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Dr. Mary Andrews Bane
Executive Director
Florida Public Service Commission
2540 Shumard Oak Drive
Tallahassee, Florida 32399-0850

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COMMISSION
CLERK

Re: 12/5/2005 Internal Affairs

Dear Dr. Bane:

This letter is submitted on behalf of Gulf Power Company ("Gulf Power", "Gulf" or "the Company") in order to request an opportunity for the Company to make a brief presentation to the Commission at the December 5, 2005 Internal Affairs Meeting. The Company's presentation will be about its plans to issue a Request for Proposals with regard to Gulf's anticipated 2009 generation resource needs.

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- SEC 1
- OTH _____

Gulf Power Company is in the process of preparing its formal Request for Proposals ("RFP") and the process that the Company will follow with regards to this RFP. Based on the need for peaking resources for 2009 anticipated by Gulf at this time, it does not appear that a formal need determination pursuant to Section 403.519 will be necessary. Nevertheless, Gulf has voluntarily elected to use an RFP to select the generation resources the Company will use to meet Gulf's need for such resources beginning in the summer of 2009. The intent of this proposed RFP is to provide the Commission information to evaluate Gulf's resulting selection of generating capacity when the associated power purchase agreement is eventually submitted to the Commission for purposes of cost recovery.

Gulf's presentation to the Commission will focus on the steps the Company is undertaking to enhance the transparency of the selection process it is about to undertake. A draft outline of the Company's proposed process is set forth in the attached document.

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Gulf is striving to complete its RFP process in time to begin contract negotiations by the beginning of May 2006. In order to meet this deadline, the Company would like to make its presentation to the Commission at the December 5, 2005 Internal Affairs Meeting. If you have any questions concerning this request, please do not hesitate to contact either Jeff Stone or Russell Badders at Beggs & Lane, or Gary Livingston at Gulf Power Company. Thank you in advance for your consideration of this request.

Very truly yours,

A handwritten signature in black ink, appearing to read "Jeff Stone", written over a circular stamp or mark.

Jeffrey A. Stone
For the firm

Cc: Richard D. Melson
Charles H. Hill
Tim J. Devlin
Blanca S. Bayo

Gulf Power Company's Request for Proposals (RFP) Process

Gulf Power Company (Gulf) will utilize a RFP process as detailed below to select the most competitive capacity supplier to meet its future load requirements. Gulf is seeking 5 year proposals to supply 400 MW to 500 MW beginning in 2009. Gulf is developing a time schedule that will allow it to identify a short list of successful respondents and begin contract negotiations by May 1, 2006.

(a) Definitions of terms used in the RFP Process:

1. "Commission" or "FPSC" means the Florida Public Service Commission.
2. "Independent Monitor" or "IM" means the entity selected by Gulf to monitor its RFP Process as described herein.
3. "Power Purchase Agreement" or "PPA" means a negotiated contract between Gulf and one of the short listed respondents to the RFP.
4. "RFP" means the notice of a Request For Proposals distributed to the marketplace by the IM under the RFP process identifying the needed resources and the time for providing those resources as set out in the RFP , or any amendment thereto.
5. "RFP Document" shall mean the collection of materials (including Form PPAs) distributed to interested respondents and pursuant to which the proposals shall be submitted and evaluated during the RFP Process.
6. "RFP Process" means the preparation and issuance of a Gulf RFP and all the activities subsequently associated therewith that are expected to terminate in the execution of a PPA between Gulf and one or more successful respondents, and in which an IM is utilized pursuant to and performs the functions described in this Proposed RFP/IM Structure.

(b) Proposed RFP Process for Resources to Supply Gulf's 2009 Capacity Requirements

1. Except for changes required to incorporate the following provisions providing for utilization of an Independent Monitor, the RFP Process will be conducted consistent with the provisions of Commission Rule 25-22.082, F.A.C., Selection of Generating Capacity.
2. Gulf will contract with an IM to oversee and participate in the communication with potential respondents and actual respondents in the selection of generating resources to supply Gulf 2009 capacity requirements. The contract with the IM will clearly define the communications protocols

consistent with this RFP Process document. Overall, the IM will ensure that the RFP communications process is fair and transparent and does not favor any respondent over another. The IM will retain records of all communications and be available to the Commission during the Commission's approval process for the resources selected by Gulf.

