmental permit limitations, the maximum hours of operation of the Facility shall be re-allocated in the manner set forth in paragraph (ii) above.

(b) Scheduling and Dispatching.

(i) The Facility shall be dispatched through FPC's Energy

Control Center (the "ECC") and will be available for operation twenty-four (24) hours per day unless the Facility is out of service due to a scheduled maintenance or forced outage. Under normal operating conditions during the Summer Period, GPC shall use its reasonable best efforts to give the ECC at least thirty (30) minutes' advance notice of its intended need for output of the Facility. Under emergency conditions, FPC shall use reasonable efforts to make the Facility available to commence operations for the benefit of GPC upon ten (10) minutes' advance notice to the ECC.

(ii) The Parties will develop procedures and designate operating representatives, as appropriate, for the coordination of scheduling of the operation of the Facility, notification of changes in the status of the Facility, coordination of short-term maintenance scheduling, and such other hourly and daily coordination as necessary for the operation of the Facility.

(iii) FPC will reasonably cooperate with GPC to implement real time load following of the Facility. Such real time load following shall be coordinated through the ECC, shall be consistent with FPC's safety requirements and general operating parameters, and shall not impose a material operating burden on FPC. Any additional costs associated with procuring, installing, operating and maintaining the



equipment necessary for real time load following shall be borne solely by GPC.

(iv) The initial capacity of the Facility shall be determined during the acceptance testing period and according to the methodology set forth in the Siemens Agreement, and such determination shall be binding on the Parties unless and until superseded under the terms of paragraph (v) below.

(v) No more often than once each year, each Party shall have the right to request a capacity test to demonstrate the maximum capability of the Facility. Each such test shall have a minimum run time of one hour at the normal full load capability of the Facility. Incremental costs associated with any capacity test, including, without limitation, any set-up and monitoring costs not consistent with normal operations, shall be considered Fixed O&M Costs. The Siemens charts of performance correction factors for the Facility in relation to ambient operating conditions shall be used, together with the data obtained from the capacity tests, to reestablish the capacity of the Facility, at the ninety degree (90) Fahrenheit point, for the purpose of calculating charges under Section 7.1 of the Transmission Service Agreement.

(c) Fuel Supply.

(i) Except as provided in paragraph (ii) below, FPC, as Agent, shall have sole authority to and shall arrange for and acquire all fuel

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and fuel transportation for the Facility and shall make payment to third parties of all Fuel Costs.

(ii) In the event natural gas and transportation for natural gas are available to the Facility on an economic basis during the Summer Period, over and above the needs of all of the other generating units in FPC's electric system, FPC will use reasonable efforts to make natural gas available to the Facility. If all necessary facilities to provide transportation of natural gas to the Facility have been constructed and transportation services for such gas are available to the Facility on an economic basis during the Summer Period, but FPC's natural gas supply is not sufficient to serve the needs of all of FPC's other generating units in FPC's electric system and the Facility, GPC shall be permitted to arrange for natural gas to be supplied to the Facility and FPC will use reasonable efforts to make that supply available to the Facility during the Summer Period.

(iii) For each month during the Summer Period, FPC shall be

entitled to receive from GPC Carrying Charges applicable to the value of the Fuel Inventory maintained during such months as calculated under Attachment B hereto.

(d) Maintenance.

(i) FPC shall perform maintenance on the Facility in accordance with guidelines published by the manufacturer of the combustion turbine

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unit included in the Facility and in accordance with Prudent Utility Practice. FPC shall perform all maintenance in a manner that restores the Facility to service as soon as practicable consistent with Prudent Utility Practice. In addition, except as otherwise provided in paragraph (iii) below, all Scheduled Maintenance Outages shall be set forth in the maintenance plan to be provided for GPC's review and comment pursuant to Section 3(g), REPORTS, BUDGETS AND FORECASTS TO BE PROVIDED TO THE PARTIES, hereof.

(ii) Except as otherwise provided in paragraph (iii) below, Scheduled Maintenance Outages shall be performed by FPC during the Winter Period. GPC shall pay to FPC a fixed daily charge, calculated in accordance with the formula set forth in Attachment C hereto, for each

day the Facility is out of service due to a Scheduled Maintenance Outage during the Winter Period; provided, however, that if any such Scheduled Maintenance Outage is extended beyond the period scheduled by FPC, and such extension is for FPC's convenience, GPC shall not be required to pay such fixed daily charge with respect to the duration of such extension.

(iii) Scheduled Maintenance Outages may not occur during the Summer Period without GPC's prior written consent. FPC shall pay to GPC a fixed daily charge, calculated in accordance with the formula set forth in Attachment D hereto, for each day the Facility is out of service due to a Scheduled Maintenance Outage during the Summer Period.

(iv) FPC shall use the same degree of care in the operation and maintenance of the Facility during the Summer Period as it does in its operation and maintenance of the Facility during the Winter Period.

(e) Metering.

(i) FPC, as Agent, shall install and maintain the necessary metering equipment so as to determine (A) the gross output, auxiliary

requirements, net output and reactive power of the Facility each hour to the FPC transmission system, and (B) the monthly power, fuel and water consumption of the Facility. All metering equipment shall be consistent with Prudent Utility Practice.

(ii) Each electric meter used pursuant to this Section 3(e) shall be tested and calibrated by FPC at regular intervals determined by FPC in accordance with FPC's standard practices; provided, however, that the accuracy standards utilized by FPC shall not exceed the ranges set forth in this paragraph (ii). Any electric meter tested and found to be within plus or minus 0.5% accuracy shall be considered to be accurate. If, as a result of any test, any electric meter is found to register not within plus or minus 0.5% accuracy, FPC shall repair or replace the meter to bring the accuracy within the required plus or minus 0.5% accuracy as soon as practicable, and shall calculate a correction. The correction shall be calculated from the commencement date of any known or agreed period of inaccuracy, and, in the absence of such a known or agreed period, a correction shall be calculated based upon one-half the time since the last test of the meter

involved. The correction shall be calculated in whole megawatt-hours and shall be set forth on the next bill by FPC as a charge or credit to GPC after repair or replacement of the meter. The dollar value per

megawatt-hour of any correction with respect to any calendar month shall be determined by dividing the sum of all Variable O&M Costs and Variable Fuel Costs for such month by the net output of the Facility during such calendar month. The dollar value per megawatt-hour so determined will then be multiplied by the megawatt-hour correction for the calendar month.

(iii) All metering records and tests shall be available, upon reasonable notice, to authorized representatives of GPC. All costs incurred in connection with such metering equipment and compliance with the provisions of this Section 3(e) shall be considered Additional Costs of Construction or Operating Costs, as appropriate, and as such shall be paid by the Participants in accordance with the provisions of Section 5, OPERATING COSTS, FUEL COSTS AND MAJOR OUTAGE COSTS, hereof, or of the Ownership Agreement.

(f) Non-Discrimination. In no event will FPC, in its performance of the Agency functions, materially discriminate against the Facility (in a manner that is adverse to a Participant's undivided ownership interest in the Facility or right to output from the Facility) in comparison with other comparable electric peak-load generating units owned or operated by FPC; provided, however, that the foregoing non-discrimination provision shall not apply with respect to the construction, operation or use of any facilities for

natural gas for any other electric generating units at the Intercession City Site or elsewhere in FPC's electric system.

(g) Reports, Budgets and Forecasts To Be Provided To The Parties.

Subject to the provisions of this Section 3(g) below:

(i) On or before June 1 of each calendar year during the term of this Agreement, commencing June 1, 1995, GPC shall provide FPC with (A) a forecast, with respect to each of the next five calendar years, of GPC's projected megawatt hours of run time and total hours of run time (including, without limitation, third party sales) of the Facility, the number of starts and the manner in which electrical energy from the Facility will be dispatched, and (B) such other information reasonably required to be used by FPC in the development of capital budgets, operating and maintenance budgets, maintenance plans and billing budgets.

(ii) Taking into account the information provided by GPC, on or before September 1 of each calendar year during the term of this Agreement, commencing September 1, 1995, FPC shall provide GPC with (A) a proposed capital budget, (B) a proposed operating and maintenance budget, and (C) a proposed maintenance plan. The capital budget and operating and maintenance budget shall set forth budgeted capital

expenditures and operating and maintenance expenses (other than with respect to fuel) for the Facility during the next calendar year. In addition, the capital budget shall provide a forecast of capital

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expenditures for the next five years. The maintenance plan shall be for the next calendar year and shall include a forecast of maintenance for the next five years. The maintenance plan shall describe in reasonable detail the contemplated time and duration of each outage, the maintenance work to be done and the estimated cost thereof.

(iii) On or before October 1 of each calendar year during the term of this Agreement, commencing October 1, 1995, GPC shall provide FPC with comments, if any, to the proposed capital budget, operating and maintenance budget and maintenance plan.

(iv) Taking into consideration the comments of GPC, if any, on or before December 1 of each calendar year during the term of this Agreement, commencing December 1, 1995, FPC shall provide GPC with a final capital budget, operating and maintenance budget, maintenance plan and billing budget.

(v) On or before March 1 of each calendar year during the term



of this Agreement, commencing March 1, 1996, GPC shall provide FPC with a preliminary forecast of GPC's fuel requirements for the Facility during the Summer Period of that calendar year.

(vi) At least thirty (30) days prior to the beginning of each calendar month during each Summer Period, GPC shall provide FPC with a report as to GPC's fuel requirements for the Facility for such calendar month.

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(vii) Notwithstanding GPC's right to make comments and ask questions of FPC with respect to budgets and plans, as provided in this Subsection above, FPC shall have ultimate authority with respect to final budgets and plans for the Facility.

(viii) FPC and GPC make no representation, warranty or promise of any kind as to the accuracy of any estimate or other information contained in any report, plan or forecast given to the other, and in no event shall FPC or GPC have any liability to the other in these regards.

(ix) In the event that either Party changes its budgeting or forecasting cycle, and such change makes it burdensome on such party to

provide any forecast, proposed budget or plan, comments, or a final budget or plan on or before any date specified in paragraphs (i) through (iv) above, such Party shall give notice thereof to the other Party, and the Parties shall cooperate reasonably with each other to make the necessary amendments to paragraphs (i) through (iv) so that the dates therein will not be burdensome to the party which is to provide such item or items.

(h) GPC Approval Of Certain Capital Expenditures and Disposal Of Property.

(i) Notwithstanding any other provisions of this Agreement or the Ownership Agreement, if FPC proposes to make any discretionary modification, replacement or addition with respect to:

(A) the Facility, the total costs of which (net of any insurance

proceeds or recoveries under warranty claims applicable thereto) that are allocable to GPC based on its one-third ownership interest in the Facility exceed Seven Hundred Fifty Thousand Dollars (\$750,000) in 1994 Dollars; or

- (B) the Common Facilities, the total costs of which (net of insurance proceeds or recoveries under warranty claims applicable thereto) that are allocable to GPC pursuant to Attachment E to this Agreement exceed Five Hundred Thousand Dollars (\$500,000) or more in 1994 Dollars;

FPC shall give notice to GPC of the proposed modification, replacement or addition and seek GPC's consent thereto. If GPC withholds its consent to such modification, replacement or addition, FPC shall nevertheless have the right, in its sole discretion, to make such modification, replacement or addition and, in such event, GPC shall reimburse FPC for that proportion of the Additional Costs of Construction with respect to such modification, replacement or addition

as the benefit to be received by GPC as a result of such modification, replacement or addition bears to the benefit to be received by GPC and FPC as a result of such modification, replacement or addition. A

benefit to be received as a result of a discretionary modification, replacement or addition shall include, without limitation, increased unit capacity, increased unit availability, reductions in operations and maintenance costs or reductions in heat rate, or a modification, replacement or addition that will reduce, eliminate or avoid degradation with respect to unit capacity, unit availability, or avoid increases in operations and maintenance costs or increases in heat rate.

For purposes of this paragraph (i), a discretionary modification, replacement or addition shall be one that is not required in order to comply with Legal Requirements or FPC's safety requirements or safety concerns and is not to be made to repair damage to or destruction of the Facility or the Common Facilities.

(ii) Notwithstanding any other provision of this Agreement or the Ownership Agreement, except in connection with FPC's duties or rights under the Ownership Agreement or this Agreement to retire or salvage the Facility, FPC, as Agent, shall not, without the prior written consent of GPC, dispose of, retire or salvage any machinery, apparatus, supplies or equipment or any other portion of the Facility which has a depreciated value, as determined by FPC, in excess of One Million Dollars (\$1,000,000.00), in 1994 Dollars, net of the value, as determined by

FPC, of any portion of the Facility that replaces such disposed of, retired or salvaged portion of the Facility.

(i) Common Facilities.

(i) Ownership and Possession of Common Facilities. During the term of this Agreement, FPC shall have sole ownership and possession of, and the exclusive right to operate, the Common Facilities, as described in Attachment E to this Agreement, as the same maybe updated from time to time under the terms of Section 3(i)(ii). The Common Facilities shall be operated and maintained by FPC, during the term of this Agreement, for the benefit of the Facility and FPC's other electric power generating facilities at the Intercession City Site, in accordance with Prudent Utility Practice, without priority to or material adverse discrimination against the Facility in comparison with FPC's other electric generating units at the Intercession City Site.

(ii) Common Facilities Carrying Charges; Adjustments Thereto.

(A) On a monthly basis following the Closing, GPC shall pay for its share of the Common Facilities Carrying Charges, under the methodology of Attachment F hereto and in accordance with this Section 3(i)(ii). Attachment E shall be updated,

as of December 31, 1995 to reflect the net book value to FPC of the Dedicated Common Facilities as of the last day of the calendar month immediately preceding the date of the Closing

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and the revised Weighted Average Common Facilities Allocation Factor as a result of such update. Until adjusted under subparagraph (B) or (C) below, the initial monthly Common Facilities Carrying Charges shall be: (1) Nine Thousand One Hundred Sixty Five Dollars (\$9,165.00) with respect to the first forty-four (44) items listed in Attachment E; and (2) as determined under Attachment F, with respect to item 45 listed in Attachment E.

(B) Upon the written request of either Party after December 31, 2000, (1) Attachment E shall be updated to reflect the net book value to FPC of the Common Facilities as of the immediately preceding December 31, and (2) the Common Facilities Carrying Charges shall thereupon be recalculated in accordance with the methodology set forth in Attachment F for purposes of this subparagraph (B). Such Common Facilities Carrying Charges, as so recalculated, shall be effective for purposes of this Agreement commencing as of

the calendar month immediately following the date of the request and, except as otherwise provided in subparagraph (C) below, for a minimum period of five years thereafter.

(C) Notwithstanding subparagraph (B) above, if at any time, FPC adds Common Facilities (referred to in Attachment F as "additional Common Facilities"), in a cumulative total amount equal to or exceeding \$250,000 in net book value, FPC

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may elect to recalculate, under the methodology set forth in Attachment F for purposes of this subparagraph (C), the Common Facilities Carrying Charges to reflect such change in net book value. Such Common Facilities Carrying Charges, as so recalculated, shall be effective for purposes of this Agreement commencing as of the calendar month immediately succeeding the date on which notice is given by FPC to GPC exercising its election under this subparagraph (C).

(iii) Common Facilities For Sole Benefit Of a Party.

Notwithstanding the provisions of paragraph (ii) above, each Party hereto shall pay all of the costs of acquisition, installation, operation and maintenance of any portion of the Common Facilities, or

any modifications, replacements or additions thereto, that benefit solely such Party.

4. ADDITIONAL COSTS OF CONSTRUCTION.

(a) FPC, as Agent, shall be responsible for making, and shall make, payment to third parties of all Additional Costs of Construction.

(b) FPC shall give GPC as much notice as is reasonably practicable of any major anticipated Additional Costs of Construction.

(c) Each Participant's respective share of Additional Costs of Construction (other than with respect to Major Outages) shall be in proportion

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to such Participant's Ownership Interest. Each Participant's respective share of costs with respect to Major Outages shall be as set forth in Section 5, OPERATING COSTS, FUEL COSTS AND MAJOR OUTAGE COSTS, hereof.

5. OPERATING COSTS, FUEL COSTS AND MAJOR OUTAGE COSTS.

(a) In General.



(i) FPC, as Agent, shall be responsible for making, and shall make, payment to third parties of all Operating Costs, Fuel Costs and Major Outage Costs.

(ii) The Participants shall share Operating Costs and Fuel Costs as follows: Fixed O&M Costs and Fixed Fuel Costs shall be allocated between the Participants in proportion to their respective Ownership Interests; Variable O&M Costs and Variable Fuel Costs incurred by FPC during the Summer Period shall be allocated solely to GPC; and Variable O&M Costs and Variable Fuel Costs incurred by FPC during the Winter Period shall be allocated solely to FPC. The allocations of administrative and general costs and other costs shall be as set forth in Attachment G hereto.

(iii) Major Outage Costs shall be allocated between GPC and FPC based on their respective proportions of the Equivalent Operating Hours, from and after the date of Commercial Operation, taking into account the most recently available monthly data with respect to Equivalent

Operating Hours at the time the work order with respect to such Major Outage is submitted.

(b) Billing and Payment Of Additional Costs Of Construction, Operating Costs, Fuel Costs, and Major Outage Costs; Adjustment Of Working Capital Deposit.

(i) FPC will, on or before the 20th day of each calendar month after the Closing, furnish GPC with a statement of GPC's share of (A) Additional Costs of Construction, Operating Costs, Fuel Costs and Major Outage Costs with respect to the immediately preceding calendar month, plus or minus any adjustments to Additional Costs of Construction, Operating Costs, Fuel Costs and Major Outage Costs incurred in prior months but not previously charged or credited to GPC under the provisions of this Section 5(b) or other provisions of this Agreement, and (B) Fuel Carrying Charges and Common Facilities Carrying Charges. GPC shall make payment to FPC of the amounts set forth in such bill in immediately available United States funds on or before the 15th day of the calendar month immediately following the date of the bill.

(ii) FPC shall recalculate the Working Capital Deposit no more frequently than at one year intervals after the date of the Closing, under the terms of Attachment H hereto, and FPC shall furnish GPC with notice of the results of such recalculation. Within thirty days after any such notice:

(A) GPC shall pay to FPC the amount by which the Working Capital Deposit, as recalculated, exceeds the Working Capital Deposit then held by FPC, and FPC shall add such excess to, and such excess shall become part of, the Working Capital Deposit; or

(B) FPC shall pay to GPC the amount by which the Working Capital Deposit then held by FPC exceeds the Working Capital Deposit, as recalculated.

6. NONPAYMENT AND SETTLEMENT OF COSTS.

(a) Payments due from GPC under this Agreement not made when due shall bear interest, compounded monthly until paid, at a rate per annum equal to the lesser of (1) the highest interest rate allowed under Florida law, or (2) 105% of the Prime Rate.

(b) GPC shall have until September 15 of each calendar year to question or contest, by notice to FPC, the correctness of any charge or credit billed or applied by FPC under this Agreement during the immediately preceding calendar year. After September 15 of each calendar year, the correctness of any such charge or credit billed or applied by FPC under this Agreement during the immediately preceding calendar year, that has not been timely questioned

or contested by GPC, shall be conclusively presumed. In the event that GPC timely questions or contests the correctness of any such charge or credit, FPC shall promptly review the questioned charge or credit and shall, within 45

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days following notice from GPC questioning or contesting such charge or credit, notify GPC of the amount of any error, and the payment that GPC is required to make or the amount of reimbursement that GPC is entitled to receive in respect of such error. Not later than the fifth Business Day after receipt of such notice from FPC, GPC shall pay to FPC any amount due by it, as specified in such notice, in immediately available United States funds. Any such reimbursement required to be made by FPC, shall be paid by FPC not later than the fifth Business Day after FPC notifies GPC of the amount of such reimbursement.

(c) FPC, as Agent, will provide GPC with such information as is reasonably required by GPC in order for GPC to account for payments made pursuant to this Agreement on GPC's books. During the period of March 15 through September 15 of each calendar year, both dates included, GPC shall have the right, upon reasonable prior notice to FPC, and without disruption to FPC's operations, to review, on a one-time basis, FPC's relevant records with respect to charges or credits billed or applied by FPC under this Agreement during the immediately preceding calendar year.

(d) In the event GPC fails to pay any amount owed by GPC under this Agreement within thirty (30) days after notice thereof by FPC, GPC shall have no right to any output of capacity or net energy of the Facility or to exercise any other right of a Participant until all amounts overdue from GPC have been paid, together with interest at the rate provided in Section 6(a) above.

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(e) Notwithstanding the foregoing provisions of this Section 6, if GPC disagrees with or disputes the amount of any payment claimed by FPC to be due pursuant to this Agreement, GPC shall nevertheless make such payment under protest; provided, however, GPC shall be reimbursed, together with all accrued interest at the lesser of (A) the highest interest rate allowed under Florida law, or (B) the Prime Rate, from the date of payment to the date of reimbursement, for any amount paid in error by GPC under this Subsection.

(f) To the extent that GPC has not paid, on a timely basis, any sums due under this Agreement or any of the Collateral Documents, then, in addition to any of FPC's other rights under this Agreement, any of the Collateral Documents, or at law, FPC shall be entitled to retain amounts otherwise due to GPC under this Agreement or any of the Collateral Documents (together with any

applicable interest thereon) and to apply such amounts to the reduction of such overdue sums and interest thereon.

(g) No remedy referred to in this Section 6 is intended to be exclusive of any other remedy set forth in this Section 6, but every such remedy herein provided shall be cumulative and may be exercised from time to time and as often as may be deemed expedient except where the exercise of any one of such remedies precludes its further exercise or the exercise of any other remedy. No delay or failure to exercise any remedy herein provided shall impair the right to exercise any such remedy or be construed to be a waiver of such right.

## 7. INSURANCE.

(a) Except as may otherwise be agreed to by the Participants, on and after the date of Official Acceptance (as such term is defined in the Siemens Agreement) of the Facility by FPC, FPC, as Agent, shall carry in the name of the Participants, as insureds, insurance covering (i) workers' compensation, which shall include employers' liability, (ii) commercial general liability, which shall include broad form property damage (including, without limitation,

explosion, collapse, and underground), broad form contractual and products/completed operations liability, and shall contain a severability of interests clause, and (iii) "all risk" property, which shall include coverage for boiler and machinery, in such amounts and with such deductible or self-insurance features as are consistent with industry practice for utilities of similar size and exposure.

Such insurance shall have the following minimum limits of liability: (w) workers' compensation -- statutory limits; (x) employers' liability -- \$1,000,000 per accident, and \$1,000,000 disease aggregate; (y) commercial general liability, which shall include broad form contractual, broad form property damage, and products/completed operations liability, and protection against hazards of explosion, collapse and underground -- \$50,000,000 combined single limit per occurrence; and (z) "all risk" property insurance in an amount equal to the replacement cost of the Facility, as reasonably determined by FPC, or such greater or lesser limits as may be mutually determined by the Parties. All deductibles shall be paid by the Participants in proportion to their respective Ownership Interests.

