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ORIGINAL

GULF POWER
A SOUTHERN COMPANY

April 4, 2007

Ms. Ann Cole, Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee FL 32399-0850

Dear Ms. ~~Bayo~~ Cole

RE: Docket No. ~~060001-EI~~ 070001-EI

Enclosed for official filing are an original and fifteen copies of Gulf Power Company's Risk Management Plan for Fuel Procurement and Request for Confidential Classification of Gulf's Risk Management Plan.

Sincerely,

Susan D. Ritenour

CMP _____
COM _____
CTR _____
ECR 1 bh
GCL 1 Enclosures
OPC _____
RCA _____ cc: Beggs & Lane
SCR _____ Jeffrey A. Stone, Esq.
SGA _____
SEC _____
OTH Lcauf records

ORIGINAL

BEFORE THE PUBLIC SERVICE COMMISSION

IN RE: Fuel and purchased power cost recovery clause and generating performance incentive factor

Docket No.: 070001-EI
Date filed: April 4, 2007

REQUEST FOR CONFIDENTIAL CLASSIFICATION

GULF POWER COMPANY ["Gulf Power", "Gulf", or the "Company"], by and through its undersigned attorney and pursuant to Rule 25-22.006, Florida Administrative Code, hereby files its request that the Florida Public Service Commission enter an order protecting from public disclosure certain portions of Gulf Power's Risk Management Plan for Fuel Procurement. As grounds for this request, the Company states:

Notices and communications with respect to this request should be addressed to:

Jeffrey A. Stone
Russell A. Badders
Steven R. Griffin
Beggs & Lane
P.O. Box 12950
Pensacola, FL 32591

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1. Gulf Power's Risk Management Plan for Fuel Procurement is entitled to confidential classification pursuant to §366.093(3)(a), (d) and (e), Florida Statutes, as information, the public disclosure of which could cause irreparable harm to the competitive interests of Gulf Power and the ability of Gulf to enter into contracts on terms favorable to it and its ratepayers. The Risk Management Plan for Fuel Procurement contains, in a single resource, detailed information about Gulf's fuel procurement strategy for the near term and into the future. Gulf Power and the other market participants for fuel, fuel transportation and fuel storage consider this detailed information to be trade secrets and competitively sensitive. The document discusses how Gulf manages its fuel procurement with specific details regarding Gulf's fuel

needs, market position, and trends it sees in those markets in which it addresses its fuel needs. In addition, the fuel procurement strategy utilized by Gulf is discussed in detail. Pricing information is also included in this document. Similar information is not made public by other fuel market participants. Making this information public would give these other market participants a competitive advantage over Gulf which would prevent Gulf from procuring its fuel needs in a manner that secures the best price and terms for its customers.

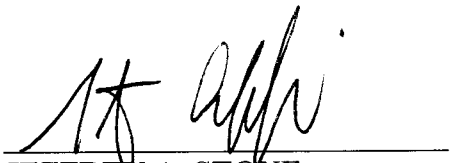
2. The information filed pursuant to this Request is intended to be, and is treated as, confidential by Gulf Power and has not been otherwise publicly disclosed.

3. The Commission granted confidential classification for portions of previous versions of Gulf Power Company's Risk Management Plan for Fuel Procurement in Florida Public Service Commission Order Nos. PSC-03-0032-CFO-EI; PSC-04-1056-CFO-EI; PSC 05-0700-CFO-EI and PSC-06-0636-CFO-EI.

4. Submitted as Exhibit "A" is a highlighted copy of Gulf Power's Risk Management Plan for Fuel Procurement. Exhibit "A" should be treated as confidential pending a ruling on this request. Attached as Exhibit "B" are two (2) edited copies of Gulf Power's Risk Management Plan for Fuel Procurement, which may be made available for public review and inspection. Attached as Exhibit "C" to this request is a line-by-line/field-by-field justification for the request for confidential classification.