3. Prior to the receipt of proposals, Gulf will also provide to the IM a comprehensive evaluation framework including evaluation models, data, and mock evaluations to further enhance the transparency of its process and to be available to the Commission during the Commission's approval process.

(c) Role and Selection of an Independent Monitor.

1. The IM will be retained by Gulf under a contract that is consistent with the RFP Process. The role and function of the IM in the RFP Process shall be as set forth herein.
2. No respondent or potential respondent shall have any communication with the IM or Gulf pertaining to the RFP, the RFP documents, the RFP process, the evaluation or the evaluation process or any related subjects except as those communications are specifically allowed by this proposed RFP/IM structure, or as are made publicly through the IM's website. However, the IM or Gulf may determine that Gulf and the IM should jointly communicate with one or more respondents after the receipt of proposals to facilitate the evaluation process. The IM shall keep a record of all communications with potential respondents and actual respondents.
3. The IM will work independently, but will make available any reports as required by the Commission. In carrying out its duties, the IM will work in coordination with the Commission and Gulf with regard to the RFP Process.
4. If the IM becomes aware of a violation of any requirements of the RFP Process, the IM shall immediately report that violation, together with any recommended remedy, to Gulf and the Commission.
5. Gulf will collect a Evaluation Fee of \$10,000 per proposal to defray Gulf's costs of evaluating the proposals. An IM Fee of \$5,000 per proposal will also be collected to defray Gulf's costs of securing the services of the IM. In addition, the successful respondent(s) will reimburse Gulf for the actual total cost of the IM less total IM Fees collected if insufficient funds are collected through the IM Fee to cover the IM services. The outstanding amount will be assessed on a per megawatt basis and collected promptly after the Commission approval of the PPA(s). Invoices for services rendered by the IM will be sent directly to Gulf for payment, which will be made directly to the IM.

(d) Affiliate Communications.

1. Any affiliate of Gulf that intends to submit a proposal in response to the RFP, shall identify its employees as well as any other persons acting for that affiliate or on its behalf in support of the development and submission of such proposal, and such employees and other persons shall be known collectively as a "Proposal Team".
2. The representatives of Gulf that will be designing and implementing the RFP and evaluating the proposals submitted in response to the RFP, as well as any other persons acting for or on behalf of Gulf regarding any aspect of the RFP Process, shall be known collectively as the "Evaluation Team."
3. Any Proposal Team shall be separately identified and physically segregated from the Evaluation Team for purposes of all activities that are part of the RFP Process. The names and complete titles of each member of a Proposal Team and the Evaluation Team shall be filed with the IM and made publicly available on the IM Website. Subsequent additions to a Proposal Team and Evaluation Team shall be filed with the IM and disclosed in the same fashion.
4. There shall be no communications, either directly or indirectly, between a Proposal Team and the Evaluation Team regarding any aspect of the RFP Process, except (i) necessary communications as may be made through the IM as described further herein, and (ii) negotiations between a Proposal Team and the Evaluation Team for a final PPA in the event and then only after the Proposal Team has been selected by Gulf as the respondent with a successful proposal. The Evaluation Team will have no direct or indirect contact or communications with any respondent other than through the IM as described further herein, until such time as a successful proposal is selected by Gulf and negotiations for a final PPA have begun.
5. At no time shall any information regarding the RFP Process be shared with any respondent, including the Proposal Team, unless the identical information is shared with all respondents in the same manner and at the same time. Should any respondent, including a Proposal Team, attempt to contact a member of the Evaluation Team directly, such respondent shall be directed to the IM for all information and such communication shall be reported to the IM by the Evaluation Team member.
6. Each member of a Proposal Team shall execute an acknowledgement that he or she agrees to abide by the restrictions and conditions contained in paragraphs 3 through 5 above. At the PPA Execution Date, each member of the Proposal Team shall execute an acknowledgement that he or she has met the restrictions and conditions contained in paragraphs 3 through 5 above. These acknowledgements shall be filed with the IM by the Proposal Team within 10 days of their execution.

7. Each Evaluation Team member shall execute an acknowledgement that he or she agrees to abide by the conditions contained in paragraphs 3 through 5 above and, at the PPA Execution Date, shall execute an acknowledgement that he or she has met the restrictions and conditions contained in paragraphs 3 through 5 above. These acknowledgements shall be filed with the IM by the Evaluation Team within 10 days of their execution.