(b) The aggregate cost of all such insurance shall be considered as Operating Costs, and shall be allocated in accordance with Attachment I hereto, and shall be paid in accordance with the provisions of Section 5(b),

BILLING AND PAYMENT OF ADDITIONAL COSTS OF CONSTRUCTION, OPERATING COSTS, FUEL COSTS, AND MAJOR OUTAGE COSTS; ADJUSTMENT OF WORKING CAPITAL DEPOSIT, hereof.

(c) Each policy with respect to property and general liability shall be endorsed to be primary to any insurance which may be maintained by GPC. FPC's worker's compensation coverage shall contain a waiver of subrogation with respect to GPC.

(d) On or before the date of Closing and within thirty (30) days after the renewal of any of the insurance policies described in Section 7(a), FPC shall provide GPC with certificates of insurance with respect to such policies. FPC shall provide GPC with copies of the insurance policies described in Section 7(a) upon request and shall furnish GPC with reasonable notice of the cancellation or material modification of any of such policies.

(e) Each Participant may also maintain additional or other insurance, at its own cost and expense, which it deems necessary or advisable to protect its respective interest in any portion of the Facility, provided that such additional insurance does not reduce or diminish in any way the coverage of the insurance procured and maintained by FPC pursuant to this Section 7.

(f) Notwithstanding the foregoing, GPC shall separately procure and maintain in force, at its own expense, workers' compensation and employer's



liability insurance or self insurance for its directors, officers, employees, agents or representatives visiting the Facility with the minimum limits of liability set forth above. GPC's worker's compensation coverage shall include a waiver of subrogation with respect to FPC.

8. THIRD PARTY CLAIMS. FPC agrees to indemnify, hold harmless and defend GPC against any loss, cost, damages or expense (including attorneys' fees) arising out of any claim for personal injury, death, property damage or other loss asserted against GPC by a third party to the extent caused by FPC's gross negligence as Agent or willful or intentional misconduct as Agent.

9. LIMITATION OF LIABILITY. Notwithstanding any other provisions of this Agreement or any of the Collateral Documents, in no event shall FPC or GPC have any liability to the other under this Agreement or any of the Collateral Documents for (A) any special, incidental, indirect or consequential damages; (B) damages with respect to costs of capital, costs of replacement power, loss of profits or revenues, loss of use of plant or equipment, or claims of customers of FPC or GPC, as the case may be, irrespective of whether such damages may be categorized as direct, special, incidental, indirect, consequential, or otherwise; or (C) costs, losses, damages, expenses, fines or penalties to the extent that either Participant is entitled to receive insurance proceeds pursuant to an insurance policy or policies covering such costs, losses, damages, expenses, fines or penalties.

10. BREACH OF AGREEMENT.

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(a) By GPC. GPC shall be in breach of this Agreement in the event that:

(i) it fails to pay any monetary obligation owing by it under this Agreement or any of the Collateral Documents within thirty (30) days after notice thereof by FPC;

(ii) it fails to observe or perform any of its other obligations under this Agreement or any of the Collateral Documents, and such failure is not cured within thirty (30) days after notice thereof by FPC; or

(iii) it becomes insolvent, or files a petition in bankruptcy, or there is filed against it a petition in bankruptcy which is not dismissed within one hundred twenty (120) days after the filing thereof.

(b) By FPC. FPC shall be in breach of this Agreement if:

(i) it fails to observe or perform any of its obligations under this Agreement or any of the Collateral Documents and such failure continues for thirty (30) days after notice thereof by GPC; provided, however, that if such failure is not reasonably capable of being cured by FPC within such thirty (30) day period, FPC shall not be deemed to be in breach of this Agreement or any of the Collateral Documents, as a result of such failure, if FPC commences the cure of such failure within a reasonable time after receipt of notice of such failure from GPC and

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FPC proceeds with diligence to cure such failure; provided further however, that any such cure period shall not exceed six (6) months;

(ii) it fails to perform the Agency Functions in accordance with Prudent Utility Practice and such failure continues for thirty (30) days after notice thereof by GPC; provided, however, that if such failure is not reasonably capable of being cured by FPC within such thirty (30) day period, FPC shall not be deemed to be in breach of this Agreement, as a result of such failure, if FPC (A) commences the cure of such failure within a reasonable time after receipt of notice of such failure from GPC; (B) cures such failure within six (6) months after such notice from GPC; and (C) pays for all costs, expenses, penalties and fees associated with the cure of the failure; or

(iii) it becomes insolvent, or files a petition in bankruptcy, or there is filed against it a petition in bankruptcy which is not dismissed within one hundred twenty (120) days after the filing thereof.

11. REMEDIES. The remedies of a Party in the event of a breach of this Agreement by the other Party shall be as set forth in Section 13 of the Ownership Agreement, which shall be deemed incorporated herein verbatim.

12. CERTAIN ADDITIONAL AGREEMENTS AMONG THE PARTICIPANTS.

(a) Cooperation. FPC and GPC will cooperate with each other in all activities relating to the Facility, including, without limitation, the execu-

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tion and filing of applications for authorizations, permits and licenses with Governmental Authorities having jurisdiction, fuel procurement and the execution of such other documents as may be reasonably necessary to carry out the provisions of this Agreement. Without FPC's written consent, GPC shall not incur any obligation in connection with the Facility which would or could obligate FPC to any third party.

(b) Approvals. Following the execution and delivery of this

Agreement, GPC and FPC shall use reasonable efforts to obtain as quickly as possible all requisite and contemplated judicial, governmental, regulatory and vendor (with regard to assignment of contractual rights and obligations, if any) approvals for the consummation of the transactions contemplated hereby.

(c) Right Of Inspection. Upon reasonable prior notice to FPC from time to time, representatives of GPC shall be entitled to inspect the Facility, the Facility Site and the Common Facilities, review operating and maintenance practices with respect thereto and discuss the operations and maintenance thereof with the plant manager of the Facility, provided that such inspections and discussions shall not materially interfere with the operations of the Facility or the Common Facilities and provided that GPC complies with the rules and regulations of Governmental Authorities having jurisdiction with respect to the Facility, the Facility Site and the Common Facilities, and FPC's policies and procedures applicable to operations at the Facility Site including, without limitation, those with respect to safety.

(d) Compliance With Law and Environmental Matters.

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(i) FPC and GPC acknowledge and agree that FPC, as Agent, shall plan, design, license, permit, procure, construct, acquire, complete, test, startup, manage, control, operate, maintain, add to, renew,

modify, replace and dispose of the Facility in compliance with all local, state and federal laws, codes, regulations, ordinances or orders now or hereinafter in effect; provided, however, that any failure to comply with such local, state or federal laws, regulations, ordinances or orders shall not be deemed a breach of this Agreement if, and so long as, such failure is in accordance with a court order or decree, or a formal agreement with the regulatory agency having jurisdiction over the subject matter of noncompliance or having authority to issue the required approval.

(ii) Prior to December 31 of each calendar year during which the Facility is operated during the Summer Period, GPC shall transfer to FPC all Allowances, as defined below, required as a result of the operation of the Facility during the Summer Period under Title IV of the Clean Air Act, as amended from time to time, and any regulations and requirements arising thereunder, at the operating level utilized by such Participant. "Allowance" shall have the meaning set forth in Section 402(3) of the Clean Air Act, as amended from time to time. FPC, as Agent, in consultation with GPC, shall develop reasonable procedures for determining the amount of the emissions attributable to each Participant for the purpose of determining the number of Allowances required of each Participant. Each Participant shall provide reasonable assurance to

FPC, as Agent, that such Allowances are or will be available in order to operate the Facility at the actual and anticipated levels of operation.

(iii) The Parties acknowledge that so-called "soft" continuous environmental monitoring devices will be installed in or in connection with the Facility, under the terms of 40 C.F.R. sections 75.11, 75.12 and 75.13, including 40 C.F.R. Part 75, Appendices D, E and G, respectively, with respect to the monitoring of SO<sub>2</sub>, NO<sub>x</sub>, and CO<sub>2</sub>, respectively. The Parties also acknowledge that if the Facility exceeds a 20% capacity factor in any one year (1752 equivalent full load run hours) or an average of a 10% capacity factor over any three year period (an average of 876 equivalent full load run hours), the Facility will be required to install so-called "hard" continuous environmental monitoring devices ("Hard CEMs"). In an effort to legally avoid the requirement of having Hard CEMs installed and operational in the Facility, the parties agree to reasonably cooperate with each other in their operation of the Facility; provided, however, that (A) neither party shall be limited in its hours of operation of the Facility to avoid the requirement of Hard CEMs, and (B) in the event that Hard CEMs are legally required to be installed in the Facility, then such Hard CEMs shall be installed as a part of the Facility and the costs thereof (including, without limitation, all installation costs) shall be considered Additional Costs of Construction.

(iv) Each Participant shall be a permittee for any air quality permit(s) issued for the Facility by a Governmental Authority having

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jurisdiction, only if such Governmental Authority determines that the air quality permits cannot be issued under applicable law unless each Participant is a joint permittee.

(v) FPC, as Agent, shall not use, treat, store, dispose, or recycle at the Facility any Environmental Material in amounts or under circumstances requiring notification of, or a permit, license, or approval from, any Governmental Authority of competent jurisdiction, unless such Environmental Material was generated at the Facility or is required to be used, treated, stored, disposed of or recycled incident to the construction or operation of Facility.

(e) Environmental Costs. From and after the date of this Agreement:

(i) FPC shall be solely responsible for all Environmental Costs which arise as a result of the ownership and operation of the Intercession City Site, prior to the date of this Agreement, and all activities conducted on the Intercession City Site prior to the date of



this Agreement.

(ii) GPC and FPC shall be responsible, in proportion to their respective Ownership Interests, with respect to Environmental Costs that arise as a result of the construction, installation or operation of the Facility.

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(iii) FPC shall be solely responsible for Environmental Costs that arise as a result of the construction, installation or operation of any electric generating unit on the Intercession City Site other than the Facility or the Common Facilities.

(iv) GPC and FPC shall be responsible, in proportion to their respective Ownership Interests, with respect to Environmental Costs that arise as a result of the construction, installation or operation of Common Facilities that are dedicated solely to the Facility.

(v) GPC and FPC shall be responsible, in proportion to their respective Weighted Average Common Facilities Allocation Factors, with respect to Environmental Costs that arise as a result of the

construction, installation or operation of Common Facilities other than those described in paragraph (iv) above.

(vi) GPC and FPC shall be responsible, in proportion to their respective Weighted Average Common Facilities Allocation Factors, with respect to Environmental Costs pertaining to the Facility or the Facility Site that are not described in paragraphs (i), (ii), (iii), (iv) or (v) above.

Notwithstanding any of the foregoing, GPC shall not be responsible for any Environmental Costs to the extent that such Environmental Costs are directly attributable to a spill or release of any Environmental Material prior to the date hereof or a failure by FPC to comply with Prudent Utility

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Practice, to a material breach by FPC of Section 12(d), COMPLIANCE WITH LAWS AND ENVIRONMENTAL MATTERS, hereof, or to the willful or intentional misconduct of FPC.

Each party shall indemnify, defend and hold harmless the other party from any investigation, enforcement action, consent agreement, administrative order, removal or remedial action, cleanup obligation, or other governmental or private third-party claim for damages, contribution, cost recovery, loss or

injury at any time threatened, instituted or completed in any way arising out of, relating to, or in connection with any Environmental Material to the extent that the indemnifying party is responsible for Environmental Costs under the terms of this Section.

(f) Force Majeure. Notwithstanding any other provision of this Agreement, no delay in or failure of performance by either party to this Agreement shall constitute a breach under this Agreement, and neither party shall be liable for any loss or damage suffered by the other party as a result thereof, when and to the extent such delay in or failure of performance is caused by a Force Majeure Event; provided that:

(i) the non-performing party gives the other party prompt notice describing the particulars of the Force Majeure Event, including, without limitation, the nature of the occurrence and its expected duration;

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(ii) suspension of performance is of no greater scope and of no longer duration than is required by the Force Majeure Event; and

(iii) the non-performing party uses reasonable efforts to remedy its inability to perform; provided, however, that neither party shall be required to settle any strike or labor trouble or to settle any lawsuit or other legal proceeding brought against it.

(g) Safety. FPC and GPC acknowledge and agree that in the acquisition, construction and completion of the Facility, FPC shall at all times take all reasonable precautions for the safety of its employees on the work site and of the public, and shall comply with all applicable provisions of federal, state, and municipal safety laws and building and construction codes, including, without limitation, all regulations of the Occupational Safety and Health Administration. The requirements of this Subsection shall be for the sole benefit of the Participants only, and shall not create or impose any standard of care or duty to any third party or to any employee or contractor's or subcontractor's employee or to the public, beyond the duty incumbent upon FPC which would exist under applicable law without reference to any term or provision of this Agreement.

(h) Equal Employment Opportunity. FPC, as Agent, shall conform to the requirements of the Equal Employment Opportunity clause in Section 202, Paragraphs 1 through 7 of Executive Order 11246, as amended, and applicable portions of Executive Orders 11701 and 11758, relative to Equal Employment

Opportunity and the Implementing Rules and Regulations of the Office of Federal Contract Compliance Programs.

(i) Term. Unless earlier terminated under the terms of this Agreement, this Agreement shall become effective upon its execution and delivery and shall remain in effect for the term set forth in Section 5(e), TERM, of the Ownership Agreement.

(j) Limitation On Assignability. If, pursuant to the Ownership Agreement, a Participant makes a sale, transfer or assignment of all or any portion of its co-ownership interest in the Facility, such Participant shall also assign to the transferee its entire interest in the Collateral Documents, and shall cause the transferee to assume to the same extent the rights and obligations of such Participant hereunder; provided, however, that FPC shall not assign its responsibilities as Agent hereunder without the prior written approval of GPC, which shall not be unreasonably withheld or delayed. No other assignment of this Agreement shall be made except in connection with a sale, transfer or assignment of the assignor's interest in the Facility pursuant to the Ownership Agreement. Any attempted or purported assignment of this Agreement not in compliance with this Section 12(j) shall be null and void and of no force or effect whatsoever.

13. DISPUTE RESOLUTION PROCEDURE. In the event of any dispute between the

Parties hereto with respect to any matter in connection with this Agreement, compliance with the procedures set forth in Section 9 of the Ownership Agreement, which are deemed incorporated herein verbatim, shall be a condition

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precedent to the filing of any lawsuit, other than for injunctive relief, with respect to such dispute; provided, however, that a Party shall not be required to comply with the alternative dispute resolution procedures of this Section upon the breach of this Agreement because of the other Party's willful or intentional misconduct.

14. GENERAL.

(a) Governing Law. The validity, interpretation and performance of this Agreement and each of its provisions shall be governed by the laws of the State of Florida.

(b) No Delay. No disagreement or dispute of any kind between the Participants concerning any matter, including, without limitation, the amount of any payment due from GPC, or the correctness of any charge made to GPC, shall permit GPC to delay or withhold any payment pursuant to this Agreement.

(c) Notices. Any notice to be given or that may be given under this

Agreement shall be in writing and shall be (i) delivered by hand; (ii) delivered through the United States Mail, postage prepaid, certified, return receipt requested; or (iii) delivered through or by Federal Express, Express Mail, or other expedited mail or package service, if a receipt evidencing delivery has been retained; and addressed to the Parties as follows:

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If to GPC: Georgia Power Company  
333 Piedmont Avenue, N.E.  
Atlanta, Georgia 30308  
Attention: F.D. Williams, Senior  
Vice President, Bulk Power Markets

With copy to: Southern Company Services, Inc.  
800 Shades Creek Parkway  
Birmingham, Alabama 35209  
Attention: W. K. Newman, Vice President,  
Operating and Planning Services

If to FPC: Florida Power Corporation  
3201 Thirty-Fourth Street South  
St. Petersburg, Florida 33711  
Attention: Director,  
Combustion Turbine Operations

- and to -

Florida Power Corporation  
P. O. Box 368  
Intercession City, Florida 33848  
Attention: Intercession City  
Plant Manager

With copy to: General Counsel  
Florida Power Corporation  
3201 Thirty-Fourth Street South  
St. Petersburg, Florida 33711

Any notice that may be given under this Agreement shall be deemed given (i) five days after such notice has been deposited in the United States Mail, certified, return receipt requested, with proper postage affixed thereto, (ii) one Business Day after such notice has been deposited with Federal Express, Express Mail or other expedited mail or package delivery service guaranteeing delivery not later than the next Business Day, or (iii) upon hand delivery to the appropriate address and person as herein provided if a receipt evidencing delivery has been retained. Either Party hereto may change the address

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provided hereinabove or the person to whose attention notices are to be given, by notice to the other party in the manner hereinabove provided.

(d) Headings Not To Affect Meaning. The descriptive headings of the various provisions of this Agreement have been inserted for convenience of reference only and shall in no way modify or restrict any of the terms or provisions hereof.



(e) No Partnership. Notwithstanding any provision of this Agreement, neither of the Parties intends to create hereby any joint venture, partnership, association taxable as a corporation, or other entity for the conduct of any business for profit between themselves.

(f) Amendments. This Agreement may be amended by and only by a written instrument duly executed by each of the Parties.

(g) Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon each of the Parties and their respective successors and upon their permitted assigns pursuant to the provisions of Section 5(b), ALIENATION AND ASSIGNMENT, of the Ownership Agreement. Nothing in this Agreement, express or implied, is intended to confer upon any other person any rights or remedies hereunder.

(h) Counterparts. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

(i) Further Assurances. From time to time after the date hereof, each Party will execute and deliver such instruments and documents, upon the

request of the other Party, as may be necessary or appropriate to carry out the intent of this Agreement.

(j) Successor Agent. In the event that FPC assigns its entire Ownership Interest in the Facility (under the terms of the Ownership Agreement), its assignee or successor shall be a successor Agent, subject to the prior written approval of GPC, which shall not be unreasonably withheld or delayed. Any successor Agent as contemplated hereby shall exercise all of the rights and powers and shall be subject to all of the duties and obligations of FPC as Agent hereunder and under the Ownership Agreement, and FPC shall take all action and execute (and file where appropriate) all documents and instruments which shall be requested by the successor Agent to effect the transfer to such successor Agent of such rights, powers, duties and obligations, including, but not limited to, taking such actions and executing such documents and instruments necessary to enable the successor Agent to operate and maintain the Common Facilities.

(k) Several Agreements; Entire Agreements. The agreements and obligations of the Parties set forth in this Agreement and the Collateral Documents shall be the several, and not joint, agreements and obligations of the Parties. This Agreement and the Collateral Documents supersede all prior agreements between the Parties with respect to their subject matter, including, without limitation, the letter of intent between FPC and Southern Company Services, Inc., as agent for the operating subsidiaries of The

Southern Company, dated August 12, 1993, as amended, and are intended (with the documents referred to herein and in the Collateral Documents) as a complete and exclusive statement of the terms of the agreements between the parties with respect thereto.

(1) Construction Of "Including". Wherever the term "including" is used in this Agreement, such term shall not be construed as limiting the generality of any statement, clause, phrase or term and shall not be deemed to exclude any person or thing otherwise within the meaning of the statement, clause, phrase or term which it modifies.

The undersigned parties hereto have duly executed this Agreement as of the date first above written.

WITNESSES:

GEORGIA POWER COMPANY, as a  
Participant

By:  
H. Allen Franklin, as President  
and Chief Executive Officer

FLORIDA POWER CORPORATION, as Agent  
and as a Participant

By:  
A.J. Keesler, Jr., as  
President  
and Chief Executive Officer

## ATTACHMENT A

## DEFINITIONS

1. ADDITIONAL COSTS OF CONSTRUCTION. The "Additional Costs of Construction" shall refer to all costs incurred by FPC, as Agent for the Participants, after the Closing, in connection with the planning, design, licensing, procurement, acquisition, construction, completion, testing, startup, renewal, addition, modification, retirement, replacement or disposal of the Facility, or any portion thereof, including, without limitation, that portion of administrative and general expenses incurred by FPC, as Agent, which is properly and reasonably allocable to the Facility and for which FPC has not been otherwise reimbursed by GPC, which costs are properly recordable in accordance with the Electric Plant Instructions and in appropriate accounts as set forth in the Uniform System of Accounts, and shall also include all costs incurred by FPC, as Agent, in connection with (i) the purchase and acquisition of Spare Parts, and any replacements for such Spare Parts, that are to be utilized for the Facility, including, without limitation, that portion of administrative and general expenses incurred by FPC, as Agent,

which is properly and reasonably allocable to such acquisition of Spare Parts and for which FPC has not been otherwise reimbursed by GPC, (ii) the acquisition of all necessary governmental permits, materials and supplies, engineering drawings and records, and operation and maintenance procedure manuals, (iii) any taxes, including, without limitation, sales, use or excise taxes incurred in connection with the acquisition or construction of the Facility, and (iv) any and all costs to dismantle, remove, salvage or decommission all or any portion of the Facility; provided, however, that Additional Costs of Construction shall not include any costs and expenses incurred by FPC for the sole benefit of FPC.

2. AFFILIATE. An "Affiliate" of a Participant shall mean any corporation, partnership (limited or general), limited liability company or other person or entity controlling, under common control with, or controlled by, such Participant. The term "control" (including the terms "controlling," "controlled by" and "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting shares, by contract, or otherwise.

3. AGENCY FUNCTIONS. The "Agency Functions" shall mean those activities which the Agent shall undertake on behalf of the Participants which relate to the planning, design, licensing, procurement, acquisition (other than acquisition by GPC of a leasehold interest in the Facility Site

and an undivided co-ownership interest in the Facility pursuant to this Agreement), construction, completion, testing, startup, administration of the Siemens Agreement (including, without limitation, negotiation of amendments to the Siemens Agreement determined by FPC, as Agent, to be necessary with respect to the Facility and any litigation or other dispute resolution in connection with the Siemens Agreement), management, control, operation, de-commissioning, dismantling, salvage, maintenance, renewal, addition, replacement, modification, retirement and disposal of the Facility, and to arrange for and acquire all fuel and fuel transportation for the Facility under this Agreement and the Operating Agreement.

4. AGENT. "Agent" shall mean FPC or its successors with respect to its or their rights and obligations in the performance of the

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Agency Functions. The term "Agent" shall also mean and refer to FPC (or any of its successors as Agent) acting on its own behalf with respect to the Facility and the Common Facilities for so long as FPC (or its successor, as Agent) owns an undivided ownership interest in the Facility.

5. BUSINESS DAY. A "Business Day" shall be any Monday, Tuesday, Wednesday, Thursday or Friday other than a day which has been established by law or required by executive order as a holiday for any

commercial banking institution in the State of Florida or the State of Georgia.

6. CARRYING CHARGES. "Carrying Charges" shall mean carrying charges for which GPC is responsible, under the Ownership Agreement or the Operating Agreement, with respect to (a) Fuel Inventory, as calculated pursuant to Attachment E to the Ownership Agreement and Attachment B to the Operating Agreement, and (b) Common Facilities, as calculated pursuant to Attachment F to the Operating Agreement.

