GULF POWER COMPANY

STANDARD RATE FOR PURCHASE OF AS-AVAILABLE ENERGY FROM QUALIFYING COGENERATION AND SMALL POWER PRODUCTION FACILITIES (QUALIFYING FACILITIES) (SCHEDULE COG-1)

AVAILABILITY

The Company will purchase energy offered by any Qualifying Facility, irrespective of its location, which is directly or indirectly interconnected with the Company under the provisions of this schedule or at a contract negotiated rate.

APPLICABILITY

Applicable to any cogeneration or small power production Qualifying Facility, irrespective of its location, producing energy for sale to the Company on an as-available basis. As-Available Energy is described by the Florida Public Service Commission (FPSC) Rule 25-17.0825, F.A.C., and is energy produced and sold by a Qualifying Facility on an hour-by-hour basis for which contractual commitments as to the time, quantity, or reliability of delivery are not required.

CHARACTER OF SERVICE

The character of service for purchases shall be, at the option of the Company, single or three phase, 60 hertz, alternating current at any available standard Company voltage.

LIMITATIONS

All service pursuant to this schedule is subject to the Company's "General Standards for Safety and Interconnection of Cogeneration and Small Power Production Facilities to the Electric Utility System" and to FPSC Rules 25-17.080 through 25-17.091, F.A.C.

RATES FOR PURCHASED BY THE COMPANY

A. Capacity Rates

Capacity payments to Qualifying Facilities will not be paid under this schedule. Capacity payments to Qualifying Facilities may be obtained under Schedule COG-2, Firm Capacity and Energy or any separately negotiated contract.

B. Energy Rates

As-Available Energy is purchased at a cost expressed in cents per kilowatt-hour. Customer charges directly attributable to the purchase of As-Available Energy from the Qualifying Facility are deducted from the Qualifying Facility's total monthly energy payment.

C. Negotiated Rates

Upon agreement by both the Company and the Qualifying Facility, an alternate contract rate for the purchase of As-Available Energy may be separately negotiated.

ESTIMATED AS-AVAILABLE AVOIDED ENERGY COST

Avoided energy costs associated with As-Available Energy shall be all costs the Company avoided due to the purchase of As-Available Energy, including the Company's incremental fuel, identifiable variable operating and maintenance expenses, and identifiable variable power purchases. Demonstrable administrative costs required to calculate avoided energy costs may be deducted from avoided energy payments. The Company shall calculate its avoided energy cost associated with As-Available Energy deterministically, on an hour-by-hour basis, after accounting for interchange sales which have taken place, using the Company's actual avoided energy cost for the hour, before the sale of interchange energy, as affected by the output of the Qualifying Facilities connected to the Company's system. Interchange sales are defined as inter-utility sales which are provided at the option of the selling utility exclusive of central pool dispatch transactions. A megawatt block size at least equal to the most recent available estimate of the combined average hourly generation of all Qualifying Facilities making energy sales based on the Company's As-Available Energy Rate to the Company shall be used to calculate the hourly avoided energy costs associated with As-Available Energy.

The Company's avoided energy cost is based on the average replacement fuel costs purchased in excess of contract minimum requirements, (a.k.a. incremental fuel cost). The hourly incremental fuel cost is determined by the Southern Electric System's Power Control System Dispatch Computer and saved to a file for later use. The hourly incremental fuel cost is that of the unit(s) in the dispatch stack (order of economic dispatch) that would increase or decrease generation in order to follow territorial load changes, once the generation of all units above it in the economic dispatch order is "reduced" by the level of off-system sales made during the hour.

The Company's average incremental variable operation and maintenance costs are based on the annual average variable operation and maintenance expenses for the previous calendar year for Company's owned generating units.

The Company's transmission loss adjustment is based on the annual average transmission losses for the previous calendar year of Company's territorial transmission system.

Once the metered energy data is compiled for the Qualifying Facility and necessary adjustments made, the payments to the Qualifying Facility will be calculated by matching the appropriate energy, avoided energy costs and variable operation and maintenance costs in accordance with Commission Rule 25-17.0825 subsections (2)(a), (3)(a), (3)(b), and (3)(c), F.A.C.

DELIVERY VOLTAGE ADJUSTMENT

The Company's actual hourly avoided energy costs shall be adjusted according to the delivery voltage by the following multipliers:

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

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

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

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

Any Qualifying Facility interconnected at a voltage below 4 KV.

METERING REQUIREMENTS

The Qualifying Facility shall be required to purchase from the Company, the metering equipment necessary to measure its energy deliveries to the Company.

Hourly recording meters shall be required for Qualifying Facilities with an installed capacity of 100 kilowatts or more. Where the installed capacity is less than 100 kilowatts, the Qualifying Facility may select any one of the following options: (a) an hourly recording meter, (b) a dual kilowatt-hour register time-of-day meter, or (c) a standard kilowatt-hour meter. Unless special circumstances warrant, meters shall be read at monthly intervals on the approximate corresponding day of each meter reading period.

For Qualifying Facilities with hourly recording meters, monthly payments for As-Available Energy shall be calculated based on the product of: (1) the Company's actual avoided energy rate for each hour during the month; and (2) the quantity of energy sold by the Qualifying Facility during that hour.

For Qualifying Facilities with dual kilowatt-hour register time-of-day meters, monthly payments for As-Available Energy shall be calculated based on the product of: (1) the average of the Company's actual hourly avoided energy rates for the on-peak and off-peak periods during the month; and (2) the quantity of energy sold by the Qualifying Facility during that period.