(e) RFP Structure and Process.

1. Design of the RFP.

- i. Gulf will be responsible for preparing the RFP Document, including RFP procedures, evaluation factors, credit and security obligations, Pro Forma Power Purchase Agreements (“Form PPAs”), and a solicitation schedule.

- ii. Gulf will utilize the following steps and procedures:

- (1) timely public notices of the issuance of the RFP,

- (2) filing a copy of the RFP with the Commission,

- (3) meeting with potential participants prior to issuance of the RFP to discuss potential requirements of the RFP, and

- (4) a meeting with potential participants within two weeks after issuance of the RFP,

- iii. Gulf is not proposing a new Gulf-owned generating unit to meet this capacity need. As a result, there will be no data regarding a self-build option included in the RFP documents.

2. Issuance of RFP and Respondent Communications.

- i. Gulf shall issue the RFP by submitting the RFP and RFP Documents to the IM for posting on the IM website. At any time after the RFP is issued, through the time the successful proposal is selected by Gulf, the schedule for the solicitation may be modified by Gulf. Any such schedule modifications shall be communicated by the IM and posted on the IM website.

- ii. The only respondent communications permitted prior to submission of proposals shall be conducted through the IM or jointly with the IM. Respondent questions and Gulf responses shall be posted on the IM website. To the extent such questions and responses contain competitively sensitive information for a particular respondent, this

information may be redacted or restricted to view only by the respondent, as the IM may determine.

iii. Gulf may not communicate directly with any respondent regarding the RFP Process, the content of the RFP and RFP Document, or the substance of any potential response by a respondent to the RFP.

iv. Respondents shall submit proposals pursuant to the solicitation schedule contained in the RFP and RFP Document. Gulf and the IM shall have access to all proposals and all supporting documentation submitted by respondents in the course of the RFP Process.

v. Gulf may request further information from any respondent regarding its proposal. Any communications between Gulf and a respondent during the evaluation process shall be conducted through the IM. Gulf shall be informed of the content of any communications between the IM and a respondent.

vi. Gulf shall cause native load growth reservations to be made on the Southern Company OASIS for all proposals that are not otherwise capable of using an existing native load growth reservation for evaluation purposes.

vii. The IM and Gulf shall maintain a record of all communications between the IM and Gulf and respondents throughout the FRP process.

3. Evaluation of Responses to RFP.

i. Gulf's evaluation of the proposals received using the RFP Process will be based on its traditional methods of analysis. Gulf will conduct its evaluation in an appropriate manner, consistent with the principles and procedures contained in this RFP and Commission Rule 25-22.082, F.A.C., Selection of Generating Capacity.

ii. Prior to the receipt of proposals, Gulf shall submit to the IM its evaluation methodologies, evaluation models, database, and mock evaluations which will demonstrate the evaluation methodology. Gulf will conduct the actual evaluation in a manner consistent with the above described evaluation framework. The IM and Gulf shall maintain a record of such evaluation framework.

iii. Communications will be conducted on a confidential basis between the IM and individual respondents, and may include one or more face-to-face meetings between the IM, Gulf and a respondent to discuss the respondent's proposal. In particular, Gulf expects that such face-to-face meetings will be necessary with the most competitive respondents prior to selection of short list participants.

iv. The RFP Process shall be a single round of proposals. Respondents shall not be allowed to revise their proposals after submittal of the proposals to the IM. However, clarification of proposal components and correction of genuine errors will be allowed through communication with respondents through the IM.

v. The IM and Gulf shall establish proposal evaluation milestones at which Gulf will provide to the IM summary documents which document the state of the proposal evaluation. Such milestones may include preliminary proposal summaries, preliminary or interim proposal rankings, respondent screen reports, proposal rankings used to reduce the number of active proposals to a more competitive tier, short list rankings, and final proposal evaluations including supporting workpapers and documentation. The IM shall maintain such records and make them available to the Commission during the Commission's approval process..

4. Commission Approval of Resource(s).

i. Based on the pro-forma PPA included in the RFP Document, Gulf will negotiate a final PPA with the respondent for each resource it has selected. Any such PPA shall be expressly conditioned on the approval of the Commission.

ii. The IM shall be available to participate in the Commission's approval proceeding and testify regarding their role and responsibilities as the IM as defined herein.