7. CLOSING. The "Closing" has the meaning set forth in Section 3(c) of the Ownership Agreement.

8. COLLATERAL DOCUMENTS. The term "Collateral Documents":

(a) as used in the Ownership Agreement, shall refer to the Operating Agreement, the Transmission Service Agreement, the Long Term Lease Agreement and the Step-Up Transformer Agreement, collectively; or

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(b) as used in the Operating Agreement, shall refer to the Ownership Agreement, the Transmission Service Agreement, the Long Term Lease Agreement and the Step-Up Transformer Agreement, collectively.

9. COMMERCIAL OPERATION. "Commercial Operation" shall refer to the date on which the Facility is completed and declared fully operable by FPC.

10. COMMON FACILITIES. The "Common Facilities" shall be the items described in Attachment E to the Operating Agreement that will serve (a) the Facility, or (b) the Facility and other facilities located on the Intercession City Site, and any and all modifications to, replacements of or additions to such items.

11. COMMON FACILITIES CARRYING CHARGES. "Common Facilities Carrying Charges" shall mean the annual charges, as calculated in the manner set forth in Attachment F to the Operating Agreement for the use of the Common Facilities by the Facility, based upon FPC's investment in the Common Facilities, as adjusted from time to time, FPC's cost of capital, depreciation and property taxes with respect to the Common Facilities.

12. CONSTRUCTION PERIOD. "Construction Period" shall refer to the period of time from and including the effective date of the "Notice of Commencement of Construction" that FPC files with the County of jurisdiction for the Facility until and including the day before the Facility is fired for the first time.



13. COSTS OF CONSTRUCTION. The "Costs of Construction" shall refer to all costs incurred by FPC, as Agent for the Participants, in connection with the planning, design, licensing, procurement, acquisition, construction, completion, testing, startup, renewal, addition, modification, retirement, replacement or disposal of the Facility, or any portion thereof, including, without limitation, that portion of administrative and general expenses incurred by FPC, as Agent, which is properly and reasonably allocable to the Facility and for which FPC has not been otherwise reimbursed by GPC, which costs are properly recordable in accordance with the Electric Plant Instructions and in appropriate accounts as set forth in the Uniform System of Accounts, and shall also include all costs incurred by FPC, as Agent, in connection with (i) the cost of fuel consumed by the Facility on and prior to the date of Commercial Operation with respect to the testing of the Facility (less all applicable credits provided for in FPSC Staff Accounting Bulletin No. 2 and FERC Electric Plant Instruction No. 3 (18a)), including, without limitation, that portion of administrative and general expenses incurred by FPC, as Agent, which is properly and reasonably allocable to the acquisition of such fuel and for which FPC has not been otherwise reimbursed by GPC, (ii) the purchase and acquisition of the initial supply of Spare Parts, and any replacements for such Spare Parts, that are utilized, during pre-Commercial Operation construction activities, for the Facility, including, without limitation, that portion of administrative and general expenses incurred by FPC, as Agent, which is properly and reasonably allocable to such acquisition

of Spare Parts and for which FPC has not been otherwise reimbursed by GPC,  
(iii) the acquisition of all necessary governmental permits, materials and  
supplies, engineering drawings and records, and operation and maintenance

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procedure manuals, (iv) any bonus earned by Siemens under the Siemens  
Agreement, (v) any taxes, including, without limitation, sales, use or excise  
taxes incurred in connection with the acquisition or construction of the  
Facility, (vi) the expenditure or advancement of funds during construction  
with respect to Facility (including, without limitation, an Allowance for  
Funds Used During Construction for the period on or before the date of  
Commercial Operation), and (vii) if the date of the Closing is delayed, under  
the terms of Section 3(c)(iii) of the Ownership Agreement, because of GPC's  
failure to obtain or receive the approval by the Georgia Public Service  
Commission of GPC's Application for Certification of the Intercession City  
Combustion Turbine Project, FPC's cost of capital, determined by reference to  
the sum of FPC's Pre-Tax Weighted Cost Rates as shown in Attachment E to the  
Ownership Agreement (for example, 13.35% as of the date of this Agreement) for  
the period from and after the date scheduled by FPC for the Closing, pursuant  
to Section 3(c)(i), CLOSING, of the Ownership Agreement, and extending to and  
including the actual date of the Closing); provided, however, that Costs of  
Construction shall not include any costs and expenses (A) incurred by FPC for  
the sole benefit of FPC, or (B) incurred by any Participant in connection with

the development of this Agreement or the Collateral Documents.

14. DEDICATED COMMON FACILITIES. "Dedicated Common Facilities" shall mean those items that are not part of the Facility but which, in the reasonable determination of FPC, as Agent, support solely the Facility and are included in item 45 of Attachment E to the Operating Agreement, as revised from time to time.

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15. ENVIRONMENTAL COSTS. "Environmental Costs" shall mean all costs, losses, damages, expenses, fines or penalties, exclusive of insurance proceeds, which arise from the possession, ownership or use by FPC, GPC, or third parties of Environmental Material; provided, however, that modifications to the Facility that are required in order to comply with environmental laws or regulations shall not be considered Environmental Costs.

16. ENVIRONMENTAL MATERIAL. "Environmental Material" shall mean and include asbestos, radioactive material, petroleum, petroleum products, petroleum fractions, petroleum distillates, and any substance, material or waste designated as hazardous under the Comprehensive Environmental Response, Compensation, and Liability Act and amendments thereto, or designated as toxic or hazardous or otherwise regulated under the

Toxic Substances Control Act and amendments thereto, the Resource Conservation and Recovery Act and amendments thereto, the Clean Water Act and amendments thereto, the Clean Air Act and amendments thereto, the Florida Air Quality Act and amendments thereto, the Florida Hazardous Waste Management Act and amendments thereto, or the Florida Water Quality Control Act and amendments thereto.

17. EQUIVALENT OPERATING HOURS. The term "Equivalent Operating Hours" shall (a) mean the sum of (1) the actual operating hours that the Facility is on-line during any designated period of time, and (2) the product determined by multiplying (A) the number of starts with respect to the Facility during the same designated period of time, by (B) ten (10); or (b) have such other meaning, as reasonably determined by FPC, and which is

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consistently used by FPC in connection with its maintenance plans for the Facility.

18. FACILITY. The term "Facility" shall refer to:

(i) All property comprising the combustion turbine-generating unit to be known as the Intercession City Facility CT, including, without limitation, one complete

Siemens V84.3 combustion turbine-generating unit (comprised of a gas turbine block, two combustion chambers, a generator exciter block, a stack, a fin fan cooler, an auxiliary skid, a water injection block, a cooling water block, a power and control module, a battery module, a generator breaker module, a generator bus duct, unit auxiliary transformer secondary switchgear, a fuel oil pump block, an air intake filter, a unit auxiliary transformer and a transfer switch module), the enclosures housing the same, and the Step-Up Transformer, which are to be used solely in connection with such Siemens unit, all as the foregoing list of property may be modified or supplemented at or prior to the Closing;

(ii) Such modifications to the Facility or such additional facilities and other tangible property as may be acquired, constructed, installed or replaced solely in connection with the Facility; provided that (A) the cost of such modifications or additional facilities or other

tangible property shall be properly recordable in accordance with the Uniform System of Accounts, and (B) such modifications or additional facilities or other tangible

property shall have been acquired, constructed, installed or replaced for the joint use of the Participants under and subject to the provisions of the Ownership Agreement or the Operating Agreement;

(iii) The Spare Parts; and

(iv) Existing intangible property rights, and such additional intangible property rights as may be hereafter acquired, associated with the planning, licensing, design, construction, acquisition, completion, testing, startup, management, control, operation, maintenance, renewal, addition, replacement, modification and disposal of any of the items comprising the Facility.

Notwithstanding any of the foregoing, the Facility shall not include the Facility Site or the Common Facilities.

A diagram of the Facility, as contemplated by FPC as of the date of the Ownership Agreement, is as shown in Attachment F to the Ownership Agreement.

19. FACILITY SITE. The "Facility Site" shall refer to that certain parcel of land located within the Intercession City Site upon which the Facility shall be constructed and located. The exact legal description of the Facility Site shall be determined upon completion of the construction of the Facility, and shall consist of a parcel of land approximately 105 feet by 435 feet, which shall be approximately as shown within the crosshatched area labeled as the "demised premises" on Attachment G to the Ownership Agreement, together with such additional land, appurtenant easements or other rights therein as may hereafter be acquired solely and exclusively for the purposes of the Facility. GPC and FPC agree that the exact legal description of the parcel of land described above shall be attached as Attachment G to the Ownership Agreement upon completion of the survey of such parcel of land and the approval of such survey by FPC, and such legal description shall become a part of the Ownership Agreement and supersede the existing Attachment G.

20. FDEP. The "FDEP" shall refer to the Department of Environmental Protection, of the State of Florida, or any entity succeeding to the powers and functions thereof.

21. FERC. The "FERC" shall mean the Federal Energy Regulatory Commission or any entity succeeding to the powers and functions thereof.

22. FIXED FUEL COSTS. The "Fixed Fuel Costs" shall mean all Fuel Costs other than the Variable Fuel Costs.

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23. FIXED O&M COSTS. The "Fixed O&M Costs" shall mean all Operating Costs other than the Variable O&M Costs.

24. FORCE MAJEURE EVENT. A "Force Majeure Event" shall refer to any occurrence reasonably beyond the control and not attributable to the neglect of a Party, including, without limitation, any one or more of the following: failure, interruption, or curtailment of transportation or supply of fuels; inability to obtain materials or equipment; failure or breakdown of materials or equipment; breakdown of or damage to the Facility or the Common Facilities; absence as of any particular time of precise engineering and scientific knowledge generally available to fashion a method for compliance with Legal Requirements or absence as of any particular time of appropriate technology generally available which may be required for compliance with Legal Requirements; confiscation of facilities by Governmental Authorities; restraint by court order or order of public authority; challenge by third party or governmental agency with respect to the construction, ownership, or operation of the Facility or the Common Facilities; act or failure to act of any Governmental Authority; act of war; act of a public enemy; explosion;



rebellion, terrorism, or sabotage, or damage resulting therefrom; fire, hurricane, tornado, lightning, flood, earthquake or other casualty or act of God; explosion or other physical disaster; act or omission of any third party; discovery of hazardous or toxic wastes on or under the property leased to GPC under the Long Term Lease; riot, rebellion, strike, or other concerted act of workmen; protests or pranks; embargo, blockade, quarantine, restriction, epidemic; or any other cause, direct or indirect, which is reasonably beyond

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the control and not attributable to the neglect of the Party, whether similar or dissimilar to those enumerated above.

25. FPSC. The "FPSC" shall mean the Florida Public Service Commission or any governmental agency succeeding to the powers and functions thereof.

26. FUEL CARRYING CHARGES. "Fuel Carrying Charges" shall mean those Carrying Charges with respect to Fuel Inventory, as determined in Attachment E to the Ownership Agreement and Attachment B to the Operating Agreement.

27. FUEL COSTS. The "Fuel Costs" shall mean all costs

incurred by the Agent for the Participants that are allocable to the acquisition, processing, transportation, delivering, handling, storage, treatment, analysis, measurement and disposal of fuel consumed by the Facility after the date of Commercial Operation, including, without limitation, any advance payments in connection therewith, less credits related to such costs applied as appropriate, and including, without limitation, that portion of administrative and general expenses which is properly and reasonably allocable to acquisition and management of fuel and for which the Agent has not been otherwise reimbursed by GPC. Fuel Costs shall consist of Fixed Fuel Costs and Variable Fuel Costs.

28. FUEL INVENTORY. The "Fuel Inventory" shall mean the initial and on-going supply of fuel for the Facility.

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29. GOVERNMENTAL AUTHORITY. A "Governmental Authority" shall mean any local, state, regional or federal administrative, legal, judicial, or executive agency, court, commission, department or other entity, but excluding any agency, commission, department or other such entity acting in its capacity as lender, guarantor or mortgagee.

30. INDENTURE. The "Indenture" shall refer to that certain Indenture of Mortgage and Deed of Trust, dated as of January 1, 1944,

and Supplemental Indentures thereto, from FPC to Morgan Guaranty Trust Company of New York, as Trustee, and First Union National Bank of Florida, as Co-Trustee.

31. INTERCESSION CITY SITE. The "Intercession City Site" shall refer to the land located in Osceola County, Florida described in Attachment H to the Ownership Agreement.

32. LEGAL REQUIREMENTS. "Legal Requirements" shall mean all laws, codes, ordinances, orders, judgments, decrees, injunctions, licenses, rules, permits, approvals, regulations and requirements of every Governmental Authority having jurisdiction over the matter in question, whether federal, state or local, which may be applicable to FPC, as Agent, or either Participant, as required by the context in which used, or to the Facility, or to the use, manner of use, occupancy, possession, planning, licensing, design, procurement, construction, acquisition, testing, startup, operation, maintenance, management, control, addition, renewal, modification, replacement or disposal of the Facility or any portion or portions thereof.

33. LONG TERM LEASE. The "Long Term Lease" shall refer to that certain Long Term Lease Agreement, dated as of June 8, 1994, between FPC and GPC, as such Agreement may be amended from time to time.

34. MAJOR OUTAGE. A "Major Outage" shall refer to any blade recoating, blade replacement, combustion tile replacement and/or generator rewinding (individually, a "Procedure") with respect to the Facility that is performed (a) during any Scheduled Maintenance Outage to meet the preventive maintenance schedule or standards of the manufacturer of the Facility, as the same may be amended from time to time, or (b) after not less than ten thousand (10,000) Equivalent Operating Hours since (i) the last such Procedure was performed, or (ii) the date of Commercial Operation, in the case of the first such Procedure.

35. MAJOR OUTAGE COSTS. "Major Outage Costs" shall mean all costs incurred by FPC with respect to a Major Outage.

36. METERED WATER COST. "Metered Water Cost" shall mean the sum of (a) the monthly metered volume of demineralized water multiplied by the contractual cost (incurred by FPC to the operator of the water systems at the Facility Site) per unit of volume for demineralized water, and (b) 1.5 multiplied by the same metered volume of demineralized water, and multiplied by the contractual costs (incurred by FPC to the supplier of raw water) per unit of volume for raw water.

37. 1994 DOLLARS "1994 Dollars" shall mean the dollar amount, at the applicable time, discounted to December 1994 based on the Consumer Price Index For All Urban Consumers (CPI-U) [1982-84=100], All Cities, as published by the United States Department of Labor, Bureau of Labor Statistics or comparable successor index.

38. OPERATING AGREEMENT. "Operating Agreement" shall refer to that certain Intercession City Siemens Unit Operating Agreement, dated as of June 8, 1994, between GPC and FPC, as such Agreement may be amended from time to time.

39. OPERATING COSTS. "Operating Costs" shall mean all of the costs to operate the Facility (including, without limitation, administrative and general costs). Operating Costs shall consist of Fixed O&M Costs and Variable O&M Costs.

40. OPERATING SUBSIDIARY. "Operating Subsidiary" shall mean Georgia Power Company, Savannah Electric and Power Company, Gulf Power Company, Alabama Power Company, or Mississippi Power Company or any successor corporation that is a regulated public utility and subsidiary of The Southern Company.

41. OWNERSHIP AGREEMENT. The "Ownership Agreement" shall

refer to the Intercession City Siemens Unit Purchase and Ownership

Participation Agreement, dated as of June 8, 1994, between FPC and GPC, as such Agreement may be amended from time to time.

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42. OWNERSHIP INTEREST. An "Ownership Interest" shall mean for each Participant the percentage undivided co-ownership interest in the Facility which such Participant actually owns at any relevant time following the Closing.

43. PARTICIPANTS. "Participant" and "Participants" shall refer individually or collectively, as the case may be, to GPC and FPC (in their capacities as co-owners of the Facility) and to any permitted transferee or assignee of either of them of an ownership interest in the Facility pursuant to the Ownership Agreement; provided, however, such references shall only refer to an entity for so long as said entity has an ownership interest in the Facility.

44. PARTY. A "Party" shall refer to any entity, which is now or hereafter a party to this Agreement and the Collateral Documents.

45. PRIME RATE. The "Prime Rate" shall mean the prime rate of interest as published from time to time in the Wall Street Journal or

comparable successor publication. The Prime Rate shall be calculated on the basis of a 365-day year for the actual number of days that a payment, reimbursement or adjustment, as the case may be, has not been made.

46. PRUDENT UTILITY PRACTICE. "Prudent Utility Practice" at a particular time shall mean any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry prior to such time, or any of the practices, methods and acts, which in the exercise

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of reasonable judgment by FPC in light of the facts known to it at the time the decision was made, could have been expected to accomplish the desired result at a reasonably low cost consistent with good business practices, reliability, safety and expedition. "Prudent Utility Practice" is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but rather to be a spectrum of possible practices, methods or acts having due regard for, among other things, manufacturers' warranties and the requirements of Governmental Authorities having competent jurisdiction and the requirements of this Agreement.

47. PURCHASE PRICE. The "Purchase Price" shall have the meaning set forth in Paragraph (i) of Section 3(b), PURCHASE PRICE AND PAYMENTS, of the Ownership Agreement.

48. RELEASE. "Release" shall mean a release executed and delivered by the holder of a mortgage, deed to secure debt or other security interest (including, without limitation, a release from the Indenture trustee) sufficient to release GPC's co-ownership interest in the Facility from the lien, security title and effect of such mortgage, deed to secure debt or other security interest.

49. SCHEDULED MAINTENANCE OUTAGE. A "Scheduled Maintenance Outage" shall mean a maintenance outage with respect to the Facility which is planned for the purpose of preventive maintenance and scheduled a reasonable time prior to the commencement of such outage.

50. SEC. The "SEC" shall refer to the U.S. Securities and Exchange Commission or any governmental agency succeeding to the powers and functions thereof.

51. SIEMENS AGREEMENT. The "Siemens Agreement" shall refer to that certain Contract dated September 28, 1993, between Siemens Power Corporation and FPC with respect to the Facility as such Agreement may be amended from time to time.



52. SPARE PARTS. "Spare Parts" shall mean the spare parts purchased or acquired by FPC, as Agent, from time to time, for use in the Facility.

53. STEP-UP TRANSFORMER. The "Step-Up Transformer" shall mean the step-up transformer described in the Step-Up Transformer Agreement.

54. STEP-UP TRANSFORMER AGREEMENT. The "Step-Up Transformer Agreement" shall refer to that certain Intercession City Siemens Unit Step-Up Transformer Purchase Agreement, dated as of June 8, 1994, between FPC and GPC, as such Agreement may be amended from time to time.

55. SUMMER PERIOD. The "Summer Period" shall refer to all of the calendar months of June, July, August and September during the term of the Ownership Agreement that include or follow the date of the Closing.

56. TESTING PERIOD. The "Testing Period" shall refer to the period of time from and including the date on which the Facility is fired for the first time until and including the day before the date of Commercial

Operation.

57. TRANSMISSION SERVICE AGREEMENT. The "Transmission Service Agreement" shall refer to that certain Intercession City Siemens Unit Transmission Service Agreement, dated as of June 8, 1994, between GPC and FPC, as such Agreement may be amended from time to time.

58. UNIFORM SYSTEM OF ACCOUNTS. The "Uniform System of Accounts" shall mean the FERC Uniform System of Accounts prescribed for Public Utilities and Licensees (subject to the provisions of the Federal Power Act) as the same now exists or may be hereafter amended by the FERC.

59. VARIABLE FUEL COSTS. The "Variable Fuel Costs" shall mean all Fuel Costs as recorded in FPC account 547.10 or equivalent successor account.

60. VARIABLE O&M COSTS. The "Variable O&M Costs" shall consist of the Metered Water Costs, and any environmental permit charges, fees and costs imposed by federal, state or local law with respect to emissions which are produced by the Facility during a Participant's respective period of operation.

61. WATER COSTS. The "Water Costs" shall mean the total costs (including, without limitation, taxes and fees) of (a) all water consumed in the operation of the Facility, (b) all wastewater discharged in connection with the operation of the Facility, and (c) all water treatment costs. All Water Costs other than Metered Water Costs shall be deemed Fixed O&M Costs.

62. WEIGHTED AVERAGE COMMON FACILITIES ALLOCATION FACTORS. The "Weighted Average Common Facilities Allocation Factors" for GPC and FPC shall be as determined in Attachment E to the Operating Agreement.

63. WINTER PERIOD. The "Winter Period" shall refer to all of the calendar months (other than the calendar months included in the Summer Period) during the term of the Ownership Agreement that include or follow the date of the Closing.

64. WORKING CAPITAL DEPOSIT. The "Working Capital Deposit" shall be as defined in Attachment E to the Ownership Agreement and Attachment H to the Operating Agreement.

## ATTACHMENT B

FORMULA TO CALCULATE GPC'S  
FUEL CARRYING CHARGES

After the date of Commercial Operation, GPC's Fuel Carrying Charges for any calendar month or, if applicable, partial calendar month shall be calculated as follows:

1. Determine the sum of FPC's Pre-Tax Weighted Cost Rates (the "Total Pre-Tax Weighted Cost Rate"), based on the methodology set forth in the chart on the page 2 of this Attachment (for example, 13.35%, as of the date of this Agreement).
2. Multiply the Total Pre-Tax Weighted Cost Rate by a fraction, the numerator of which is the number of days in the calendar month or, if applicable, the partial calendar month, and the denominator of which is the number of days in the calendar year in which such calendar month or partial calendar month occurs (the "Daily Weighted Cost Rate").
3. Determine FPC's average cost of the daily average volume of fuel inventory for all electric generating units on the Intercession City Site for the calendar month or, if applicable, partial calendar month, at issue (the "Daily Average Site Fuel Cost").
4. Multiply the Daily Average Site Fuel Cost by a fraction, the numerator of which is the name plate rating of the Facility and the denominator of which is the sum of the name plate ratings of all electric generating units on the Intercession City Site (the "Daily Average Facility Fuel Cost").
5. Multiply the Daily Average Facility Fuel Cost by .93 (the "Daily

Adjusted Average Facility Fuel Cost").

6. The Fuel Carrying Charges for the calendar month, or, if applicable, partial calendar month, shall be the product determined by multiplying the Daily Adjusted Average Facility Fuel Cost by the Daily Weighted Cost Rate (the product determined under item 5 x the product determined under item 2).