WHEREFORE, Gulf Power Company respectfully requests that the Commission enter an order protecting the information highlighted on Exhibit "A" from public disclosure as proprietary confidential business information.

Respectfully submitted this 4th day of April 2007.



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BEFORE THE PUBLIC SERVICE COMMISSION

IN RE: Fuel and purchased power cost recovery clause and generating performance incentive factor

Docket No.: 070001-EI
Date filed: April 4, 2007

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REQUEST FOR CONFIDENTIAL CLASSIFICATION

Exhibit "A"

Provided to the Commission Clerk

Under separate cover as confidential information

CONFIDENTIAL

GULF POWER COMPANY

Risk Management Plan
For
Fuel Procurement
Docket No. 070001-EI

Date of Filing: April 5, 2007

GULF POWER

A SOUTHERN COMPANY

INDEX

GULF POWER COMPANY
LONG-TERM COAL PROCUREMENT STRATEGY
AND TACTICAL PLAN

Introduction

Gulf operates three coal-fired plants (Crist, Smith, and Scholz) with a combined normal full load gross rating of 1,455 Mw's. Gulf co-owns two coal fired plants; Gulf owns 50% of Plant Daniel which is operated by Mississippi Power with a projected annual coal consumption of 1.5 million tons and 25% of Plant Scherer's Unit 3 which is operated by Georgia Power and has a projected annual consumption of 1.0 million tons. The combined normal full load capacity of Gulf's ownership of Daniel and Scherer is 756 MW In total, Gulf operates coal fired plants with an annual coal consumption over 4.4 million tons. The procurement of this coal is critical to the success of Gulf Power Company.

Competition in the electricity industry, consolidation in the coal industry, and environmental laws and regulations are just a few of the challenges facing power generators today. As the electric utility industry evolves, a procurement strategy must address several issues in order to provide a reliable, cost-competitive, environmentally acceptable fuel supply.

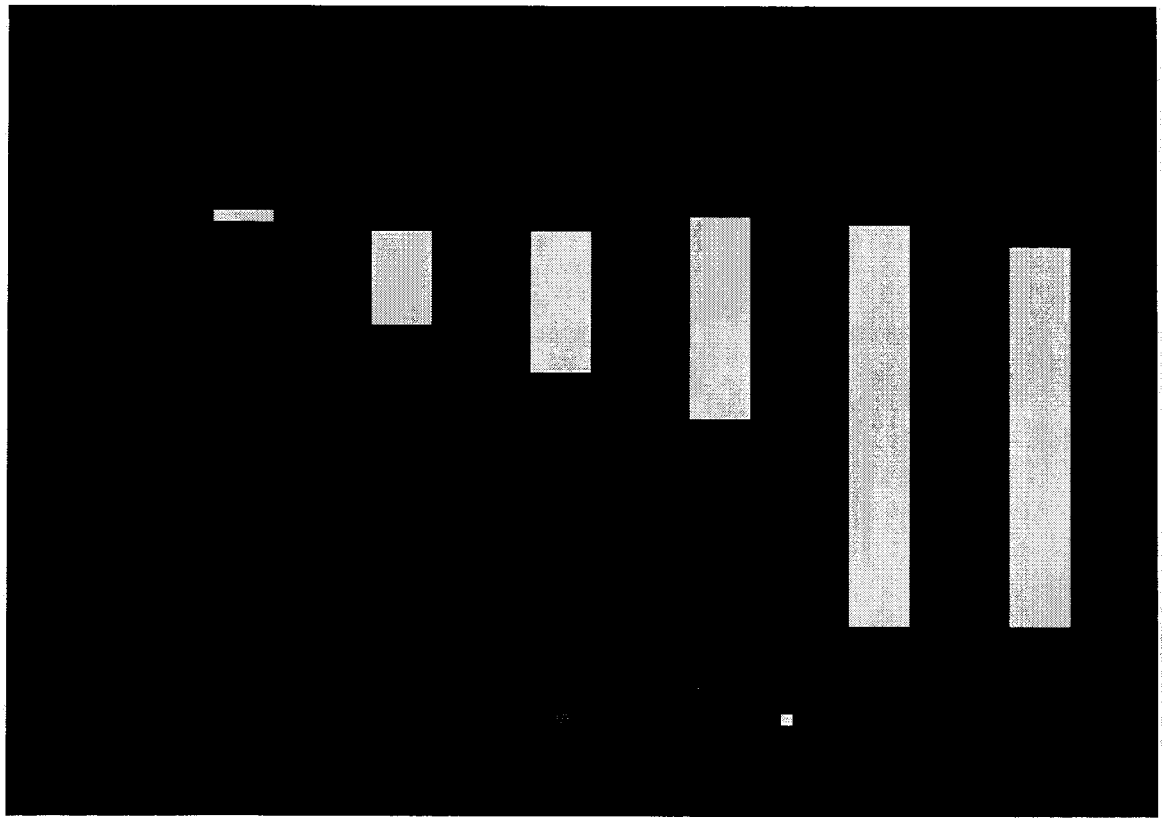
The following is provided in order to develop Gulf's coal procurement strategy: 1) a review of the current coal program including current commitments and uncommitted requirements, 2) a procurement strategy that identifies and addresses specific risks and risk mitigation strategies and discusses a strategic plan, and 3) a tactical plan detailing specific actions required to achieve the strategy.