For Qualifying Facilities with standard kilowatt-hour meters, monthly payments for As-Available Energy shall be calculated based on the product of: (1) the average of the Company's actual hourly avoided energy rate for the off-peak periods during the month; and (2) the quantity of energy sold by the Qualifying Facility during the month.

Determination of the On-Peak Period: The on-peak period for calendar months April through October is defined as being those hours between 12:00 p.m. and 9:00 p.m. Central Daylight Time/Central Standard Time, Monday through Friday.

The on-peak period for the calendar months November through March is defined as being those hours between 6:00 a.m. and 10:00 a.m. and between 6:00 p.m. and 10:00 p.m. Central Standard Time/Central Daylight Time, Monday through Friday.

Determination of the Off-Peak Period: All hours not included above and all hours of the observed holidays of New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving, and Christmas are in the off-peak period.

BILLING OPTIONS

A Qualifying Facility, upon entering into a contract for the sale of firm capacity and energy or prior to delivery of As-Available Energy to a utility, shall elect to make either simultaneous purchases from the interconnecting utility and sales to the purchasing utility or net sales to the purchasing utility. Once made, the selection of a billing methodology may only be changed:

1. when a Qualifying Facility selling As-Available Energy enters into a negotiated contract or standard offer contract for the sale of firm capacity and energy; or
2. when a firm capacity and energy contract expires or is lawfully terminated by either the Qualifying Facility of the purchasing utility; or
3. when the Qualifying Facility is selling As-Available Energy and has not changed billing methods within the last twelve months; and
4. when the election to change billing methods will not contravene the provisions of Rule 25-17.0832, F.A.C., or any contract between the Qualifying Facility and the utility.

When selecting or changing billing methods, the Qualifying Facilities or small power producer will comply with the appropriate sections of Rule 25-17.082, F.A.C.

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

CHARGES TO QUALIFYING FACILITY

(A) Base Charges

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

(B) Interconnection Charge for Non-Variable Utility Expenses

The Qualifying Facility shall bear the cost required for interconnection including the metering. The Qualifying Facility shall have the option of payment in full for interconnection or making equal monthly installment payments over a thirty-six (36) month period together with interest at the rate then prevailing for thirty (30) days highest grade commercial paper; such rate is to be determined by the Company thirty (30) days prior to the date of each payment.

(C) Interconnection Charge for Variable Utility Expenses

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

(D) Taxes and Assessments

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

TERMS OF SERVICE

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

(2) Any electric service delivered by the Company to the Qualifying Facility shall be metered separately and billed under the applicable retail rate schedule and the terms and conditions of the applicable rate schedule shall apply.

(3) A security deposit will be required in accordance with FPSC Rules 25-17.082(5) and 25-6.97, F.A.C., and the following:

A. In the first year of operation, the security deposit shall be based upon the singular month in which the Qualifying Facility's projected purchases from the Company exceed, by the greatest amount, the Company's estimated purchases from the Qualifying Facility. The security deposit should be equal to twice the amount of the difference estimated for that month. The deposit shall be required upon interconnection.

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

(4) The Company shall specify the point of interconnection and voltage level.

(5) The Company will, under the provisions of this schedule, require an agreement with the Qualifying Facility upon the Company's filed Standard Interconnection Agreement for parallel operation between the Qualifying Facility and the Company. The Qualifying Facility shall recognize that its generation facility may exhibit unique interconnection requirements which will be separately evaluated, modifying the Company's General Standards for Safety and Interconnection where applicable.

(6) Service under this Schedule is subject to the rules and regulations of the Company and the Florida Public Service Commission.

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SPECIAL PROVISIONS

(1) Special contracts deviating from the above Schedule are allowable provided they are agreed to by the Company and approved by the Florida Public Service Commission.

(2) A Qualifying Facility located within the Company's service territory may sell As-Available Energy to a utility other than the Company. Where such agreements exist, the Company will provide transmission wheeling service to deliver the Qualifying Facility's power to the purchasing utility or to an intermediate utility. In addition, the Company will provide transmission wheeling service through its territory for a Qualifying Facility located outside the Company's service territory, for delivery of the Qualifying Facility's power to the purchasing utility or to an intermediate utility. In either case, where existing Company transmission capacity exists, the Company will impose a change for wheeling Qualifying Facility energy, measured at the point of delivery to the Company.

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

A. Wheeling charges;
B. Line losses incurred by the Company; and
C. Inadvertent energy flows resulting from wheeling.

For informational purposes only, the following estimated charges based on capacity cost for service normally supplied by the Company, will allow the Company to recover the cost of displaced energy for wheeling service:

Interstate Wheeling	Estimated Charge ($/MWH)
Transmission Voltage Delivery	2.456
Substation Voltage Delivery	4.269
Primary Voltage Delivery	8.063

Intrastate Wheeling	Estimated Charge ($/MWH)
Transmission Voltage Delivery	1.000

Interstate transactions are defined as those determined to be jurisdictioned by the Federal Energy Regulatory Commission. Intrastate transactions are defined as all other transactions.

Self-Service Wheeling

In accordance with Rule 25-17.0883, F.A.C., self-service wheeling will be provided when found to be cost-effective under the Florida Public Service Commission's approved cost-effectiveness methodology.

Energy delivered to the Company shall be adjusted before delivery to another utility as follows:

Qualifying Facility Delivery Voltage	Adjustment Factor
Transmission Voltage Delivery	0.96758
Substation Voltage Delivery	0.94103
Primary Voltage Delivery	0.91001

Where wheeling power produced by a Qualifying Facility will impair the Company's ability to give adequate service to the rest of the Company's customers or place an undue burden on the Company, the Company may petition the FPSC for a waiver of this special provision no. 2.