S A M P L E C A L C U L A T I O N

Total Pre-Tax Weighted Cost Rate = 13.35%  
 Number of Days in the Calendar Month = 30  
 Daily Weighted Cost Rate (30/365 X 13.35% = 1.10% (.0110))  
 Daily Average Site Fuel Cost = \$5,000,000  
 Daily Average Facility Fuel Cost (\$5,000,000 x 165/965 = 854,922)  
 Daily Adjusted Average Facility Fuel Cost (\$854,922 X 0.93 = \$795,150)  
 Fuel Carrying Charges for Calendar Month (\$795,150 x .0110 = \$8,747)

ATTACHMENT B - continued

FPC'S PRE-TAX WEIGHTED COST RATES

FPC Capital Structure Components	Amount	Ratio	Cost Rate	Weighted Cost Rate	Income Tax Multiplier	Pre-Tax Weighted Cost Rates
Common Equity	\$1,195,942	45.84%	12.00%	5.50%	1.628134	8.95%
Preferred Stock	179,643	6.89%	7.18%	0.50%	1.628134	0.81%
Long Term Debt:						
Fixed Rate	998,561	38.28%	8.26%	3.16%		3.16%
Variable Rate	89,247	3.42%	6.11%	0.21%		0.21%
Short Term Debt	145,421	5.57%	4.00%	0.22%		0.22%
Total	\$2,608,814	100.00%		9.59%		13.35%

NOTE: The items in the above chart, other than Income Tax Multiplier, will

be updated effective as of January 1 of each calendar year based on FPC's capital structure components and cost rates as of December 31 of the immediately preceding calendar year. [For example, the Common Equity Cost Rate shown in the above chart represents FPC's authorized return on equity as of the date of this Agreement. This item will be updated effective as of January 1 of each succeeding calendar year to reflect FPC's authorized return on equity as of December 31 of the immediately preceding calendar year.]

The Income Tax Multiplier in the above chart sets forth FPC's federal corporate income tax rate and Florida corporate income tax rate (which are 35% and 5.5%, respectively, as of the date of this Agreement). This item will be updated from time to time to reflect changes in FPC's federal or Florida corporate income taxes. Any such update will be effective as of the effective date of the applicable change in corporate income tax rate.

## ATTACHMENT C

### FIXED DAILY CHARGES TO BE PAID BY GPC

The fixed daily charges to be paid by GPC for each Scheduled Maintenance Outage occurring during the Winter Period shall be the sum of the Net Book Value Component, the Carrying Charge Component and the Fixed O & M Component, as set forth below.

1. Net Book Value Component. The Net Book Value Component shall be determined as follows:

The Facility Net Book Value, as defined below, shall be:

- a. multiplied by the sum of FPC's Pre-Tax Weighted Cost Rates

calculated in accordance with Attachment B to this Agreement (for example, 13.35%, as of the date of this Agreement); and the product thereof shall be:

- b. divided by 365; and the quotient thereof shall be:
- c. multiplied by one-third; and the product thereof shall be:
- d. multiplied by the number of days (rounded to the nearest whole day) of the Scheduled Maintenance Outage.

For purposes of this item 1, the "Facility Net Book Value" shall mean the net book value of FPC's co-ownership interest in the Facility, as of the December 31 immediately preceding the commencement of the Scheduled Maintenance Outage, as reflected in FPC's books and records, multiplied by 1.5.

2. Carrying Charge Component. The Carrying Charge Component shall be determined as follows:

- a. The monthly Fuel Carrying Charges, calculated in accordance with Attachment B to this Agreement, shall be added to the product of three times the monthly Common Facilities Carrying Charges, calculated in accordance with Attachment F to this Agreement; and the sum thereof shall be:
- b. divided by the number of days in the calendar month in which the Scheduled Maintenance Outage begins; and the quotient thereof shall be:
- c. multiplied by one-third; and the product thereof shall be:
- d. multiplied by the number of days (rounded to the nearest whole day) of the Scheduled Maintenance Outage.

ATTACHMENT C, continued

3. Fixed O & M Component. The Fixed O & M Component shall be determined as follows:

- a. The annual sum of all Fixed O & M Costs during each calendar year in which any days of the Scheduled Maintenance Outage occur shall be:

- b. divided by 365; and the quotient thereof shall be:
- c. multiplied by one-third; and the product thereof shall be:
- d. multiplied by the number of days during such calendar year (rounded to the nearest whole day) of the Scheduled Maintenance Outage.

The Net Book Value Component and the Carrying Charge Component shall be billed during the calendar month immediately following the calendar month in which the Scheduled Maintenance Outage ends. The Fixed O & M Component shall be billed during each January immediately following each calendar year in which any days of the Scheduled Maintenance Outage have occurred.



## ATTACHMENT D

### FIXED DAILY CHARGES TO BE PAID BY FPC

The fixed daily charges to be paid by FPC for each Scheduled Maintenance Outage occurring during the Summer Period shall consist of the sum of the Net Book Value Component, the Carrying Charge Component and the Fixed O & M Component, as calculated under Attachment C, except that for purposes of making such calculations under this Attachment D:

- a. the term "Summer Period" shall be substituted for the term "Winter Period" where it appears in Attachment C; and
- b. "two-thirds" shall be substituted for "one-third" in each place that it appears in Attachment C.

## ATTACHMENT E

### DESCRIPTION OF COMMON FACILITIES

This Attachment describes the Common Facilities that are projected, as of the date of this Agreement, to support the Facility. For purposes of this Attachment, the column entitled "Existing" contains the net book value, as reflected on FPC's books and records, of those items installed before January 1, 1993, and the column entitled "New" contains the net book value, as reflected on FPC's books and records, of those items installed on or after January 1, 1993.

This Attachment E shall be updated from time to time in accordance with Section 3(i)(ii) of the Operating Agreement.

ATTACHMENT F

METHOD OF CALCULATING INITIAL  
COMMON FACILITIES CARRYING CHARGES WITH  
RESPECT TO ITEMS 1-44 ON ATTACHMENT E

The initial Common Facilities Carrying Charges with respect to items 1-44 on Attachment E shall be calculated as follows:

The Total of the "Item Net Book Values" of items 1-44 on Attachment E shall be multiplied by .94, and the product thereof shall be:

- A. multiplied by the sum of FPC's Pre-Tax Weighted Cost Rates, as determined in accordance with Attachment B (for example, 13.35%, as of the date of this Agreement); and the product thereof shall be:
- B. added to the estimated non-operating and maintenance expenses of depreciation and property taxes with respect to such Common Facilities for the entire calendar year 1995; and the sum thereof shall be:
- C. multiplied by an allocation factor of 6.86%; and the product thereof shall be:
- D. divided by 12 to arrive at the initial Common Facilities Carrying Charges with respect to items 1-44. The initial Common Facilities Carrying Charges for any partial calendar month with respect to such items shall be a pro rata portion of the initial monthly Common Facilities Carrying Charges with respect to such items.

ATTACHMENT F - continued

METHOD OF CALCULATING INITIAL  
COMMON FACILITIES CARRYING CHARGES WITH

The initial Common Facilities Carrying Charges with respect to item 45 on Attachment E shall be calculated as follows:

The net book value to FPC of the Dedicated Common Facilities (item 45 on Attachment E) as of the last day of the calendar month immediately preceding the date of the Closing shall be multiplied by .94, and the product thereof shall be:

- A. multiplied by the sum of FPC's Pre-Tax Weighted Cost Rates, as determined in accordance with Attachment B (for example, 13.35%, as of the date of this Agreement); and the product thereof shall be:
  
- B. added to the estimated non-operating and maintenance expenses of depreciation and property taxes with respect to such Common Facilities for the entire calendar year 1995; and the sum thereof shall be:
  
- C. multiplied by an allocation factor of 33%; and the product thereof shall be:
  
- D. divided by 12 to arrive at the initial Common Facilities Carrying Charges with respect to the Dedicated Common Facilities. The initial Common Facilities Carrying Charges for any partial calendar month with respect to the Dedicated Common Facilities shall be a pro rata portion of the initial monthly Common Facilities Carrying Charges with respect to the Dedicated Common Facilities.

ATTACHMENT F - continued

METHOD OF RECALCULATING  
COMMON FACILITIES CARRYING CHARGES  
FOR PURPOSES OF SECTION 3(i)(ii)(B)

The following procedure shall apply upon a request by either party, under the terms of Section 3(i)(ii)(B) of the Operating Agreement, for a recalculation of Common Facilities Carrying Charges:

1. Attachment E of the Operating Agreement shall be updated to establish FPC's net book value of each item of the Common Facilities as of the immediately preceding December 31, to reflect any changes in the number and/or capacity of electric generating units on the Intercession City Site and to incorporate other changes, if any, that may be mutually agreed upon by the Parties.
2. The net book values of the Common Facilities, as listed in updated Attachment E, shall be multiplied by .94; and the product thereof shall be:
  - A. added to the net book values, as reflected in FPC's books and records, of any additional Common Facilities which have been added since such December 31 and which have an aggregate net book value to FPC equal to or exceeding \$250,000.00; and the sum thereof shall be:
  - B. multiplied by the sum of FPC's Weighted Pre-Tax Cost Rates, as determined in accordance with Attachment B (for example, 13.35% as of the date of this Agreement); and the product thereof shall be:
  - C. added to the non-operating and maintenance expenses of depreciation and property taxes with respect to such Common Facilities for the entire calendar year immediately preceding the calendar year in which such recalculation is made; and the sum thereof shall be:
  - D. multiplied by the Weighted Average Common Facilities Allocation Factor, as set forth in updated Attachment E; and the product thereof shall be:
  - E. divided by 12 to arrive at the recalculated monthly Common Facilities Carrying Charges payable by GPC. The

recalculated Common Facilities Carrying Charges for any partial calendar month shall be a pro rata portion of the recalculated monthly Common Facilities Carrying Charges.

ATTACHMENT F - continued

METHOD OF RECALCULATING  
COMMON FACILITIES CARRYING CHARGES  
FOR PURPOSES OF SECTION 3(i)(ii)(C)

The following procedure shall apply upon an election by FPC, under the terms of Section 3(i)(ii)(C) of the Operating Agreement, to recalculate the Common Facilities Carrying Charges:

The net book values of the Common Facilities, as listed in Attachment E, as in effect immediately prior to the recalculation, shall be multiplied by .94; and the product thereof shall be:

- A. added to the net book values, as reflected in FPC's books and records, of any additional Common Facilities which have been added since the last date on which Attachment E was updated under Section 3(i)(ii)(A) or (B), and which have an aggregate net book value to FPC equal to or exceeding \$250,000.00; and the sum thereof shall be:
- B. multiplied by the sum of FPC's Weighted Pre-Tax Cost Rates, as determined in accordance with Attachment B, as in effect immediately prior to the recalculation (for example, 13.35% as of the date of this Agreement); and the product thereof shall be:
- C. added to (i) the non-operating and maintenance expenses of depreciation and property taxes, as in effect immediately prior to the recalculation, with respect to the Common Facilities, and (ii) the non-operating and maintenance expenses of depreciation and property taxes with respect to the additional Common Facilities for the entire calendar year immediately preceding the calendar year in which such recalculation is made; and the sum thereof shall be:

- D. multiplied by the Weighted Average Common Facilities Allocation Factor, as set forth in Attachment E, as in effect immediately prior to the recalculation; and the product thereof shall be:
- E. divided by 12 to arrive at the recalculated monthly Common Facilities Carrying Charges payable by GPC. The recalculated Common Facilities Carrying Charges for any partial calendar month shall be a pro rata portion of the recalculated monthly Common Facilities Carrying Charges.

ATTACHMENT F - continued

CALCULATION OF INITIAL COMMON FACILITIES CARRYING CHARGES  
WITH RESPECT TO ITEMS 1 THROUGH 44 ON ATTACHMENT E

TOTAL NET BOOK VALUE OF ITEMS 1-44 OF THE COMMON FACILITIES (PER CHART IN ATTACHMENT E)	\$9,083,512.00
94% OF TOTAL NET BOOK VALUE OF SUCH COMMON FACILITIES	\$8,538,501.00
SUM OF THE PRE-TAX WEIGHTED COST RATES (PER ATTACHMENT B)	13.35%
EQUIVALENT PRE TAX RETURN ON INVESTMENT	\$1,139,890.00
ADD: ESTIMATED NON O&M OPERATING EXPENSES FOR 1995 -	
DEPRECIATION EXPENSE	\$299,756.00
PROPERTY TAXES	\$163,503.00
TOTAL CARRYING COST OF SUCH COMMON FACILITIES	\$1,603,149.00
ALLOCATION FACTOR	6.86%
INITIAL ANNUAL COMMON FACILITIES CARRYING	\$109,976.00

CHARGES WITH RESPECT TO ITEMS 1-44

INITIAL MONTHLY COMMON FACILITIES CARRYING \$9,165.00  
CHARGES WITH RESPECT TO ITEMS 1-44

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ATTACHMENT F - continued

CALCULATION OF INITIAL COMMON FACILITIES CARRYING CHARGES WITH  
RESPECT TO ITEM 45 ON ATTACHMENT E

(USING HYPOTHETICAL NUMBERS)

TOTAL NET BOOK VALUE TO FPC OF DEDICATED COMMON \$1,000,000.00  
FACILITIES AS OF THE END OF THE CALENDAR MONTH  
IMMEDIATELY PRECEDING THE DATE OF THE CLOSING  
(LINE 45 OF CHART IN UPDATED ATTACHMENT E)

94% OF TOTAL NET BOOK VALUE OF DEDICATED COMMON \$940,000.00

FACILITIES	
SUM OF PRE-TAX WEIGHTED COST RATES (PER ATTACHMENT B)	13.35%
EQUIVALENT PRE TAX RETURN ON INVESTMENT	\$125,490.00
ADD: ESTIMATED NON O&M OPERATING EXPENSES FOR 1995 -	
DEPRECIATION EXPENSE	\$33,000.00
PROPERTY TAXES	\$18,000.00
TOTAL CARRYING COST OF DEDICATED COMMON FACILITIES	\$176,490.00
ALLOCATION FACTOR (PER LINE 45 OF CHART IN ATTACHMENT E)	33.33%
INITIAL ANNUAL COMMON FACILITIES CARRYING CHARGES WITH RESPECT TO DEDICATED COMMON FACILITIES	\$58,824.00
INITIAL MONTHLY COMMON FACILITIES CARRYING CHARGES WITH RESPECT TO DEDICATED COMMON FACILITIES	\$4,902.00

ATTACHMENT F - continued

SAMPLE CALCULATION FOR RECALCULATING  
COMMON FACILITIES CARRYING CHARGES FOR PURPOSES  
OF SECTION 3(i)(ii)(B)



(USING HYPOTHETICAL NUMBERS)

TOTAL NET BOOK VALUE OF ALL COMMON FACILITIES (PER CHART IN ATTACHMENT E AS OF IMMEDIATELY PRECEDING DECEMBER 31)	\$10,083,512.00
94% OF TOTAL NET BOOK VALUE OF COMMON FACILITIES NET BOOK VALUE OF SUBSEQUENTLY ADDED COMMON FACILITIES	\$9,478,501.00 \$0
ADJUSTED TOTAL NET BOOK VALUE OF ALL COMMON FACILITIES	\$9,478,501.00
SUM OF THE PRE-TAX WEIGHTED COST RATES (PER ATTACHMENT B)	13.35%
EQUIVALENT PRE TAX RETURN ON INVESTMENT	\$1,265,380.00
ADD: NON O&M OPERATING EXPENSES FOR ENTIRE PRECEDING CALENDAR YEAR - DEPRECIATION EXPENSE PROPERTY TAXES	 \$332,756.00 \$181,503.00
TOTAL CARRYING COST OF COMMON FACILITIES	\$1,779,639.00
WEIGHTED AVERAGE COMMON FACILITIES ALLOCATION FACTOR (PER CHART IN ATTACHMENT E)	9.48%
COMMON FACILITIES CARRYING CHARGES FOR ONE YEAR PERIOD	\$168,710.00
MONTHLY COMMON FACILITIES CARRYING CHARGES PAYABLE BY GPC	\$14,059.00

ATTACHMENT F - continued

SAMPLE CALCULATION FOR RECALCULATING  
COMMON FACILITIES CARRYING CHARGES FOR PURPOSES  
OF SECTION 3(i)(ii)(C)

(USING HYPOTHETICAL NUMBERS)

TOTAL NET BOOK VALUE OF ALL COMMON FACILITIES (PER CHART IN ATTACHMENT E)	\$10,083,512.00
94% OF TOTAL NET BOOK VALUE OF COMMON FACILITIES	\$9,478,501.00
NET BOOK VALUE OF ADDITIONAL COMMON FACILITIES	\$1,000,000.00
ADJUSTED TOTAL NET BOOK VALUE OF ALL COMMON FACILITIES	\$10,478,501.00
SUM OF THE PRE-TAX WEIGHTED COST RATES (PER ATTACHMENT B)	13.35%
EQUIVALENT PRE TAX RETURN ON INVESTMENT	\$1,398,880.00
ADD: NON O&M OPERATING EXPENSES, AS IN EFFECT IMMEDIATELY PRIOR TO THE RECALCULATION, WITH RESPECT TO COMMON FACILITIES -	
DEPRECIATION EXPENSE	\$332,756.00
PROPERTY TAXES	181,503.00
-AND-	
NON O&M OPERATING EXPENSES OF ADDITIONAL COMMON FACILITIES FOR ENTIRE PRECEDING CALENDAR YEAR-	
DEPRECIATION EXPENSE	\$33,000.00
PROPERTY TAXES	\$18,000.00
TOTAL CARRYING COST OF COMMON FACILITIES	\$1,964,139.00
WEIGHTED AVERAGE COMMON FACILITIES ALLOCATION FACTOR (PER CHART IN ATTACHMENT E)	9.48%
COMMON FACILITIES CARRYING CHARGES FOR ONE YEAR PERIOD	\$186,200.00
MONTHLY COMMON FACILITIES CARRYING CHARGES PAYABLE BY GPC	\$15,517.00

## ATTACHMENT G

ALLOCATION OF ADMINISTRATIVE AND GENERAL COSTS  
AND OTHER COSTS

GPC's share of monthly administrative and general costs and certain other costs shall be determined as follows:

1. Administrative and General Costs (Excluding Insurance, Certain Claims and Employee Benefits). GPC's share of administrative and general costs shall be 13% of GPC's share of Operating Costs (excluding administrative and general expenses; fuel costs; insurance costs and claims, which are to be allocated under item 2 below; and pension and employee benefit costs, which are to be allocated under item 3 below).
2. Insurance Costs and Certain Losses. GPC's share of insurance costs and claims described in Attachment I to the Operating Agreement shall be as determined in Attachment I.
3. Employee Benefits. GPC's share of all pension and employee benefits costs incurred by FPC, excluding claims described in item 2.A of Attachment I and payroll department costs, shall be equal to the sum of: (a) FPC's then-current payroll loading percentage of such costs, multiplied by FPC's payroll charged to the Intercession City Site, and multiplied by 1/3 of the Allocation Factor, as defined below; and (b) one-third of the payroll applicable to FPC's Load Control and Dispatching multiplied by a fraction, the numerator of which is one and the denominator of which is the total number of generating units in FPC's electric system.

The "Allocation Factor" shall be a fraction:

- (a) the numerator of which is the sum of:

(i) the quotient determined by dividing (A) one, by (B) the number of electric generating units on the Intercession City Site; and

(ii) the quotient determined by dividing (A) the nameplate rating of the Facility, by (B) the sum of the nameplate ratings of all of the electric generating units on the Intercession City Site; and

(b) the denominator of which is two.

4. Payroll Taxes. GPC's share of payroll taxes, which shall include F.I.C.A. (Social Security and Medicare), Federal Unemployment, State Unemployment, and other taxes that are directly related to payroll, shall be equal to FPC's

established payroll loading percentage of the applicable payroll.

5. Load Control and Dispatching. GPC's share of Load Control and Dispatching costs shall be equal to one-third of the amount of such costs, multiplied by a fraction the numerator of which is one and the denominator of which is the total number of electric generating units in FPC's entire electric system.
6. General-to-Plant-Expenses. Except as otherwise provided herein, expenses general to all electric generating units on the Intercession City Site will be allocated to GPC based on 1/3 of the Allocation Factor, as defined above.
7. Off-Site O&M Expenses. O&M expenses incurred for the benefit of all electric generating units in FPC's entire electric system will be allocated to the Intercession City Site based on FPC's Activity Management System or similar successor process; provided, however, GPC retains the right to review the reasonableness of allocations included in such process.

ATTACHMENT H

RECALCULATION OF WORKING CAPITAL DEPOSIT

The Working Capital Deposit due on the date of the Closing shall be based on FPC's budgeted forecast of the average of two months of total billings to GPC under the Operating Agreement. The Working Capital Deposit will be adjusted effective as of each January 1 (commencing with the first January 1 after not less than two monthly bills have been sent to GPC under the Operating Agreement) to equal the average of two months of total billings to GPC under the Operating Agreement during the immediately preceding calendar year. For purposes of this Attachment H, "total billings to GPC under the Operating Agreement" shall mean all amounts billed to GPC under the Operating Agreement of whatever nature, including, without limitation, Additional Costs

of Construction, Common Facilities Carrying Charges, Fuel Carrying Charges, Fuel Costs and Major Outage Costs.

SAMPLE CALCULATION

ORIGINAL DEPOSIT

Billing budget for the calendar year with respect to GPC	\$1,200,000
Average monthly budgeted total billings to GPC under Operating Agreement	\$100,000
Two months average of budgeted total billings to GPC under Operating Agreement	\$200,000

ADJUSTMENT PROCEDURE

Working Capital Deposit on hand with FPC	\$200,000
Average of two months of total billings to GPC under Operating Agreement based on prior calendar year's total billings	\$210,000
Increase in deposit	\$10,000

-or-

Working Capital Deposit on hand with FPC	\$200,000
Average of two months of total billings to GPC under Operating Agreement based on prior calendar year's total billings	\$190,000
Decrease in deposit	\$10,000

ATTACHMENT I

ALLOCATION OF INSURANCE COSTS AND CERTAIN LOSSES

1. Allocation of Insurance Premiums

- A. Worker's Compensation (including Employer's Liability) - The cost of Worker's Compensation insurance purchased in excess of FPC's self-insurance retention (which is \$1M, as of the date of this Agreement), will be included in FPC's established payroll loading and allocated to GPC in the same manner as pension and employee benefit costs under item 3 of

Attachment G to the Operating Agreement.

- B. General Liability - The cost of insurance purchased in excess of FPC's self insurance retention (which is \$2M, as of the date of this Agreement), will be included in FPC's established payroll loading and allocated to GPC in the same manner as pension and employee benefit costs under item 3 of Attachment G to the Operating Agreement.
- C. Property Insurance - The cost of property insurance covering the Facility that is allocated to GPC shall be equal to 1/3 of the replacement value of the Facility (as determined by FPC, from time to time, in connection with its annual insurance value updates) multiplied by FPC's property rate then in effect. The cost of property insurance for the Common Facilities that is to be allocated to GPC shall be equal to the product of the replacement value of the Common Facilities, multiplied by the Weighted Average Common Facilities Allocation Factor, as determined under Attachment E of the Operating Agreement, and multiplied by FPC's property rate then in effect.

2. Allocation of Claims within Deductibles and Self-Insurance Retentions

- A. Workers' Compensation (including Employer's Liability) - The portion of all payments made with respect to worker's compensation claims by employees working at the Intercession City Site that fall within FPC's self-insurance retention (which is \$1M, as of the date of this Agreement) and that is to be allocated to GPC shall be equal to the amount of such payments multiplied by 1/3 of the Allocation Factor, as defined in Attachment G of the Operating Agreement.
- B. General Liability - The portion of all payments made with respect to liability claims by third parties which fall within the self-insurance retention of FPC (which

is \$2M, as of the date of this Agreement) that arise from activities conducted on the Intercession City Site

and that is to be allocated to GPC shall be equal to the amount of such payments multiplied by 1/3 of the Allocation Factor, as defined in Attachment G of the Operating Agreement. To the extent practical, related costs and expenses covered under the excess general liability policies will be identified and allocated to GPC on the same basis as the claims. In such case, all such costs and expenses incurred by FPC will be excluded from costs allocable under item 3 of Attachment G. To the extent the foregoing is not practical, such costs and expenses may be included in the costs allocable under item 3 of Attachment G in lieu of billing to GPC on the same basis as the claims.