Fuel Program Overview

Plants Crist and Smith are barge served plants and have three long-term coal contracts. [redacted] This leaves a remaining need of approximately 148,000 tons in 2007. Due to the fact that Crist and Smith share a common transportation mode as well as common coal contracts, these plants will be grouped together in formulating a procurement strategy.

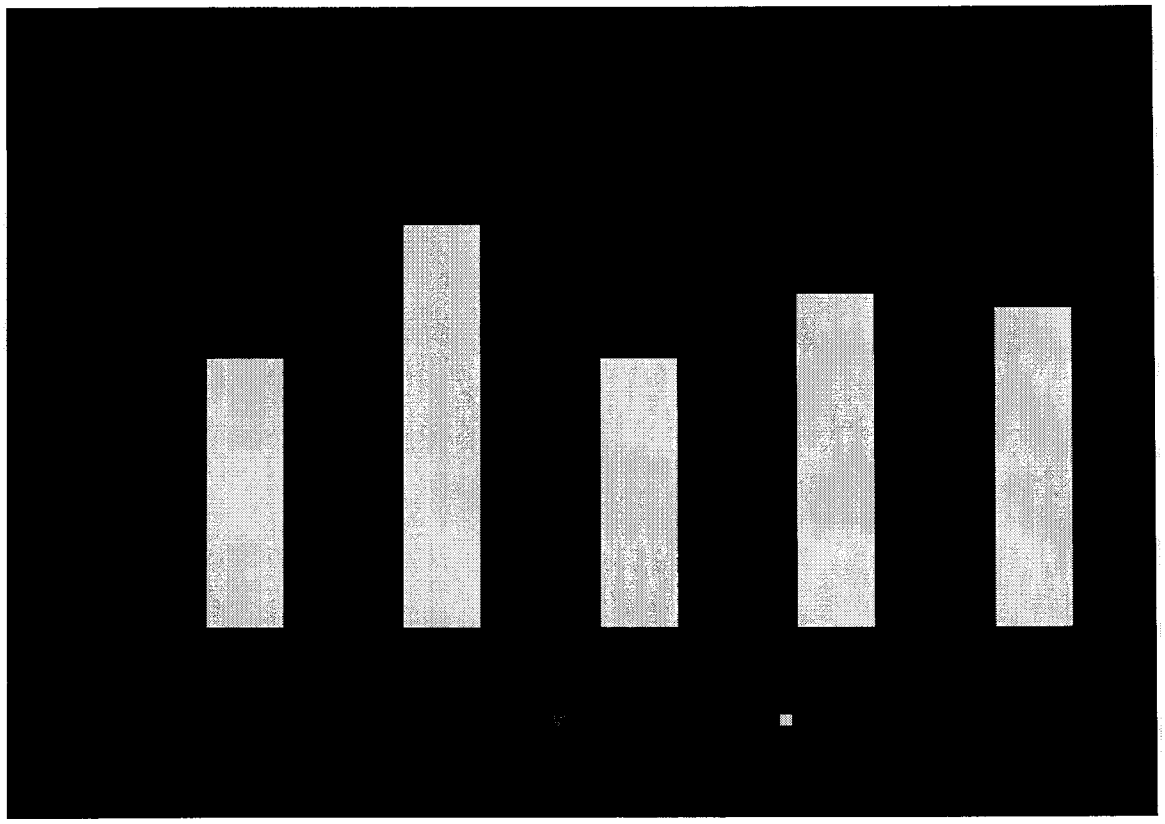
In the following charts, the projected requirements for year 2007 are from In the October 2006 DEPS update and from the official System budget October 2006 for future years. The chart below illustrates the projected