- C. Property Insurance - GPC shall be allocated one-third of any property insurance loss with respect to the Facility falling within the deductible portion of such policy. In the event of a property insurance loss with respect to the Common Facilities which is properly chargeable to operating expense, GPC shall be allocated that portion of the loss falling within the deductible portion of such policy multiplied by the Weighted Average Common Facilities Allocation Factor, as determined under Attachment E of the Operating Agreement.



EXHIBIT B-3

INTERCESSION CITY SIEMENS UNIT  
STEP-UP TRANSFORMER  
PURCHASE AGREEMENT

between

GEORGIA POWER COMPANY

and

FLORIDA POWER CORPORATION

Dated as of June 8, 1994

INTERCESSION CITY SIEMENS UNIT  
STEP-UP TRANSFORMER PURCHASE AGREEMENT  
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ATTACHMENTS

- A DEFINITIONS
- B FORM OF BILL OF SALE
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STEP-UP TRANSFORMER

INTERCESSION CITY SIEMENS UNIT  
STEP-UP TRANSFORMER PURCHASE AGREEMENT

THIS INTERCESSION CITY SIEMENS UNIT STEP-UP TRANSFORMER PURCHASE AGREEMENT (this "Agreement"), dated as of the 8th day of June, 1994, is entered into by and between GEORGIA POWER COMPANY, a corporation organized and existing under the laws of the State of Georgia ("GPC"), and FLORIDA POWER CORPORATION, a corporation organized and existing under the laws of the State of Florida ("FPC").

R E C I T A L

GPC and FPC have entered into an Intercession City Siemens Unit Purchase and Ownership Participation Agreement (the "Ownership Agreement"), and related agreements, dated as of the date hereof. In connection with the Ownership Agreement, FPC desires to sell and transfer to GPC and GPC desires to purchase

from FPC an undivided one-third ownership interest in the Step-Up Transformer, as defined below.

#### OPERATIVE TERMS

In consideration of the promises and the mutual agreements set forth in this Agreement, GPC and FPC hereby agree as follows:

#### 1. DEFINITIONS.

In addition to the terms defined elsewhere in this Agreement, the terms in Attachment A to this Agreement have the meanings set forth in Attachment A, which meanings shall be equally applicable to both singular and plural forms of such terms except when otherwise expressly provided. Capitalized words and phrases which are not defined in this Agreement shall have the meanings assigned in the Ownership Agreement.

#### 2. REPRESENTATIONS AND WARRANTIES.

(a) FPC Representations and Warranties. FPC hereby

represents and warrants to GPC that FPC is a corporation duly organized, validly existing and in good standing under the laws of the State of Florida and has sufficient corporate power and authority to own its two-thirds undivided interest in the Step-Up Transformer, to execute and deliver this Agreement and to perform its obligations hereunder and to carry on its business as it is now being conducted and as it is contemplated hereunder to be conducted in the future.

(b) GPC Representations and Warranties. GPC hereby represents and warrants to FPC that GPC is a corporation duly organized, validly existing and in good standing under the laws of the State of Georgia and has sufficient corporate power and authority to own its one-third undivided interest in the Step-Up Transformer, to execute and deliver this Agreement and to perform

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its obligations hereunder and to carry on its business as it is now being conducted and as it is contemplated hereunder to be conducted in the future.

3. SALE TO GPC. Subject to the terms and conditions of this Agreement:

(a) In General. Upon the Closing under the Ownership Agreement, FPC will sell and transfer to GPC and GPC will purchase from FPC a one-third undivided co-ownership interest in the Step-Up Transformer. The purchase price for such one-third undivided interest shall be one-third of the Costs of Construction incurred with respect to the Step-Up Transformer up to and including the date of the Closing. To such amount shall be added an amount to compensate FPC for federal and state income taxes payable due to differences in book and tax basis of the equity component of the allowance for funds used during construction with respect to the sale by FPC of such undivided co-ownership interest in the Step-Up Transformer. At the Closing, GPC shall pay to FPC, in immediately available United States funds, the entire purchase price thereof and such additional amount.

(b) Bill of Sale and Release. The sale provided for in Subsection (a) of this Section 3 will be by Bill of Sale substantially in the form of Attachment B to this Agreement.

At the Closing, FPC will furnish to GPC a Release from any

and all mortgages, deeds to secure debt or other security interests with respect to such undivided one-third co-ownership interest in the Step-Up Transformer.

4. CONDITIONS PRECEDENT TO CLOSING. The respective obligations of GPC and FPC to consummate the purchase and sale contemplated in Section 3, SALE TO GPC, hereof are subject to the fulfillment of the condition that at the closing hereof the Closing under the Ownership Agreement is also consummated.

5. MISCELLANEOUS.

(a) Survival. The agreements, covenants, representations and warranties contained in this Agreement shall survive the Closing.

(b) Further Assurances. From time to time after the date hereof, each Party will execute and deliver such instruments of assignment and transfer and other documents, upon the request of the other Party, as may be necessary or appropriate to carry out the intent of this Agreement.

(c) Governing Law. The validity, interpretation, and performance of this Agreement and each of its provisions shall be governed by the laws of the State of Florida.



(d) Notice. Any notice to be given or that may be given under this Agreement shall be in writing and shall be (i) delivered by hand; (ii) delivered through the United States Mail, postage prepaid, certified, return receipt requested; or (iii) delivered through or by Federal Express, Express Mail, or other expedited mail or package service, if a receipt evidencing delivery has been retained, and addressed to the Parties as follows:

If to GPC: Georgia Power Company  
 333 Piedmont Avenue, N.E.  
 Atlanta, Georgia 30308  
 Attention: F.D. Williams, Senior  
 Vice President, Bulk Power Markets

With copy to: Southern Company Services, Inc.  
 800 Shades Creek Parkway  
 Birmingham, Alabama 35209  
 Attention: W. K. Newman, Vice  
 President,  
 Operating and Planning Services

If to FPC: Florida Power Corporation  
 3201 Thirty-Fourth Street South  
 St. Petersburg, Florida 33711  
 Attention: Director,  
 Combustion Turbine Operations

- and to -

Florida Power Corporation  
P. O. Box 368  
Intercession City, Florida 33848  
Attention: Intercession City  
Plant Manager

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With copy to:                      General Counsel  
Florida Power Corporation  
3201 Thirty-Fourth Street South  
St. Petersburg, Florida 33711

Any notice that may be given under this Agreement shall be deemed given (i) five days after such notice has been deposited in the United States Mail, certified, return receipt requested, with proper postage affixed thereto, (ii) one Business Day after such notice has been deposited with Federal Express, Express Mail or other expedited mail or package delivery service guaranteeing delivery not later than the next Business Day, or (iii) upon hand delivery to the appropriate address and person as herein provided if a receipt evidencing delivery has been retained. Either Party hereto may change the address provided hereinabove or the person to whose attention notices are to be given, by notice to the other Party in the manner hereinabove provided.

(e) Headings Not to Affect Meaning. The descriptive headings of the various provisions of this Agreement have been inserted for convenience of reference only and shall in no way modify or restrict any of the terms and provisions hereof.

(f) No Partnership. Notwithstanding any provision of this Agreement, neither of the Parties intends to create hereby any joint venture, partnership, association taxable as a corporation, or other entity for the conduct of any business for profit between themselves.

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(g) Amendments. This Agreement may be amended by and only by a written instrument duly executed by each of the Parties.

(h) Successors and Assigns; No Third Party Beneficiaries. This Agreement shall inure to the benefit of and be binding upon each of the Parties and their respective successors and upon their permitted assigns pursuant to the provisions of Section 5(b), ALIENATION AND ASSIGNMENT, of the Ownership Agreement. Nothing in this Agreement, express or implied, is intended to confer upon any other person any rights or remedies hereunder.

(i) Counterparts. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

(j) Disclaimer. FPC MAKES NO REPRESENTATION OR WARRANTY WHATSOEVER IN THIS AGREEMENT, EXPRESS, IMPLIED OR STATUTORY, INCLUDING, WITHOUT LIMITATION, ANY REPRESENTATION OR WARRANTY AS TO THE VALUE, QUANTITY, CONDITION, SALABILITY, OBSOLESCENCE, MERCHANTABILITY, FITNESS OR SUITABILITY FOR USE OR WORKING ORDER OF THE STEP-UP TRANSFORMER OR ANY PORTION THEREOF; AND FPC DOES NOT REPRESENT OR WARRANT THAT THE USE OR OPERATION OF ANY PORTION OF THE STEP-UP TRANSFORMER WILL NOT VIOLATE PATENT, TRADEMARK OR SERVICE MARK RIGHTS OF ANY THIRD PARTIES. GPC IS WILLING TO PURCHASE ITS INTEREST IN THE STEP-UP TRANSFORMER "AS IS" AND

"WHERE IS" SUBJECT TO AND IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THIS AGREEMENT. Notwithstanding the foregoing, GPC shall have the benefit, consistent with its co-ownership interest in the Step-Up Transformer, of all manufacturers' and vendors' warranties and all patent, trademark and service mark rights running to GPC in connection with the Step-Up Transformer.

(k) Several Agreements; Entire Agreements. The agreements and obligations of the Participants set forth in this Agreement, the Ownership Agreement and the Collateral Documents, as defined in and with respect to the Ownership Agreement, shall be the several, and not joint, agreements and obligations of the Participants. The Ownership Agreement and the Collateral Documents, as defined for purposes of the Ownership Agreement, including, without limitation, this Agreement, supersede all prior agreements between the Parties with respect to their subject matter, including, without limitation, the letter of intent between FPC and Southern Company Services, Inc., as agent for the operating subsidiaries of The Southern Company, dated August 12, 1993, as amended, and are intended (with the documents referred to in the Ownership Agreement and in such Collateral Documents) as a complete and exclusive statement of the terms of the agreements between the parties with respect thereto.

(l) Construction of "Including". Wherever the term "including" is used in this Agreement, such term shall not be

construed as limiting the generality of any statement, clause,

phrase or term and shall not be deemed to exclude any person or thing otherwise within the meaning of the statement, clause, phrase or term which it modifies.

The undersigned parties hereto have duly executed this Agreement as of the date first above written.

WITNESSES:

GEORGIA POWER COMPANY

By:  
H. Allen Franklin, as  
President  
and Chief Executive Officer

FLORIDA POWER CORPORATION

By:  
A.J. Keesler, Jr., as  
President  
and Chief Executive Officer

## ATTACHMENT A

## DEFINITIONS

1. AGENT. "Agent" shall mean FPC or its successors with respect to its rights and obligations in the performance of the Agency Functions under the Ownership Agreement.
2. BUSINESS DAY. A "Business Day" shall be any Monday, Tuesday, Wednesday, Thursday or Friday other than a day which has been established by law or required by executive order as a holiday for any commercial banking institution in the State of Florida or Georgia.
3. COSTS OF CONSTRUCTION. The "Costs of Construction" shall refer to all costs incurred by FPC, as Agent for the Participants, in connection with the planning, design, licensing, procurement, acquisition, construction, completion, testing, startup, addition or modification of the Step-Up Transformer, or any portion thereof, including, without limitation, that portion of administrative and general expenses incurred by FPC, as Agent, which is properly and reasonably allocable to the Step-Up Transformer and for which FPC has not been otherwise reimbursed by GPC, which costs are properly recordable in accordance with

the Electric Plant Instructions and in appropriate accounts as set forth in the Uniform System of Accounts, and shall also include all costs incurred by FPC, as Agent, in connection with (1) the purchase and acquisition of the initial supply of Spare Parts, and any replacements for such Spare Parts, that are utilized, during pre-Commercial Operation construction

activities, for the Step-Up Transformer, including, without limitation, that portion of administrative and general expenses incurred by FPC, as Agent, which is properly and reasonably allocable to such acquisition of Spare Parts and for which FPC has not been otherwise reimbursed by GPC, (2) the acquisition of all necessary governmental permits, materials and supplies, engineering drawings and records, and operation and maintenance procedure manuals, (3) any sales, use or excise taxes incurred in connection with the acquisition or construction of the Step-Up Transformer, and (4) the expenditure or advancement of funds during construction with respect to Step-Up Transformer (including, without limitation, an Allowance for Funds Used During Construction for the period on or before the date of Commercial Operation and FPC's incremental cost of capital for the period after the date of Commercial Operation, to and including the date of the Closing, taking into account debt and



equity components); provided, however, that Costs of Construction shall not include any costs and expenses (i) incurred by FPC for the sole benefit of FPC, or (ii) incurred by either Participant in connection with the development of this Agreement.

4. FACILITY. The term "Facility" shall refer to all property comprising the combustion turbine-generator unit to be known as the Intercession City Facility CT, including, without limitation, one complete Siemens V84.3 combustion turbine-

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generator unit, and as the Facility is further defined in the Ownership Agreement.

5. OWNERSHIP AGREEMENT. The "Ownership Agreement" shall refer to the Intercession City Siemens Unit Purchase and Ownership Participation Agreement, dated as of June 8, 1994, between FPC and GPC, as such Agreement may be amended from time to time.

6. PARTICIPANTS. "Participant" and "Participants" shall refer individually or collectively, as the case may be, to GPC

and FPC (in their capacities as co-owners of the Step-Up Transformer) and to any permitted transferee or assignee of either of them of a co-ownership interest in the Step-Up Transformer pursuant to the Ownership Agreement.

7. PARTY. A "Party" shall refer to any entity, which is now or hereafter a party to this Agreement and the Collateral Documents; provided, however, such reference shall only refer to an entity for so long as such entity is a party to this Agreement and the Collateral Documents.

8. RELEASE. "Release" shall mean a release executed and delivered by the holder of a mortgage, deed to secure debt or other security interest (including, without limitation, a release from FPC's indenture trustee) sufficient to release GPC's co-

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ownership interest in the Step-Up Transformer from the lien, security title and effect of such mortgage, deed to secure debt or other security interest.

9. STEP-UP TRANSFORMER. "Step-Up Transformer" shall mean the step-up transformer described in the Siemens Agreement. The

Step-Up Transformer shall be located on the Facility Site and shall be connected between and including the low-side bushings and the high-side bushings. The Step-up Transformer shall include, without limitation, the items listed in Attachment C hereto.

FORM OF BILL OF SALE

FLORIDA POWER CORPORATION, a Florida corporation ("Seller"), for and in consideration of Ten Dollars (\$10.00), and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, has granted, bargained, sold, transferred, set over and delivered, and by these presents does grant, bargain, sell, transfer, set over and deliver to GEORGIA POWER COMPANY, a Georgia corporation ("Purchaser"), a one-third undivided ownership interest to be held as co-owner with Seller in and to the Step-Up Transformer as described in that certain Intercession City Siemens Unit Step-Up Transformer Purchase Agreement (the "Agreement") between Seller and Purchaser dated as of the 8th day of June, 1994, which definition is incorporated herein as if set out in its entirety.

TO HAVE AND TO HOLD such one-third undivided interest in the Step-Up Transformer unto Purchaser, and its permitted successors and assigns under the Ownership Agreement, as defined in the Agreement, forever.

Seller covenants that it is the sole owner of the Step-Up Transformer and that the one-third undivided interest in the Step-Up Transformer being granted, bargained, sold, transferred, set over, and delivered to Purchaser as co-owner is free and clear of any and all liens and encumbrances, except for real and tangible personal property taxes for [insert the year of the Closing] and subsequent years. Seller shall forever warrant and defend that title to the one-third interest in the Step-Up Transformer against the claims of all persons claiming by, through or under Seller.

This instrument shall be binding upon Seller, its successors and assigns, and shall inure to the benefit of Purchaser, and its permitted successors and assigns under the Ownership Agreement.

Seller has caused this instrument to be duly executed in its name on the \_\_\_\_\_ day of \_\_\_\_\_, 199\_\_.

WITNESSES:

FLORIDA POWER CORPORATION

By:  
Name:  
Title:

ATTACHMENT C

NON-EXHAUSTIVE LIST OF EQUIPMENT COMPRISING  
STEP-UP TRANSFORMER

Transformer

Low-side Bushings

High-side Bushings

Surge Arresters

Tap Changer

Current Transformers

Mounting Pad

T#236696.7

LONG TERM LEASE AGREEMENT

between

FLORIDA POWER CORPORATION

and

GEORGIA POWER COMPANY

Dated as of June 8, 1994

LONG TERM LEASE AGREEMENT  
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ATTACHMENTS

A DRAWING DEPICTING APPROXIMATE LOCATION OF THE FACILITY



SITE (LEGAL DESCRIPTION OF LAND CONSTITUTING THE FACILITY  
SITE WILL SUPERSEDE THE DRAWING)

B LEGAL DESCRIPTION OF INTERCESSION CITY SITE

## LONG TERM LEASE AGREEMENT

THIS LONG TERM LEASE AGREEMENT (this "Lease") is made as of the 8th day of June, 1994, between FLORIDA POWER CORPORATION, a Florida corporation ("Landlord"), and GEORGIA POWER COMPANY, a Georgia corporation (the "Tenant").

### RECITALS

A. Either prior to or contemporaneously with the execution of this Lease, Landlord and Tenant have entered into the following agreements with respect to the purchase, installation, and operation of a Siemens Power Corporation V84.3 combustion turbine generation unit, and related facilities (being referred to herein as the "Facility," and being more particularly described and defined in the "Ownership Agreement") at Landlord's electric power plant site at Intercession City, Florida:

1. Intercession City Siemens Unit Purchase and Ownership Participation Agreement between Tenant and Landlord (the "Ownership Agreement");

2. Intercession City Siemens Unit Operating Agreement

between Tenant and Landlord (the "Operating Agreement");

3. Step-Up Transformer Purchase Agreement between Tenant and Landlord (the "Step-Up Transformer Agreement"); and

4. Long Term Transmission Service Agreement between Landlord and Tenant ("Transmission Service Agreement").

B. Under the Ownership Agreement, Landlord and Tenant will be co-owners of the Facility and Landlord will operate and manage the Facility in accordance with the terms of the Operating Agreement.

C. Landlord is entering into this Lease to grant to Tenant an undivided one-third leasehold interest in the Facility Site (as defined below) together with the Access Easement (as defined below) for the purposes set forth below, and Tenant is willing to accept such a grant under the terms of this Lease.

#### OPERATIVE TERMS

In consideration of the mutual covenants between Landlord and Tenant in this Lease and the Agreements described in Recital

A above, Landlord and Tenant hereby agree as follows:

1. DEMISED PREMISES. In consideration of the rent to be paid by Tenant to Landlord, and in consideration of the covenants of the respective parties to be performed under this Lease, Landlord leases and lets unto Tenant, and Tenant leases from Landlord:

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- (a) An undivided one-third interest in and to that certain real property lying and being in Osceola County, Florida, being more particularly shown in the cross-hatched area in the diagram attached hereto as Attachment A and made a part hereof by reference (the "Facility Site"); together with
  
- (b) A non-exclusive easement (the "Access Easement"), for the term of this Lease, upon, over and across the Intercession City Site (as such term is more particularly described and defined in the Ownership Agreement), the legal description of such Intercession City Site being attached hereto

as Attachment B and made a part hereof by reference. The Access Easement shall be appurtenant to the interest held by Tenant in the Facility Site and shall be for the benefit of Tenant, and its permitted successors and assigns under the Ownership Agreement. The Access Easement shall be for the purposes of pedestrian and vehicular ingress and egress from the public right-of-ways adjacent to the Intercession City Site to the Facility Site and the additional areas within the Intercession City Site upon which Tenant is permitted to conduct inspections pursuant to Section 4(g), RIGHT OF INSPECTION, of

the Ownership Agreement, and such rights with respect to the Access Easement shall be exercised by Tenant only in accordance with the provisions of Section 2, below.

- (c) The undivided one-third interest of Tenant in and to the Facility Site shall be held by Tenant as a tenant in common with Landlord during the term of

this Lease, it being the intent of this Lease to create in Tenant an estate in the Facility Site for the term of this Lease and not a mere usufruct, easement or license.

The legal description of the Facility Site shall be determined by a survey to be obtained by Landlord and reasonably approved by Tenant, the legal description shown on the survey shall be substituted as Attachment A for the diagram presently attached as Attachment A, and such legal description shall become a part of this Lease automatically upon such substitution. The purpose of the survey shall be to establish the legal description of the Facility Site and not to re-calculate its area.

2. USE OF THE FACILITY SITE. The Facility shall be constructed and installed on the Facility Site in accordance with the Ownership Agreement and shall be operated thereon in accordance with the Operating Agreement. Tenant's use or

occupancy of the Facility Site and the Access Easement shall be limited to (i) the construction, maintenance and operation of Tenant's undivided one-third interest in the Facility, on the

Facility Site, such construction, maintenance, and operation to be effected by Landlord, as Agent, in accordance with the terms of the Ownership Agreement, Step-Up Transformer Agreement and Operating Agreement, and (ii) Tenant's entry onto the Facility Site and the Intercession City Site to inspect the Facility pursuant to the terms of the Ownership Agreement and the Operating Agreement.

Prior to any proposed entry onto the Intercession City Site and Facility Site, and inspection of the Facility, Tenant shall provide Landlord with reasonable prior notice of the date and time of Tenant's proposed entry and inspection.

At all times during the term of this Lease, Tenant, at Landlord's option, shall be accompanied by a representative of Landlord when entering the Intercession City Site and the Facility Site for the purposes of inspecting the Facility. Landlord may deny Tenant access to areas Landlord reasonably designates as a "dangerous area" for purposes of protecting persons and property.

Tenant acknowledges that Landlord's right to construct, maintain and operate the Facility on behalf of the Participants

(as such term is defined in the Ownership Agreement) throughout the term of this Lease is governed by the terms of the Ownership Agreement, Step-Up Transformer Agreement and Operating Agreement.

3. TERM OF LEASE. The term of this Lease shall commence on the date of the Ownership Agreement and shall end on the termination of the Ownership Agreement. A breach by Tenant of any of the Agreements described in Recital A above shall constitute a breach by Tenant of this Lease.

4. RENTAL. Tenant covenants and agrees it will pay to Landlord rental in the amount of Three Hundred Dollars (\$300.00) per year plus all Florida sales taxes applicable thereto. The first rental payment shall be due upon the commencement date of this Lease and all subsequent rental payments shall be due on the anniversary date of the commencement date of this Lease.

5. TAXES. The payment of all taxes of any kind or nature assessed upon the Facility Site and the Intercession City Site shall be governed by the terms of the Ownership Agreement and the Operating Agreement.

6. UTILITIES AND SERVICES/MAINTENANCE AND REPAIR. The



provision of all utilities services, water treatment services, transmission services and other services which are necessary for

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the use and operation of the Facility on the Facility Site and for effecting the purposes contemplated in this Lease and the obligations with respect to the maintenance and repair of the Facility and the Facility Site shall be governed by the terms of the Ownership Agreement, the Operating Agreement, the Step-Up Transformer Agreement and the Transmission Service Agreement.

7. INSURANCE. Insurance with respect to the Facility Site shall be as set forth in the Ownership Agreement and Operating Agreement.

8. TITLE TO FACILITY; LANDLORD'S TITLE. Notwithstanding the affixation of the Facility to the Facility Site, the Facility shall constitute personal property and title to the Facility shall remain in the Participants (as such term is defined in the Ownership Agreement) in accordance with their respective undivided co-ownership interests as provided in the Ownership Agreement. Landlord represents to Tenant that Landlord owns fee simple title to the Facility Site and the Intercession City Site,

and has full right, title and authority to enter into this Lease and to grant to Tenant the leasehold estate in the Facility Site and the Access Easement as described in this Lease. Landlord further represents to Tenant that there are no easements, liens, encumbrances or other rights (other than the lien of Landlord's trust indenture, which Tenant acknowledges is superior to this Lease, but which permits Landlord to execute and deliver this

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Lease and perform the covenants and obligations of Landlord hereunder), affecting the Facility Site which would prevent Tenant's use and enjoyment of the Facility Site and the Access Easement and the benefits to be derived therefrom as contemplated herein.

9. CONDEMNATION. If, by exercise of the right of eminent domain or by conveyance made in response to the threat of the exercise of such right, all or any portion of the Facility Site or the Intercession City Site is taken, Landlord and Tenant shall each be entitled to pursue its separate award as their respective interests exist in the Facility Site and the Intercession City Site. If, by exercise of the right of eminent domain or by a conveyance made in response to the threat of the exercise of such

right, all or substantially all of the Facility Site is taken, Landlord shall use its reasonable efforts to substitute other premises within the Intercession City Site which are substantially equivalent to the Facility Site for the purposes of this Lease.

10. LIABILITY/DEFAULT. The respective rights, obligations, remedies and limitations of liability of Landlord and Tenant under this Lease in the event of a breach by either Landlord or Tenant under this Lease or in the event of any loss, cost, damage or expense incurred by either Landlord or Tenant arising out of or relating to any act or omission occurring on the Facility Site

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or the Intercession City Site, including, without limitation, any loss, cost, damage or expense relating to the presence of, discharge of or seepage of any hazardous materials, are as set forth in the Ownership Agreement and the Operating Agreement.

11. COVENANT OF QUIET ENJOYMENT. So long as the Ownership Agreement is in effect, Tenant's possession of the Facility Site and the Access Easement granted hereby will not be disturbed by Landlord or anyone claiming by, through or under Landlord;

provided, however, that Tenant acknowledges that the leasehold interest and Access Easement granted hereby are subordinate to the lien of Landlord's bond indenture.

12. ASSIGNMENT; PARTITION. Tenant's rights to assign this Lease or any interest in this Lease are governed by the terms of the Ownership Agreement. Tenant waives any and all rights to partition its interest hereby granted in the Facility Site or the Access Easement.

13. NOTICES. Any notice to be given or that may be given under this Lease shall be in writing and shall be (i) delivered by hand; or (ii) delivered through the United States Mail, postage prepaid, certified, return receipt requested; or (iii) delivered through or by Federal Express, Express Mail, or other expedited mail or package service, if a receipt evidencing

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delivery has been retained; and addressed to the parties as follows:

If to Landlord: Florida Power Corporation  
3201 Thirty-Fourth Street South

St. Petersburg, Florida 33711  
Attention: Director,  
Combustion Turbine Operations

- and to -

Florida Power Corporation  
P. O. Box 368  
Intercession City, Florida 33848  
Attention: Intercession City  
Plant Manager

With copy to: General Counsel  
Florida Power Corporation  
3201 Thirty-Fourth Street South  
St. Petersburg, Florida 33711

If to Tenant: Georgia Power Company  
333 Piedmont Avenue, N.E.  
Atlanta, Georgia 30308  
Attention: F.D. Williams, Senior  
Vice President, Bulk Power Markets

With copy to: Southern Company Services, Inc.  
800 Shades Creek Parkway  
Birmingham, Alabama 35209  
Attention: W. K. Newman,  
Vice President, Operating and  
Planning Services

Any notice that may be given under this Lease shall be deemed given (i) five days after such notice has been deposited in the United States Mail, certified, return receipt requested, with proper postage affixed thereto, (ii) one Business Day, as defined in the Ownership Agreement, after such notice has been deposited with Federal Express, Express Mail or other expedited mail or package delivery service guaranteeing delivery not later than the next Business Day, or (iii) upon hand delivery to the appropriate address and person as herein provided if a receipt evidencing delivery has been retained. Either party hereto may change the address provided hereinabove or the person to whose attention notices are to be given, by notice to the other party in the manner hereinabove provided.

14. AMENDMENTS. No amendment or waiver of any provision of this Lease shall in any event be effective unless such amendment is in writing and signed by both Landlord and Tenant.

15. COUNTERPARTS; EFFECTIVENESS. This Lease may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and all of which taken

together shall constitute one and the same document.

16. HEADINGS. The headings of the provisions throughout this Lease are for convenience and reference only and the words contained in the headings shall in no way be held to explain, modify, amplify or aid in the interpretation, construction or meaning of the provisions of this Lease.

17. BINDING EFFECT. Except as otherwise expressly provided in this Lease, the terms and provisions of this Lease shall be binding upon and shall inure to the benefit of the successors and assigns of Landlord and the permitted successors and assigns of Tenant. The reference contained to successors and assigns of Tenant is not intended to constitute a consent to assignment by Tenant, but as reference only to those instances in which Landlord may have given consent to a particular assignment or such assignment as otherwise expressly permitted hereunder.

18. INVALIDITY OF PARTICULAR PROVISION. If any term or provision of this Lease shall to any extent be invalid or unenforceable, the remainder of this Lease shall not be affected

thereby, and each term and provision of this Lease shall be valid and enforced to the fullest extent permitted by law.

19. CONSTRUCTION. This Lease shall be deemed to be a contract made under the laws of the State of Florida, and for all purposes shall be governed by, and construed in all respects (including matters of construction, validity and performance) in

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accordance with, the internal laws of the State of Florida, without regard to its choice of law rules.

20. RADON GAS DISCLOSURE. The following disclosures is made by Landlord to Tenant as required by law:

Radon is a naturally occurring radioactive gas that, when it has accumulated in a building in sufficient quantities, may present health risks to persons who are exposed to it over time. Levels of radon that exceed federal and state guidelines have been found in buildings in Florida. Additional information regarding radon and radon testing may be obtained from your county public health unit.

21. INCORPORATION. It is the intent of Landlord and Tenant that the terms and provisions of the Ownership Agreement, the Operating Agreement, the Step-Up Transformer Agreement and the Transmission Service Agreement be incorporated into this Lease by



reference as if set out in full herein. In the event of any conflict or inconsistency between the terms and provisions of this Lease and those of the Ownership Agreement, the Operating Agreement, the Step-Up Transformer Agreement and the Transmission Service Agreement, the terms of such other agreements shall control over the conflicting or inconsistent terms and provisions of this Lease.

22. ENVIRONMENTAL CONDITION. Landlord represents to Tenant that throughout the duration of its ownership or operation of the Facility Site, and, to the best of Landlord's knowledge, but without any investigation by Landlord, prior thereto, the uses of

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the Facility Site have not involved the generation, use, storage, treatment or disposal of Environmental Material (as such term is defined in the Ownership Agreement), excepting quantities of those materials or substances necessary for normal housekeeping, operation and maintenance services and that no Environmental Materials, excepting quantities of those materials or substances necessary for normal housekeeping, operation and maintenance services, have been or are currently generated, used, stored, treated or disposed on or at the Facility Site.

Landlord represents to Tenant that throughout the duration of its ownership or operations of the Facility Site and, to the best of Landlord's knowledge, but without any investigation by Landlord, prior thereto, there has been no contamination, spill or unpermitted discharge, release or emission of or by any Environmental Material, pollutant or contaminant at the Facility Site.

Landlord further represents to Tenant that it has not knowingly spilled, generated, discharged, emitted or released from the Facility Site any Environmental Material in any manner that may form the basis for any present or future claim, demand, or action seeking cleanup of any site, location, or body of water, surface or subsurface.

The undersigned parties hereto have duly executed this Lease as of the date first above written.

WITNESSES:

FLORIDA POWER CORPORATION

By:

A.J. Keesler, Jr., as  
President and Chief  
Executive Officer

"Landlord"

GEORGIA POWER COMPANY

By:

H. Allen Franklin, as  
President and Chief  
Executive Officer

"Tenant"

ATTACHMENT B

LEGAL DESCRIPTION OF INTERCESSION CITY SITE

A TRACT OR PARCEL OF LAND LYING IN SECTION 31, TOWNSHIP 25 SOUTH, RANGE 28 EAST, OSCEOLA COUNTY, FLORIDA AND BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS;

COMMENCE AT THE SOUTHEAST CORNER FOR SECTION 31 AND RUN N00 degrees 35'58"E ALONG THE EAST LINE THEREOF A DISTANCE OF 961.13 FEET TO A POINT ON THE NORTHERLY RIGHT-OF-WAY LINE FOR C.S.X. RAILROAD (100 FOOT RIGHT-OF-WAY), SAID POINT BEING THE POINT OF BEGINNING; THENCE RUN S63 degrees 29'13"W ALONG SAID NORTHERLY RIGHT-OF-WAY LINE A DISTANCE OF 1441.59 FEET TO THE POINT OF CURVE (P.C.) CONCAVE SOUTHEASTERLY, SAID RIGHT-OF-WAY CURVE BEING 50.00 FEET FROM AND PARALLEL WITH A CENTERLINE LINE CURVE HAVING A RADIUS OF 11459.16 FEET AND A 150 FOOT SPIRAL; THENCE CONTINUE ALONG THE ARC OF SAID RIGHT-OF-WAY A CHORD BEARING OF S63 degrees 20'58"W A CHORD DISTANCE OF 349.76 FEET TO THE INTERSECTION OF THE NORTH RIGHT-OF-WAY LINE FOR STATE ROAD NUMBER 532 (200 FOOT RIGHT-OF-WAY); THENCE N89 degrees 15'56"W ALONG SAID NORTH RIGHT-OF-WAY LINE A DISTANCE OF 1307.75 FEET TO A POINT ON THE EAST RIGHT-OF-WAY LINE FOR WESTMONT BOULEVARD (60.00 FOOT RIGHT-OF-WAY) AS RECORDED IN PLAT BOOK 2, PAGE 82 AND 83 OF THE PUBLIC RECORDS FOR OSCEOLA COUNTY, FLORIDA, SAID POINT BEING THE POINT OF CURVE (P.C.) FOR A CURVE HAVING THE FOLLOWING ELEMENTS: A RADIUS OF 25.00 FEET, A CENTRAL ANGLE OF 90 degrees 00'00, A CHORD OF 35.35 FEET AND A CHORD BEARING OF N44 degrees 15'56"W; THENCE CONTINUE ALONG SAID RIGHT-OF-WAY LINE AND CURVE TO THE RIGHT AN ARC DISTANCE OF 39.27 FEET TO THE POINT OF TANGENCY (P.T.) FOR SAID CURVE; THENCE CONTINUE ALONG SAID RIGHT-OF-WAY LINE N00 degrees 44'04"E A DISTANCE OF 48.77 FEET TO THE POINT OF CURVE (P.C.) FOR A CURVE HAVING THE FOLLOWING ELEMENTS: A RADIUS OF 229.99 FEET, A CENTRAL ANGLE OF 14 degrees 58'35", A CHORD OF 59.95 FEET AND A CHORD BEARING OF N06 degrees 45'14"W; THENCE CONTINUE ALONG SAID RIGHT-OF-WAY LINE AND CURVE TO THE LEFT AND ARC DISTANCE 60.12 FEET TO THE POINT OF TANGENCY (P.T.) FOR SAID CURVE; THENCE CONTINUE ALONG SAID RIGHT-OF-WAY LINE N14 degrees 14'32"W A DISTANCE OF 1536.82 FEET TO THE POINT OF CURVE (P.C.) FOR A CURVE HAVING THE FOLLOWING ELEMENTS: A RADIUS OF 170.00 FEET, A CENTRAL ANGLE OF 15 degrees 21'23", A CHORD OF 45.43 FEET AND A CHORD BEARING OF N06 degrees

33'50"W; THENCE CONTINUE ALONG SAID RIGHT-OF-WAY LINE AND CURVE TO THE RIGHT AN ARC DISTANCE OF 45.56 FEET TO THE POINT OF TANGENCY (P.T.) FOR SAID CURVE; THENCE CONTINUE ALONG SAID RIGHT-OF-WAY LINE N01 degrees 06'52" E A DISTANCE OF 1224.15 FEET; THENCE S89 degrees

54'12"E A DISTANCE OF 3.54 FEET; THENCE N00 degrees 24'52"E A DISTANCE OF 910.53 FEET THENCE N89 degrees 44'57"E A DISTANCE OF 664.59 FEET; THENCE N89 degrees 44'59"E A DISTANCE OF 664.47 FEET; THENCE S00 degrees 29'20"W A DISTANCE OF 1319.32 FEET; THENCE N89 degrees 38'03"E A DISTANCE OF 663.63 FEET; THENCE S00 degrees 31'33"W A DISTANCE OF 1336.73 FEET ;THENCE N89 degrees 45'54"E A DISTANCE OF 1325.50 FEET TO A POINT ON THE EAST LINE FOR SAID SECTION 31; THENCE S00 degrees 35'58"W ALONG SAID EAST LINE A DISTANCE OF 378.66 FEET TO THE POINT OF BEGINNING, CONTAINING 167.192 ACRES MORE OR LESS. BEARING STRUCTURE AND DISTANCES BASED ON STATE PLANE COORDINATE, GRID VALUES.



(Relevant excerpts from the Georgia Power Company Application for Intercession City Combustion Turbine Project.)

### III. PROPOSED INTERCESSION CITY CT PROJECT

The proposed Intercession City Combustion Turbine Project consists of a single 147- megawatt oil-fired simple-cycle combustion turbine jointly owned by Georgia Power and Florida Power Corporation (FPC). The unit will be installed at FPC's existing Intercession City generating plant -- located near Kissimmee, Florida -- and is expected to begin commercial operation on or before January 1, 1996.

Georgia Power will have a one-third ownership interest in the unit and will be entitled to the entire capability of the unit during June through September of each year. FPC, a winter peaking utility, will have the remaining two-thirds ownership interest in the unit and will have exclusive rights to the unit's output during the other eight months of the year when they have a need for new capacity. FPC will operate and maintain the unit on behalf of FPC and Georgia Power, with the costs being shared by the two owners. Georgia Power estimates the unit will have a service life of approximately 40 years.

The project will be built around a Siemens Power Corporation Model V84.3 advanced combustion turbine unit. Although no other V84.3 units are commercial at this time, two other units will have begun commercial operation in two other locations by the time the Intercession City unit begins operation. Furthermore, the V84.3 prototype has undergone extensive testing in Germany and the Intercession unit's performance will be backed by extensive guarantees and warranties provided by Siemens. The model utilizes mature and proven basic design features from its predecessor model

which was introduced in 1987. It also utilizes advanced design features from earlier Siemens models which are similar but on smaller megawatt scales to the V84.3 model. These advanced design features allow the unit to have high output, high fuel efficiency, and low emissions. Water injection will be utilized to control NOX emissions.

Siemens will perform much of the actual construction of the project under the terms of a contract already entered into between FPC and Siemens. To supplement the Siemens construction work, FPC will make modifications to certain existing facilities at the site and add new facilities as necessary to accommodate the new unit.

Upon commercial operation of the unit, Georgia Power will purchase from FPC a one-third undivided ownership interest in the unit and the facilities added specifically to accommodate the unit. The total in-service cost for Georgia Power's ownership in the project is estimated at \$13,926,394 -- or approximately \$95 per kilowatt based on the unit's 147-megawatt maximum output rating during the Company's summer entitlement periods. This in-service cost estimate includes the purchase price and Georgia Power's project development costs.

Several agreements are currently being negotiated between Georgia Power and FPC related to this project. Broadly speaking, these agreements will cover the purchase and ownership of the unit, the operation and maintenance of the facility, and the transmission of the power from the facility to the Georgia Integrated Transmission System (ITS). These agreements are expected to be completed during the first quarter of 1994. Certain portions of these agreements will require Federal Energy Regulatory Commission (FERC) or Securities Exchange Commission (SEC) approvals.

Appendix 2 contains a copy of the letter of intent dated August 12, 1993, and an extension thereto dated October 29, 1993 entered into by Florida Power Corporation and Southern Company Services, serving as agent on behalf of Georgia Power and the other Southern Company operating companies.

#### A. PROJECT DESCRIPTION



The primary systems of the Intercession City CT Project are the:

- combustion turbine and auxiliary equipment;
- fuel oil forwarding systems;
- water treatment, storage and forwarding systems;  
and
- other balance of plant equipment and facilities.

#### A.1. INTERCESSION CITY FACILITY

The Intercession City facility currently has six Turbo Power and Marine combustion turbines operating since 1974, plus four General Electric 7EA combustion turbines which began commercial operation earlier this year.

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The Intercession City site is located in Osceola County, Florida, at the intersection of State Route 532 and US17/92, approximately 7 miles west of the city of Kissimmee, Florida, near Orlando. The 167.5 acre site is situated in a rural region consisting of a combination of uplands, wetlands and hardwood forests. In addition to road access, the site is adjacent to a treated waste water pipeline, an oil pipeline, a rail line, and FPC's 230/69 kV transmission system.

#### A.2. COMBUSTION TURBINES AND AUXILIARY EQUIPMENT

The generation and auxiliary equipment for the project will be built by Siemens Power Corporation under the terms of the contract between FPC and Siemens. The turbine-generator unit consists of the following equipment:

- Siemens V84.3 turbine
- two combustion chambers, each with 6 burners and 2 flame monitors

- natural gas and No. 2 oil fuel injection equipment, although the unit is expected to burn oil only at the present time
- NOX emission reduction system for fuel oil operation
- lubrication/control oil system
- control system
- turbine blades cooling air system
- intermediate shaft
- generator

Associated mechanical equipment provided by Siemens include inlet air filtration and silencer, exhaust system, and a CO2 fire protection system. Siemens also will provide certain electrical and instrument/control equipment including various transformers, circuit breakers, switchgear, and a power control center.

#### Siemens Model V84.3 Description

The Siemens Model V84.3 represents a new generation of high

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efficiency advanced combustion turbines. This model was developed from the V84.2 model which was introduced in 1987. The common design features include the following:

- 17 compressor stages
- 4 turbine stages
- Compressor blade carriers
- Disk-type rotor

- Two outboard bearings
- Axial exhaust

Furthermore, the V84.2 machine was based on the 50 Hz model V94.2 introduced in 1970. The following design features have characterized all Siemens models since 1970:

- Two off-board multi-burner combustion chambers
- Generator at compressor end
- Light weight shaft stacked disc-type rotor requiring only two bearings
- No shaft-driven ancillary equipment, instead only separate motor-driven auxiliaries are utilized

More output and higher efficiency (36.1 %) are achieved on the advanced models like the V84.3 by a mass flow increase, a higher pressure ratio, an elevated turbine inlet temperature as well as improved compressor and turbine efficiencies. The increase of flow and pressure ratio required increasing the compressor intake dimensions by about

10 percent. Supersonic blade profiles were adopted for the first two compressor stages to improve their performance. Other improvements include: externally cooled turbine blade cooling air system, horizontal combustion chamber design, four stages of adjustable inlet guide vanes, and improved metallurgy and blade coating technology. These advanced features were previously introduced on a geometrically similar 60- megawatt model V64.3.

Although none of the units are commercial at this time, the model V84.3 utilizes mature and proven basic design features

from its predecessor the V84.2 and advanced design features from the geometrically similar V64.3 model. Both V84.2 and V64.3 have been operating commercially. Furthermore, the V84.3 prototype has undergone exhaustive testing in Germany

to verify static and dynamic stresses, blade metal temperature distribution, vibration levels and emissions at various load levels. Based on these tests: higher machine output and lower emissions are possible, and (2) certain blade cooling deficiencies have been overcome. As a result of this comprehensive testing program, it is expected that the model V84.3 would have minimal field problems. It should be noted that the machine to be installed at the Intercession City facility will be the third V84.3 and the first unit with a significant United States manufactured content.

Siemens is providing more than the normal level of warranties for the Intercession City unit. Siemens has extended the warranty on the unit to five years which is well beyond the current manufacturers' standard of one year. Furthermore, Siemens will replenish the initial spare parts supply as required during the five year warranty period.

Maintainability of the model V84.3 can be considered better than that of its predecessors because of the following features:

- easy access allows complete visual inspection of the hot gas path from the burners to the first stage blades
- large access opening permits minor repair work inside the silo combustors without dismantling the flame tubes
- several openings facilitate visual inspection of compressor and turbine flow sections
- all moving blades can be exchanged without taking the rotor out of its bearings
- all lower stationary blade carriers can be removed from underneath the rotor
- compressor blade carriers can be aligned from the outside
- exhaust bearing without horizontal joint permits axial assembly

This improved maintainability can potentially reduce

lifetime operation and maintenance costs.

### A.3. FUEL SYSTEMS

All of the Intercession City units are planned to burn No. 2 fuel oil only, as the facility is not supplied with natural gas. The Siemens V84.3 combustion turbine unit will require 204 gallons of No. 2 fuel oil per minute. The combined fuel consumption rate for the entire Intercession City facility, including the Siemens unit and the ten existing units, will be 1,072 gallons per minute (gpm).

In general, fuel will be transported to the plant by Central Florida Pipeline from Tampa. Fuel oil can be delivered to the site at an average rate of 2000 barrels per hour or 1400 gpm. Alternatively, fuel oil can be received from local distribution companies by truck. The unloading capacity for trucked oil is approximately 1250 gpm including connect and disconnect time. The fuel oil supply is expected to be contracted on an annual basis.

Fuel oil for the entire Intercession City facility will be stored in three existing, interconnected, atmospheric pressure storage tanks. The combined capacity of these tanks is 15.1 million gallons.

### A.4. WATER SYSTEMS

Water injection will be utilized to control the NOX emissions of the new Siemens V84.3 combustion turbine unit to a guaranteed level of 42 ppm<sub>dv</sub> for No. 2 fuel oil operation. The new unit will require 280 gallons of demineralized water per minute of full load operation. The combined water consumption rate for the entire Intercession City facility, including the Siemens unit and the ten existing units, will be 666 gallons per minute.

The existing water treatment system will provide demineralized injection water and combustion turbine wash water for the entire facility at a rate of 370,000 gallons per day. The maximum production capability of the system is 330 gallons per minute. The water treatment system consists of a combination of permanent and temporary (mobile)

equipment. The permanent equipment includes one reverse osmosis (RO) product water tank, interconnecting piping, valves, and instrumentation. The interfacing mobile equipment consists of pretreatment equipment, RO equipment, and ion exchange equipment. Treated wastewater received from the City of Kissimmee wastewater pipeline is routed to the mobile pretreatment equipment and then to the mobile RO

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equipment for further treatment. The RO product water is routed to the permanent RO product water tank for intermediate storage and then to the mobile ion exchange equipment for final treatment and storage.

The treated water will be stored in two existing, atmospheric pressure storage tanks. The combined capacity of these tanks is 2.2 million gallons.

#### A.5. OTHER BALANCE OF PLANT SYSTEM

Other existing facilities which will support the new Siemens combustion turbine, as well as the ten existing units, include:

- additional water systems, which will provide water for various washdown, fire protection, and plumbing purposes
- a common services building, which will house the control room, offices, maintenance and machine shop, parts storage area, and offices
- remote control and remote dispatching systems
- site fire protection systems, which will supplement the CO2 system provided by Siemens for the new combustion turbine unit
- wastewater collection, treatment, and disposal systems.
- remote warehouse (located 30 miles away in Enterprise, Florida), which is the primary storage warehouse for unit spare parts covering the

combustion turbines for the Intercession City facility as well as for FPC's Turner and DeBary facilities.

B. PERFORMANCE CHARACTERISTICS

Georgia Power will have a one-third ownership interest in the unit and will be entitled to the entire capability of the unit during June through September of each year. Florida Power, a winter peaking utility, will have the remaining two-thirds ownership interest in the unit and will have exclusive rights to the unit's output during the other eight months of the year.

Based on production cost modeling results, Georgia Power expects to operate the unit in a peaking mode during its

summer entitlement periods. On average, the Company anticipates operating approximately 50 hours per year (which equates to 0.6% capacity factor on an annual basis) with around 15 unit starts.

The following output, heat rate, and availability ratings relate to Georgia Power's entitlement during the summer periods.

B. 1. OUTPUT AND HEAT RATE

The following summer performance ratings have been calculated based on correction factors obtained from performance curves contained in the Siemens Proposal. Appropriate correction factors were used to adjust for the site elevation and 95OF summer ambient temperature.

Output and Heat Rate Based on Guarantees in the Siemens Proposal Forms

Net Output @ 95 F . . . . .	136,750 kW
Net Heat Rate (HHV) @ 95 F and 100% Output	11,517 Btu/kWh
Net Heat Rate (HHV) @ 95 F and 75 % Output	11,974 Btu/kWh
Net Heat Rate (HHV) @ 95 F and 50% Output	12,999 Btu/kWh

Expected Output and Heat Rate per the Siemens Computer Analysis

Net Output @ 95 F . . . . .	147,281 kW
Net Heat Rate (HHV) @ 95 F and 100% Output	11,453 Btu/kWh

B.2. AVAILABILITY

Planned maintenance for the new unit is expected to occur only during the eight-month FPC entitlement periods. Therefore the effective planned maintenance outage rate during Georgia Power's entitlement period is zero. The expected demand equivalent forced outage rate for the unit is 4 percent, resulting in an expected demand availability factor of 96 percent. The demand availability factor is defined as the percent of demanded generation that is actually delivered.

C. ENVIROMENTAL IMPACTS

The Florida Department of Environmental Protection (FDEP), formerly the Department of Natural Resources and the Department of Environmental Regulation, has already granted its approval for the installation of new combustion turbines

at the Intercession City site. While the permits were issued for the installation of two General Electric 7F units instead of a Siemens V84.3 unit, the emission and discharge parameters of the Siemens unit are expected to meet the permit conditions already established and approved by the FDEP, thus allowing an uncomplicated reissuance of the permits. The following sections discuss the environmental impacts of the facility and the findings of the FDEP.

C.1. ENVIRONMENTAL COMPLIANCE

The Intercession City project has been issued construction permits for the four General Electric model 7EA CTs which began commercial operation earlier this year, plus two



additional General Electric model 7F CTs. The decision to select the Siemens V84.3bine in place of one of the General Electric 7F CTs (the second 7F has been postponed) does not significantly change the emissions or the environmental impacts because the Siemens CT is approximately the same size as the 7F and has similar emission characteristics. The amounts and qualities of water, fuel, wastewater, exhaust gas, surface runoff, wetlands impacts, etc. are not changed appreciably by the substitution. Therefore, the construction of this unit will require only administrative changes to the construction permits and compliance with environmental regulations will be ensured through compliance with existing permit conditions.

Operating compliance will be demonstrated through reference method tests, regular monitoring, and reporting of environmental parameters. Periodic reports are specified in the special conditions of the air and water permits.

C.2. ENVIRONMENTAL ASSESSMENT

This project is not a major action by a federal agency so a National Environmental Policy Act environmental impact study is not required.

C.3. AIR EMISSIONS

The proposed Siemens combustion turbine is expected to exhibit the following approximate exhaust gas parameters at guaranteed conditions:

Flow.....	3,569,040	lb/hr
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Temperature.....	989	F
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Nitrogen Oxides.....	42	ppmdv
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Carbon	5	ppmdv
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Monoxide.....		
Carbon Dioxide.....	5	% Volume
Volatile Organic Compounds....	3	ppmwv
Methane (estimated).....	2	ppmwv
Particulate Matter (PM-10)....	<10	lb/hr
Sulfur Dioxide.....	226.1	lb/hr
Opacity.....	<10	%

The permit conditions require an initial test for beryllium, arsenic, and mercury emissions for informational purposes but no limits are specified. Chlorofluorocarbons, halogens and other ozone depleting substances are negligible products of combustion from CTs. Hydrogen sulfides and ammonia are currently not pollutants of concern for the Environmental Protection Agency (EPA) in the operation of CTs. Air quality modeling was performed by Florida Power Corporation and by the U.S. Fish and Wildlife Service. These were reviewed by the FDER and both demonstrated acceptable impacts on ambient air quality.

Sulfur dioxide emissions will be in compliance with Title IV of the Clean Air Act Amendments (CAAA) of 1990, as Georgia Power's current overall compliance strategy will provide a sufficient number of allowances to meet the resulting needs.

Title III of the CAAA of 1990 lists 189 air toxic compounds or groups of compounds. It is recognized from previous studies of health risks from power plant emissions that utility sources pose very little air toxic risk. Therefore, instead of drafting utility regulations, the EPA was directed to undertake a risk assessment study of utility emissions to determine whether any additional emission

controls are warranted. The study is now underway and the EPA is currently compiling emission information. The utility industry will be regulated for air toxics only if the results of the EPA study indicate such a need.

An appropriate continuous emissions monitoring system will be provided and is included in the project construction scope and cost estimate.

#### C.4. WATER ISSUES

The project has been approved by the South Florida Water Management District and the FDER for water withdrawal, process discharges, construction discharges, stormwater discharges, and wetlands impacts - including preservation and reconstruction. The Corps of Engineers has also approved, under Nationwide Permits, wetland drainage and filling activities on site.

#### C.5. OTHER ISSUES

The project is not a generator of solid or hazardous waste and thus will not require a hazardous waste generator ID number. Any solid or hazardous wastes generated during construction will be properly disposed off-site at an approved facility.

Noise parameters are well within the limits normally applied to industrial areas in Florida municipalities.

Threatened and Endangered Species have been identified in the vicinity of the project but no critical habitat has or will be disturbed. Moreover, the U.S. Fish and Wildlife Service has reviewed the project and found the impacts acceptable.

#### D. SCHEDULES

A major milestone schedule for the project is presented below. In summary, the combustion turbine/generator is being furnished by Siemens to FPC on a "turn-key" basis. The unit will be started in Spring 1995 and tested by Siemens for approximately three months prior to initial synchronization to the transmission grid around July 1, 1995. The months prior to commercial operation on or before January 1, 1996, will be spent operating and testing the unit and training FPC personnel. Given that the unit will actually begin operating in Spring 1995, there will be an approximate 14

use of the facility in June 1996, providing ample opportunity to assure reliable service.

Event	Start Date	End Date
Engineering and Procurement	09/93	06/95
Environmental Permitting	11/93	06/94
Site Construction	09/94	06/95
Equipment Delivery	01/95	03/95
Siemens Testing and Start-up	03/95	06/95
Initial Synchronization		07/01/95
Additional Testing and FPC Training	07/95	12/95
Commercial Operation Date (on or before)		01/01/96
Start of Georgia Power's First Entitlement Period		06/01/96

#### E. PERMITS

The permits required by the project include construction-related permits, such as the building permit, and operations-related permits, such as the air permit. The following table provides a listing of the required permits and their current status.

Permit	Issuing Agency	Status
Air Permit	Fla Dept of Envir Prot	Already apprvd for 4-GE7EAs & 2-7Fs; need amendment for

NPDES	Fla Dept of Envir Prot	Not required (no discharges)
Building Permit	Osceola County, Fla	Future submittal
Construction Storm Water S	Fla Water Mgt Dist	Future submittal (if required)

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Construction Burning	Fla Dept of Envir Prot	Not required (use landfill)
Stack	Fed Aviation Admin	Future submittal
Septic Tank	Osceola County, Fla	Not required (use existing)
Wetlands	Fla Dept of Envir Prot	No new wetlands involved
General Water Use	S Fla Water Mgt Dist	Not required
Constr of Industrial	Fla Dept of Envir Prot	Renew to include new unit
Wastewater System		
Surface Water Mgt	S Fla Water Mgt Dist	Future submittal (if required)
Drinking Water	S Fla Water Mgt Dist	Existing permit is adequate

#### F. IN-SERVICE COST

The total in-service cost which Georgia Power requests be certified is \$13,926,394, which is approximately \$95 per kilowatt based on an expected output of 147 megawatts during the Company's summer entitlement periods. The in-service cost estimate consists of the following components:

Combustion Turbine-Generator & Auxiliary Equipment  
(provided under contract between Siemens and FPC) \$11,926,196

Installation of New Facilities and Modifications to  
Existing Facilities (performed by FPC) \$ 1,065,348

Capitalized Test Energy Costs	\$ 479,469
Total Purchase Price (paid to FPC at C.O.D.)	\$13,471,013
GPC Project Development Costs	\$ 455,381

Total In-Service Costs	\$13,926,394
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As described previously, Siemens Power Corporation will

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perform much of the actual construction of the project for FPC on a turn-key basis under the terms of a contract already entered into between FPC and Siemens. The costs of the turbine-generator and auxiliary equipment provided under this contract is \$35,778,587. Georgia Power's one-third share of this cost is \$11,926,196.

The payment of the full price by FPC to Siemens will be contingent upon the unit demonstrating at the "expected" output levels rather than at the lower "guaranteed" levels presented earlier. Should the unit meet the guaranteed performance levels but fail to meet the higher expected output levels during the first year of operation, then the payment to Siemens will be reduced by as much as \$1,500,000 and Georgia Power's cost will be reduced by as much as \$500,000.

To supplement the Siemens construction work, FPC will make modifications to certain existing facilities at the site and add new facilities as necessary to accommodate the new unit. In addition, FPC will incur costs for activities such as engineering and project management, licensing and permitting, establishing initial fuel inventory, and financing the progress payments made to Siemens prior to the commercial operation date. The estimated combined cost to FPC for all of these activities is \$3,196,045. Georgia Power's one-third share of these costs is \$1,065,348.

An additional cost which will be incurred by FPC prior to commercial operation is the fuel costs associated with the testing of the unit. The net cost to FPC is the difference between the price of the energy produced by the Intercession unit and FPC's marginal cost for the displaced energy. FPC's net test energy cost is estimated at \$1,438,406. Georgia Power's one-third share of these costs is \$479,469.

Upon commercial operation of the unit on or around January

1, 1996, Georgia Power will purchase from FPC a one-third undivided ownership interest in the unit and the facilities added specifically to accommodate the unit. The estimated purchase price is \$13,471,013 -- the sum of the \$11,926,196, \$1,065,348, and \$479,469 costs described above.

The total in-service cost associated with this project -- \$13,926,394 -- includes this purchase price plus \$455,381 in project development costs. The development costs include the costs Georgia Power expects to incur to support the development of this project. The project development costs

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include an estimated \$51,381 for AFUDC associated with those costs.

This cost does not yet include the cost which Georgia Power will be charged by the Commission associated with the Commission's review of this application.

#### G. LIFE-CYCLE COSTS

Georgia Power's ownership interest in the Intercession City CT Project will result in costs in addition to those related to the initial in-service cost. These costs can be grouped into the following seven categories:

- Investment Costs
- Common Facilities and Land Charges
- Transmission Charges
- Fixed Operating and Maintenance Costs
- Variable Operating and Maintenance Costs
- Fuel Bum Costs
- SO2 Allowance Costs

Exhibit III. 1 provides a summary of the costs associated with these major components.

Exhibit III.2 provides additional detail.

The life cycle costs presented here were developed assuming 50 hours of operation during Georgia Power's summer operation periods. Based on information provided by FPC, the analysis used an assumed 280 hours of operation during FPC's eight-month operation periods.

Also, Georgia Power and FPC are currently negotiating agreements which govern the assignment of costs associated with the new combustion turbine. The life cycle cost analysis presented here should be regarded as the Company's current best estimate of the costs which will be incurred over the useful life of the facility.

#### G.1. INVESTMENT COSTS

As discussed previously, the projected in-service cost of

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Georgia Power's ownership in the Intercession City Project is \$13,926,394. The revenue requirement stream associated with this investment will consist of a return of investment, a return on the undepreciated balance, and income taxes.

Additionally, a major inspection and refurbishment will take place in the future which will result in capital expenditures for the replacement of certain equipment such as exhaust stack and control systems. For the purposes of this analysis, it was assumed that these costs would be incurred around the 22nd year of operation.

Pages 1 and 2 of Exhibit III.2 provide the specific costs and associated revenue requirements for these costs.

An additional cost which might be incurred is the cost of decommissioning the unit at the end of its life. No estimate has been made, however Georgia Power expects that the cost would be very small relative to the overall cost of the project.



## G.2. COMMON FACILITIES AND LAND CHARGES

Georgia Power will purchase a one-third undivided ownership interest in the new combustion turbine unit and the additional facilities installed at the Intercession City site by FPC specifically to accommodate the unit. There are additional facilities, however, that will provide support for the new combustion turbine (as well as other existing units at the site) that Georgia Power will not purchase. Georgia Power will be charged for the use of these common facilities on an ongoing basis, based on the depreciated book value of those facilities.

It was assumed for the life cycle analysis that common facilities costs will be allocated to the new unit based on ratios of the new unit's use of the components of the common facilities. Some items may be common to the entire site, whereas others may only be common to portions of the site. Once the basis for allocating the existing common facilities to the new unit has been made, an annual service charge will be calculated based on the depreciated value of these assets. While subject to negotiation, the current estimate of these charges is \$135,000 in 1996, based on information provided by FPC, and declining thereafter.

In addition to common facilities, Georgia Power will be charged an ongoing fee for leasing the land on which the CT and associated new support facilities will be constructed. As with the common facilities charge, Georgia Power's charge for the land lease will be based on one-third of the value

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of the land assigned to the new unit. For the purpose of this analysis, it was assumed that this charge would be \$300 per year based on information provided by FPC.

Pages 3 and 4 of Exhibit III.2 provide the specific costs and associated revenue requirements for these charges.

## G.3. TRANSMISSION CHARGES

FPC, which is interconnected to the Georgia ITS, will provide transmission services to deliver energy from the new

unit to the Georgia system. During the first ten years of operation, FPC will charge Georgia Power according to a specific formulary rate based on the embedded costs of FPC's transmission system.

After the first ten years, FPC will have the right to seek FERC approval of changes in the transmission service rates to be paid by Georgia Power. However, Georgia Power would have the right to challenge FPC's request, and would also have certain options should the unit become uneconomic because of the cost or reliability of the transmission service provided by FPC. If that situation occurs, then the Company will have the unilateral right to (1) sell its ownership in the unit to FPC at its then depreciated book value or (2) obtain any transmission service FPC has available and sell the Company's entitlement to another party also interconnected to FPC. Georgia Power's current estimate of the cost of transmission service is \$1.18 per kilowatt-month (or \$4.72 per Idlowatt-year) in 1993 dollars, escalating annually at inflation.

Page 5 of Exhibit III.2 presents the revenue requirement cost associated with the transmission service charges.

In addition to the FPC transmission service charges, two additional transmission-related impacts were explicitly considered in evaluating the Intercession City project -- transmission system improvements costs and transmission system losses. In the same manner in which the purchased power bids were evaluated, an analysis was performed to determine the impacts of this project on the Georgia ITS. This analysis concluded, as described in Exhibit II.2, that there would be no incremental system improvements needed as a result of this project. Further, the analysis indicated that the delivery of power from the new unit from Florida into the Georgia system would actually result in an approximate 10 megawatt reduction in losses on the Georgia system. This reduction in losses on the Georgia system is expected to be partially offset by the contractual losses on the FPC system, which will be defined in the transmission

service agreement. For this analysis, a 3 percent (4 megawatt) FPC system loss was assumed.

#### G.4. FIXED OPERATION AND MAINTENANCE COSTS

Georgia Power will reimburse FPC for the Company's share of the fixed operating and maintenance costs of the new unit. The costs assumed for this category are:

- Annual Operation - Manpower requirements including direct operational staff, allocated management, allocated clerical support, and allocated general office support staff
- Annual Routine Maintenance - the cost associated with replacing the materials and parts used during routine maintenance of the unit
- Scheduled Outages - Pre-scheduled outages for the purpose of performing inspections, conducting major maintenance activities, and/or making capital additions; includes compensation to FPC for scheduling maintenance during non-summer periods only
- Fuel Inventory Carrying Cost - costs associated with maintaining a certain level of oil inventory over an extended period of time
- Emissions Testing - periodic testing of unit emissions as required by law
- Insurance - payments to FPC for insuring the unit
- Ad Valorem Taxes - Property taxes for the CT site and its improvements
- Stand-By Station Service - payments to FPC for providing the minimal station service necessary during hours the unit is not operating, in order for the unit to remain in a state of "readiness"

The estimated levelized real cost for these fixed costs in aggregate will be \$2.31 per kilowatt-year, in 1/1/93 dollars, assuming an annual inflation rate of 3.37%. Pages 6 and 7 of Exhibit III.2 provide the specific costs assumed for the life-cycle analysis.

#### G.5. VARIABLE OPERATION AND MAINTENANCE COSTS

For the purpose of estimating the life cycle costs associated with the unit, the following items were assumed to be included in the variable cost category.

- Demineralized Water - the cost of purifying and/or delivering purified water for use by the CT
- Cash Working Capital Carrying Costs - the cost associated with the lag between FPC's outlay of money for variable expenses and collection of revenues from Georgia Power.

The estimated levelized real cost for these variable costs in aggregate will be \$1.57 per megawatt-hour, in 1/1/93 dollars, assuming an annual inflation rate of 3.37%. Pages 8 and 9 of Exhibit III.2 provide the specific costs assumed for the life-cycle analysis.

#### G.6. FUEL BURN COSTS

Georgia Power will reimburse FPC for fuel which is used by the unit during the Company's summer entitlement periods.

As discussed earlier, Georgia Power expects to operate the unit only around 50 hours per summer period. The costs associated with this burn are estimated by adding the projected costs for Gulf Coast-derived fuel oil from the June 1992 (Budget 1993) Southern Electric System fuel forecast to the projected costs of delivering the fuel to the Intercession City facility.

Page 10 of Exhibit III.2 provides the specific annual fuel burn cost estimates.

#### G.7. SO<sub>2</sub> ALLOWANCE COSTS

Siemens advises that the new unit will emit no more than 226 lbs (. 1 1 tons) Of SO<sub>2</sub> per hour of operation at guaranteed ISO ratings. Because the unit will be classified as a Phase II unit under the Clean Air Act Amendments of 1990, emission

allowances will not be required prior to the year 2000. For the purposes of assigning a cost to these emissions, Georgia Power's estimated market value of allowances was used. At \$330 per ton in year 2000, the cost associated with 50 hours of operation is less than \$3,000.

Page I 1 of Exhibit III. 2 provides the specific expected annual allowance cost estimates.

GEORGIA PUBLIC SERVICE COMMISSION

Docket No. 4895-U

CERTIFICATES OF PUBLIC CONVENIENCE AND NECESSITY:  
FPC POWER PURCHASE, NO. GPC-1-PP  
INTERCESSION CITY CT PROJECT, NO. GPC-3-SS

IN RE: Application of Georgia Power Company for Certification  
of the Florida Power Corporation Purchase and  
Intercession City Combustion Turbine Project

Record Submitted: June 22, 1994

Decided: July 19, 1994

APPEARANCES:

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Commission:

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## FINDINGS OF FACT AND CONCLUSIONS OF LAW

### A. Summary

Georgia Power Company ("Georgia Power," the "Company," or "GPC") requests that the Georgia Public Service Commission grant it certificates of public convenience and necessity for: (1) a contract to purchase approximately 400 megawatts (MW) of peaking capacity and energy from Florida Power Corporation ("FPC"); and (2) the purchase of a one-third ownership interest in a 147-MW combustion turbine (CT) at FPC's Intercession City site in Florida at a certified capital cost of \$13,926,394, or roughly \$95 per kilowatt of peaking capacity.

The Intercession City CT's final negotiated contract costs vary slightly from the estimated costs used in GPC's certification application. The total in-service cost changed from \$13,926,394 to \$13,804,589 a reduction of \$121,805. As part of the negotiations, various other costs, such as the components of the O&M costs, increased or decreased. The end result was that the total project cost on a \$/Kw basis changed from \$307.66 to \$308.90 an increase of \$1.24 (Staff Ex. 11) The FPC Power Purchase is a four-year contract allowing Georgia Power to obtain 400 megawatts of peaking capacity and associated energy from FPC during the period from June through September ("summer months") of 1996 and 1997, and to obtain 200 megawatts during the summer months of 1998 and 1999. The contract has a certain amount of flexibility to change the amounts taken in each year, and to add some capacity during 1995.

The Commission in this Order grants with modifications the certificates requested by Georgia power to pursue the FPC Power Purchase and the Intercession City CT Project. The modifications that this Commission adopts revising the certificate requested by Georgia Power shall be conditions of the certificate issued.

## B. Jurisdiction, Issues and Proceedings

Georgia Power Company is a public electric utility serving retail customers within the State of Georgia. This Commission has jurisdiction pursuant to O.C.G.A. section 46-2-1 et seq. and the Georgia IRP statute, O.C.G.A. section 46-3A-1 et seq. This section of the Order identifies the general issues that must be decided when determining whether to grant, modify or deny an application for certification of resources under the Georgia IRP statute.

The Commission must adopt a forecast of future Georgia retail electricity requirements of the utility. O.C.G.A. section 46-3A-5(b). Georgia Power's load forecast is discussed as a specific issue later in this Order. For purposes of approving the certificates, however, the Commission uses the load forecast previously approved as part of the Integrated Resource Plan (IRP) adopted in Docket No. 4311-U.

The Commission shall issue a certificate upon finding: (1) that there is or will be a need for the capacity resource at the time it is proposed to be utilized to assure an economical and reliable supply of electric power and energy for the utility's Georgia retail customers; (2) that the certificate is required by the public convenience and necessity; and (3) that the certificate complies with the provisions of the Georgia IRP Act and the rules of the Commission. O.C.G.A. section 46-3A-4(a). These findings are supported by the evidence in this record, including Georgia Power's certificate application filing exhibits, the Staff Team's certificate analysis testimony and exhibits, and the evidence presented at the hearings. Therefore, the Commission finds and concludes that there is sufficient evidence to meet these statutory requirements and to support the decision herein set forth.

The Commission received into evidence the Company's application; the direct testimony with exhibits of the Company, of the Staff Team's witnesses, and of intervenor witnesses; the rebuttal testimony with exhibits of the Company; and cross-examination with exhibits of all parties, at public hearings which were held on March 24 and 25, May 19, and June 22, 1994. All parties were also given the opportunity to file briefs and reply briefs on June 30 and July 12, 1994.

## C. The Proposed Supply-Side Resources



The FPC Power Purchase is a four-year contract allowing Georgia Power to obtain 400 megawatts of peaking capacity and associated energy from FPC during the period from June through September ("summer months") of 1996 and 1997, and to obtain 200 megawatts during the summer months of 1998 and 1999. The Company also retains options to increase or decrease the capacity purchased during these years, and even to add up to 300 MW of purchased capacity in 1995. GPC can increase the capacity level during 1996 by an additional 100 MW. Subject to certain termination provisions, Georgia Power's minimum commitment is to buy 400 MW for 1996, 300 MW for 1997, and 150 MW for 1998 and for 1999. The capacity cost is approximately \$15 per Kw-yr, as described more fully in the contract. FPC will provide guaranteed system peaking capacity during the four summer months of each year. This refers to the system capacity of 1900 MW of FPC peaking units guaranteed to be available at a demand availability rate of 98%. This purchase is a product of Georgia Power's formal Request for Proposals to Supply Capacity and Energy ("RFP") released in February, 1993. That RFP produced 40 offers from 15 bidders, and after extensive evaluation, Georgia Power selected the FPC contract (GPC's Application for Certification at I-6 & Appendix 1).

The Intercession City CT Project consists of a single 147-MW oil-fired combustion turbine to be built at FPC's existing Intercession City facility near Kissimmee, Florida. When the unit becomes commercially operational by January 1, 1996, Georgia

Power will buy a one-third ownership interest in the unit. Georgia Power will have complete rights to the output of the unit during the summer months, while FPC, the holder of the remaining two-thirds ownership of the unit, will have full rights to the unit's output the remaining eight months of the year. This arrangement benefits both parties, since Georgia Power is projected to need an additional 560 MW of summer peaking capacity in 1996 (amply met by these resources, totaling 574 MW), while FPC is a winter-peaking utility that needs additional capacity in October through May. The certified capital cost of Georgia Power's one-third ownership interest in the CT project was estimated in Georgia Power's application to be \$13,926.394, although Georgia Power's estimate of the capital cost is now \$13,804,589 (Staff Exhibit 11).

Compared to the other purchased power and self-build options

open to Georgia Power, the FPC Power Purchase and the Intercession City CT Project seem to be the two best options currently available to fulfill the Company's 1996 capacity requirements. The Company projected that these two options will save Georgia ratepayers approximately \$21 million over the next 40 years, relative to Georgia Power's self-build option. (GPC Application at II-6.) The amount of actual savings depends not only on assumptions about plant operations, but also on the Company's self-build option being the avoided unit.

The Commission adopts the recommendations of the Staff Team and other intervenors to certify the proposed FPC Power Purchase and Intercession City Project. This and other Staff Team recommendations were submitted in testimony by the consultants of GDS Associates. The Commission agrees that the two options selected by Georgia Power appears to be the best available to Georgia ratepayers. Since the Company has produced ample evidence assuring the reliability of a summer-only facility, this Commission's concern is that Georgia Power provide, as soon as possible, an updated load forecast accounting for the 1996 Summer Olympics in Atlanta, as well as the most recent estimate of energy efficiency impacts due to the Energy Policy Act of 1992.

The Commission notes that the flexibility written into the FPC Purchase Agreement has value, especially given Georgia Power's load forecast situation. Atlanta's hosting of the Olympics during the summer of 1996 is likely to have significant impact on Georgia Power's loads (Tr. 804-805). Therefore, this certification expressly allows Georgia Power the latitude to use the contract's flexibility to adjust the needs if cost-effective, including (but not necessarily limited to) use of the additional 100 MW during the summer of 1996.

#### D. Georgia Power's 1996 RFP Selection Process

Georgia Power issued its RFP on February 15, 1993, to meet projected capacity needs of 600 MW by early 1996 and an additional 600 MW by early 1997. On September 30, 1993, Georgia

Power selected the FPC Power Purchase and the Intercession City Project to meet the 1996 capacity need.

There was some criticism by parties in this Docket of certain aspects of the Company's 1996 RFP process. The first concerned the bid fees established by Georgia Power. The base

fee was \$10,000, with \$2,000 for each additional bid on the same site but having a different number of combustion turbines. There were fears that these fees might deter potential bidders and lessen the quality of bidder competition, therefore the parties recommended reductions from \$5,000 and to \$1,000, respectively.

A second criticism concerned the non-price factors. Georgia Power asked bidders to provide non-price information, but did not explain how it would be used in the bid evaluation. The Staff Team recommends that the Company provide in the RFP a detailed description of how it will weigh non-price factors, and then follow these guidelines accordingly during the evaluation process (Tr. 481, 483; GDS Direct at 10, 12). Georgia Power apparently agrees to this recommendation (Tr. 759; GPC Rebuttal at 7).

Another criticism was aimed at the requirement that generating facilities dedicate their capacity exclusively to Georgia Power. The Consumers' Utility Counsel ("CUC"), and the Staff Team noted that while utilities like FPC have a capacity obligation to their own ratepayers and thus do not need to sell their capacity elsewhere during the winter months, independent power producers would be at a competitive disadvantage under the Company's scenario because they would be denied an alternative market for their capacity (Tr. 678; CUC Direct at 23).

The Staff Team's witnesses presented several other concerns and recommendations. The Company withheld key transmission information, and denied the requests of some bidders for more detailed transmission information that would have enabled them to improve the cost-effectiveness of their project bids, to the ultimate benefit of ratepayers. Instead, GPC provided only generalized information about the integrated transmission system ("ITS"). The Staff recommends that the Company be required to respond to requests for such information, and if any unusual cost is incurred the requestor should be billed (Tr. 487; GDS Direct at 16). Georgia Power has no objection to this recommendation (Tr. 760; GPC Rebuttal at 8). The Staff Team notes that the billed costs should only be those reasonably and necessarily incurred and that the requestor should be notified before billing.

The Commission believes that there is validity to these concerns and that the Company should attempt to alleviate such concerns in future RFPs. This Commission also concludes that it is not necessary at this time to require GPC to re-open its 1997 Bid Process as was initially recommended in this Docket. The Staff ultimately removed this recommendation from consideration.

Finally, the Independent Power producers' Group ("IPP Group") proposed six changes to promote competition in Georgia. Five were consistent with the Staff Team recommendations discussed here and in other sections of this order. The sixth was that an independent evaluator be established to evaluate all bids, including the utility's self-build proposals (IPP Group Brief at 6-9). The Commission finds that this issue should be deferred to allow time for the new rule amendments to achieve its intended fair and impartial results.

#### E. The Intercession City Combustion Turbine Project

The Intercession City Combustion Turbine Project involves one 147-MW oil-fired, simple-cycle CT to be built near Kissimmee, Florida, at FPC's Intercession City generating plant site. This site already supports 10 operational CTs, all oil-fired with an existing oil pipeline providing the necessary fuel. Addition of the new CT would not negatively affect the currently operational units and should incur comparatively little cost, since the requisite oil pipeline, oil storage tanks, water treatment plant, service building, and waste systems are functional and already installed.

FPC chose the Siemens Power Corporation Model V84.3 as the combustion turbine for the project. Although it is a recent model not currently operational in any commercial facility, Georgia Power points to the extensive testing and guarantees provided by Siemens as evidence of the V84.3 unit's reliability. Furthermore, by the time that the Intercession City combustion turbine is built, two other V84.3 models will be in commercial operation.

The joint ownership of the CT will allow Georgia Power one-third ownership, but provides for the complete power output for the months of June through September each year. The initial estimate of GPC's portion of the in-service cost of the unit was \$13,926,394, roughly \$95 per Kw; the Company's share now falls at approximately \$13,804,589, or about \$94 per Kw (Staff Exhibit 11). Siemens Power Corporation will perform most of the construction of the project, including the V84.3 unit, inlet air and exhaust systems, fire protection system, generator, transformers, switchgear, and control systems, beginning in September, 1994.

Not until January, 1996, after a test period, will Georgia Power actually close on its one-third share; the Company can, in fact, delay closing until June 1, 1996. As a protection to the Company, "If the level of reliability of transmission services or

the cost of transmission services make continued ownership in the unit uneconomic, the Company may require FPC to purchase its ownership interest in the unit for its depreciated book value or obtain from FPC any available transmission services to allow the Company to sell its interest in the unit to third parties" (Tr. 499; GDS Direct at 28).

The Staff Team consultants determined \$13,926,394 (Georgia power's initial price for the project) to be a reasonable cost, although somewhat above one-third of the estimated expense of the Company's McIntosh self-build option (Tr. 500; GDS Direct at 29). GDS is concerned, however, with the reliability of the Siemens V84.3, as no other of this model is currently operational to prove its ability to meet expectations. GDS fears lower reliability and a higher Equivalent Forced Outage Rate could result in higher expenses if the Intercession City project fails to deliver the peaking capacity required. This Commission concludes that a review of operational problems found during startup and initial operation of the Intercession City project is appropriate.

The Staff Team consultants also advise that the signed Operating Agreement be reviewed, and that any concerns raised over the operating costs or cost allocation be settled in the Company's next rate case (Tr. 509; GDS Direct at 38). Georgia Power agrees to this recommendation by GDS, but advises the Commission that the O&M costs of this project, while perhaps high, were the lowest of any of the options available to the Company, providing ratepayers \$21 million in savings relative to the other projects proposed (Tr. 764; GPC Rebuttal at 12). The Commission finds that any such concerns can be addressed in the cost recovery proceedings to be conducted in the future.

The Staff Team consultants further recommend that extra power be sold through the Florida energy broker system, possibly with FPC as an intermediary and/or through standard economy energy transactions, both of which would reap revenues for the Company's stockholders and ratepayers (Tr. 511; GDS Direct at 40). Georgia Power maintains its policy has always been to "engage in economy energy and other transactions which benefit our customers" (Tr.765; GPC Rebuttal at 13), thus apparently agreeing in principle to the recommendation.

The Commission finds that the Staff Team's recommendations regarding the Intercession City CT project are reasonable and

should be adopted, with the proviso that the review of any cost issues resulting from the final Operating Agreement should occur during proceedings that the Commission intends to conduct to decide regulatory treatment issues, as discussed next in this Order.

#### F. Regulatory Treatment

The regulatory treatment issues pertain only to the FPC Power Purchase. Georgia Power proposed to recover capacity and energy costs associated with the FPC Power Purchase through the Fuel Cost Recovery (FCR) mechanism. Moreover, under the Company's proposal an "additional sum" of \$2.3 million would also be collected through the FCR mechanism. These proposals are largely opposed by the Staff Team and most intervenors.

Georgia Power asks for FCR recovery of FPC purchase capacity and energy costs that will be incurred beginning in 1996. Essentially Georgia Power relies on its interpretation of the "Fuel Cost Recovery" statute, to support its claim for use of the FCR. See O.C.G.A. sections 46-2-26(b) and 46-2-26(j).

The Staff Team did not endorse the use of the FCR mechanism to allow Georgia Power to recover the FPC Power Purchase expenses, but believes that O.C.G.A. section 46-2-26(j) could be interpreted to require the Commission to accept purchase power cost recovery via some adjustment mechanism.

Neither the Staff Team, the CUC, the Campaign for a Prosperous Georgia ("GPG"), the GIG, the Georgia Textile Manufacturers Association ("GTMA"), nor the Southern Environmental Law Center ("SELC") believe FCR recovery to be appropriate. CUC witness Talbot explains, "a fuel adjustment clause's scope should be narrow; it should not be a catch-all for a wide range of adjustments" (Tr. 662; CUC Direct at 7). This Commission has also expressed this as its policy in Georgia Power's most recent FCR case, Docket No. 4798-U.

The use of an adjustment mechanism, or rider, also poses an allocation problem. Representing industrial consumers with high energy load factors, both the GTMA (Tr. 648; GTMA Direct at 5) and the GIG (Tr. 721; GIG Direct at 11) objected to the use of the FCR (a price per Kw-hr scheme) to recover purchased power capacity costs, because a disproportionate amount of the costs would be borne by customers with high load factors. This is

especially onerous to them since the costs will be for peaking capacity.

The Staff Team also points out that there is no need to rush to a decision on revenue recovery, not only because of the great risk of double recovery, but because Georgia power will not even begin to incur the purchase power costs until 1996. Therefore, the Commission concludes that the decision on the method of recovery should be deferred until 1996, unless otherwise ordered by the Commission.

Additionally, Georgia Power proposes an "additional sum" of 50% of the savings from the FPC Power Purchase, both energy and capacity. The Staff Team was opposed to this proposal, taking the position that it takes money from ratepayers and gives it to the Company, not in order to reimburse any costs, but merely to compensate the Company for complying with the requirements of the IRP Act.

The IRP Act at section 46-3A-8 does provide for the utility to recover purchased power costs," along with an additional sum as determined by the commission to encourage such purchases. The commission shall consider lost revenues, if any, changed risk, and an equitable sharing of benefits between the utility and its retail customers."

The CUC, CPG, GIG, GTMA, and SELC join with the Staff Team in recommending denial of an "additional sum." The Company believes it would be unjust for the Commission to take away the hope of an "additional sum" so late in the certification process and urges the Commission not to heed recommendations to do so (Tr. 768; TGPC Rebuttal at 16).

The Staff Team consultants further recommend that the issue of an "additional sum" be deferred and addressed in a Georgia Power rate case, as a more appropriate forum for such a determination (Tr. 515, GDS Direct at 44). They believe it would not be suitable to decide this one issue out of the context of all aspects of the Company's operations; that would be "piecemeal" or "single-issue ratemaking."

As is the case with the method of purchased power recovery, this Commission concludes that the issue of the "additional sum" would best be postponed for further review. It will be included in the consideration given to other regulatory treatment issues

in the proceeding referred to above, unless otherwise ordered by the Commission.

#### G. Load Forecast

Georgia Power relied on the 1992 load forecast that was approved as part of the Commission's Order in Docket No. 4311-U (the Robins CT certification) to justify its proposed supply-side resource additions in this case. Georgia power claims that it chose not to develop another load forecast before August 1994, so the 1992 load forecast (which it calls the "Budget-93" Load Forecast) was the most recent one available.

The Staff Team consultants objected to Georgia Power's reliance on the 1992 load forecast, maintaining that developments since 1992 outdate its use. These developments include a greater than foreseen response to Georgia Power's residential DSM programs, newly instituted real-time pricing and time-of-use tariffs, more accurate information on the predicted effects of the recent National Energy Policy Act efficiency standards, more thorough data estimating the impact of interruptible rates and the stand-by generation program, and, finally, economic influences including the 1996 Summer Olympics to take place in Atlanta. (Tr. 512-513; GDS Direct at 41-42). In rebuttal testimony, Georgia Power agrees to submit an updated load forecast to the Commission, but maintains that the 1992 load forecast is not so outdated as GDS implies (Tr. 756; GPC Rebuttal at 4).

The CUC agrees that the 1992 load forecast used is not outdated enough to deny Georgia Power certification of the proposed projects, but recommends "that no further projects be approved by the Commission without a review of the Company's new load forecast, ... an updated DSM plan, and a schedule of supply-side resources" (Tr. 676; CUC Direct at 21).

The Commission finds the proposed resources should be approved on the basis of the previously approved forecast from Docket No. 4311-U; and further, that Georgia Power should be directed to submit an updated load forecast reflecting, inter alia, the 1996 Olympics and the impacts of the Energy Policy Act of 1992, no later than August 31, 1994.

WHEREFORE, IT IS



ORDERED, that the Commission grants with modifications the certificates requested by Georgia Power Company for 1996 supply-side peaking resources. Certificate No. GPC-1-PP shall be to purchase peaking capacity from Florida Power Corporation according to the Purchase Agreement contract. Certificate No. GPC-3-SS shall be to purchase a one-third ownership interest in the 147-megawatt combustion turbine at the FPC Intercession City site in Florida at the revised capital cost of \$13,804,589, or roughly \$94 per kilowatt of peaking capacity (Staff Exhibit 11). The modifications adopted herein shall be conditions of the certificate issued.

ORDERED FURTHER, that Georgia power shall develop and file with this Commission no later than August 31, 1994 its updated load forecast. This forecast is to account, among other things, for both the 1996 Summer Olympics in Atlanta and an accurate assessment of energy efficiency impacts resulting from the Energy Policy Act of 1992. The Commission will consider it pursuant to O.C.G.A. section 46-3A-6.

ORDERED FURTHER, that the Commission adopts the following as guiding principles for the Company's future RFP processes and purchase power acquisitions:

- (i) The base bid fee for bids should be set to a maximum level of \$5,000 with an additional \$1,000/bid for same-site bids, unless GPC can demonstrate that a more costly evaluation process is required. A fee too costly can discourage potential reliable bidders and thereby hamper competition and, ultimately, savings for the ratepayer.
- (ii) GPC should provide in the RFP a full explanation of the precise weighing and criteria for all non-price factors, so that prospective bidders can determine the corresponding effects. This process should be closely monitored by the Commission Staff by reviewing GPC's draft RFP, to be submitted 60 days in advance of the RFP's formal issuance (as required by the Commission's IRP rules regarding RFP processes).
- (iii) Purchased power producers who obtain a contractual

agreement with the Company should be permitted to sell at wholesale to third parties when the capacity is not needed by the Company to serve territorial load requirements.

- (iv) Future RFPs should be structured such that GPC responds to requests made for transmission and other similar information in the course of bid preparations. If responding to such requests imposes additional costs on GPC not otherwise recovered through the bid fee, the Company should bill the requestor for the appropriate prudent expenses incurred.
- (v) Georgia Power should pursue economic opportunities to benefit the Company and ratepayers, by selling the unit's power to the extent unused by GPC during the summer months when it owns all of the unit's output. Such opportunities can occur through the Florida energy broker system or through standard economy energy transactions, and should benefit both the Company and its ratepayers.

ORDERED FURTHER, that with regard to the Intercession City Project, Georgia Power is directed to develop and file with the Commission reports on any and all operational problems encountered during startup and initial operation of the Siemens Model V84.3 units at the Intercession City project for the Commission's review. The final Operating Agreement is to be reviewed by the Staff regarding the reasonableness of the O&M costs.

ORDERED FURTHER, that Georgia Power shall be allowed to recover its certified costs associated with the FPC Power Purchase. However, the method of recovery will not be decided until 1996, unless otherwise ordered by the Commission. Any decision regarding an "additional sum " to be recovered by Georgia Power under O.C.G.A. section 46-3A-8 shall also be deferred until such time.

ORDERED FURTHER, that all findings of fact and conclusions of law made in the previous sections or any other motion shall not stay the effective date of this Order, unless otherwise ordered by the Commission.

ORDERED FURTHER, that a motion for reconsideration, rehearing or oral argument or any other motion shall not stay the effective date of this Order, unless otherwise ordered by the Commission.

ORDERED FURTHER, that jurisdiction over this matter is

expressly retained for the purpose of entering such further Order or orders as to this Commission may seem meet and proper.

The above by action of the Commission in Administration Session on the 19th day of July, 1994.

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Terri M. Lyndall  
Executive Secretary

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Robert B. Baker, Jr.  
Chairman

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Date

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Date

## Form of Notice

Georgia Power Company ("GPC") is a wholly-owned subsidiary of The Southern Company, a registered holding company under the Public Utility Holding Company Act of 1935. Florida Power Corporation ("FPC") is a corporation organized and existing under the laws of the State of Florida.

GPC proposes to purchase from FPC a percentage undivided ownership interest in the Intercession City Facility Combustion Turbine (the "Facility"), pursuant to the Intercession City Siemens Unit Purchase and Ownership Participation Agreement dated as of June 8, 1994 between GPC and FPC (the "Ownership Agreement") and the Intercession City Siemens Unit Step-Up Transformer Purchase Agreement dated as of June 8, 1994 between GPC and FPC (the "Step-Up Transformer Agreement"). The Facility includes one complete Siemens V84.3 combustion turbine-generating unit and a step-up transformer. At the closing, which is currently scheduled to occur in January 1996, FPC will sell and transfer to GPC and GPC will purchase from FPC a one-third undivided ownership interest in the Facility, and FPC will

furnish to GPC a release from any and all mortgages, deeds to secure debt or other security interests with respect to GPC's undivided ownership interest in the Facility.

The purchase price for the assets to be acquired by GPC at the closing will be one-third of the costs of construction incurred with respect to the Facility which are currently

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estimated to be \$13,137,680.

Pursuant to a Long Term Lease Agreement dated as of June 8, 1994 between GPC and FPC, FPC shall lease to GPC an undivided one-third interest in the real property on which the Facility will be developed. The annual rent for the leasehold interests conveyed to GPC shall be \$300.00 per year plus all Florida sales taxes applicable thereto.

The Facility will be managed, controlled, operated and maintained by FPC on its own behalf and as agent for GPC in accordance with the terms and conditions set forth in the Ownership Agreement and the Intercession City Siemens Unit Operating Agreement dated as of June 8, 1994 between GPC and FPC (the "Operating Agreement"). FPC and GPC shall pay all future costs of construction on a pro rata basis based on their percentage undivided ownership interests in the Facility at the

time such costs are incurred. FPC and GPC will share operating costs and fuel costs as follows: fixed operation and maintenance costs and fixed fuel costs shall be allocated between the FPC and GPC in proportion to their respective percentage undivided ownership interests in the Facility; variable operation and maintenance costs and variable fuel costs and variable fuel costs incurred by FPC during the months of June, July, August and September (the "Summer Period") shall be allocated solely to GPC; and variable operation and maintenance costs and variable fuel costs incurred by FPC during the months of October, November, December, January, February, March, April and May (the "Winter

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Period") shall be allocated solely to FPC. In addition, GPC will pay a share of the monthly administrative and general costs of operating the Facility pursuant to the terms of the Operating Agreement.

GPC will be entitled to the net capacity and the net energy output of the Facility at all times during the Summer Period. FPC will be entitled to the net capacity and the net energy output of the Facility at all times during the Winter Period.

The Facility is scheduled to go into commercial operation in January 1996.