burn and commitments of coal for Crist and Smith through 2012:



Plant Scholz is rail served and has no coal commitment in place for 2007. The 174,000 tons of need in 2007 will be supplied with short-term (spot) coal. There are no committed tons at Scholz for 2008 and beyond.

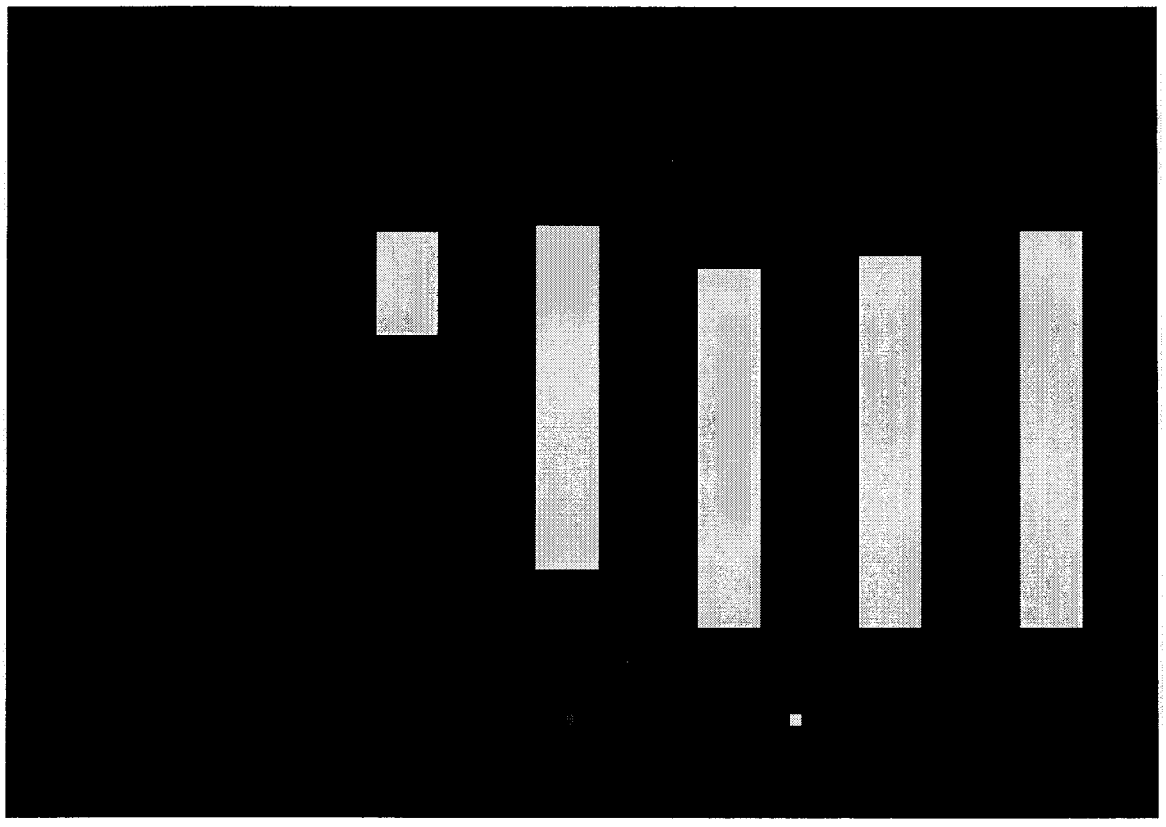
The following chart illustrates the projected burn and commitments of coal for Scholz through 2011:



Gulf Power owns 50% of Units 1 and 2 at Plant Daniel.

Based on current burn projections, Gulf's ownership of Daniel is fully committed for 2007. There are no committed tons at Daniel for 2010 and beyond.

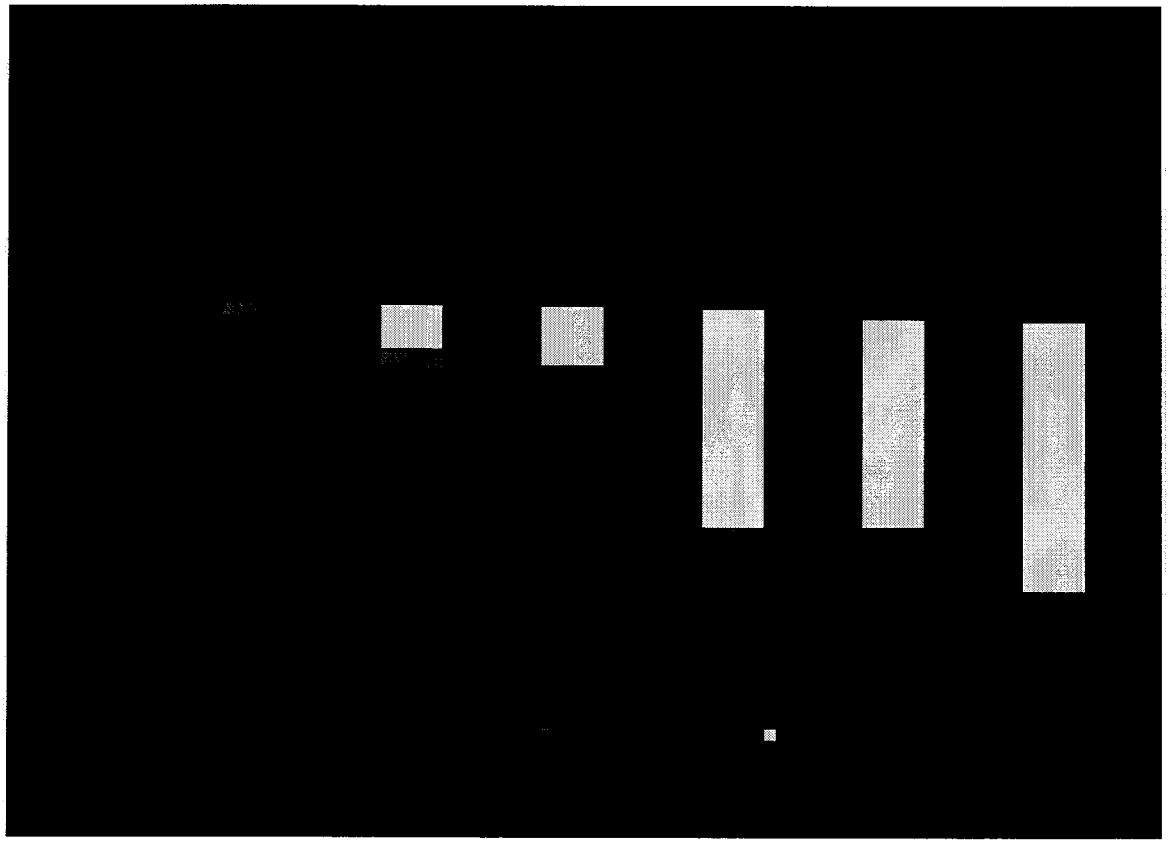
The following chart illustrates Gulf's 50% ownership in projected burn and commitments of coal for Daniel through 2012:



Gulf Power owns 25% of Unit 3 at Plant Scherer. Plant Scherer is classified as an NSPS plant requiring the use of 1.2 lbs SO_2 or less. All 4 units at Scherer

began utilizing Powder River Basin (PRB) sub-bituminous coal from Wyoming in January 2004. The following chart shows the commitments for Gulf's 25% ownership in Scherer Unit 3. [redacted]

The following chart illustrates Gulf's 25% ownership in Scherer Unit 3's projected burn and commitments of coal through 2012:



Procurement Strategy

As previously stated, the long-term coal procurement goal for Gulf Power Company will be to provide a reliable, cost-competitive, environmentally acceptable coal supply. The details of the strategy required to accomplish this goal are explained further in the paragraphs that follow. The successful coal program must provide flexibility in volume and pricing, become more diverse by pursuing other supply regions, create competition for supply, focus on reliability of supply, and adhere to changing environmental laws and guidelines.

The following will address the risks associated with each of these areas and identify strategies to mitigate them. Also included in this section is a discussion of a strategic plan that incorporates several of these mitigation techniques.

Risks and Risk Mitigation Strategies

Volume Risk and Strategy

The uncertainty in the amount of coal generation and therefore coal supply that will be needed in the future is still one of the most critical risks that must be addressed in developing a strategy for long-term coal procurement. However, with the increase in overall system load over the past few years, this risk is being reduced as some intermediate coal units are becoming base loaded generation. The fluctuation of weather, natural

gas pricing, and economic growth will continue to impact future coal burn requirements. The addition of gas–fired capacity to the Southern Company system over the past few years will mean that coal burn has the potential to be displaced by the gas-fired generation if natural gas pricing decreases relative to coal pricing.

A portion of projected coal requirements should be firmly committed under long-term agreements providing a reliable and consistent supply of fuel. Coal suppliers also require a certain portion of long-term commitments in order to make financial investments in mining operations. Uncommitted requirements can be obtained through short-term (spot) purchases as needed. Also, volume options can be incorporated into the long-term contracts. The combination of these firm commitments, spot purchases and contract options should be optimized in order to provide sufficient flexibility to adjust to changing requirements and market conditions.

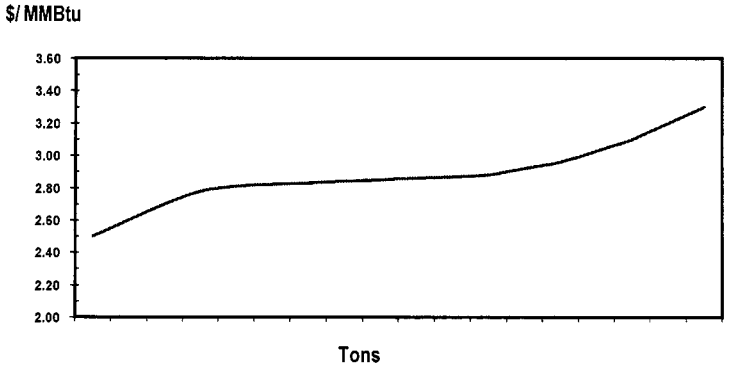
Generating plants that are considered "base-load" have less uncertainty and therefore should be firmly committed to a higher percentage of future coal requirements. Base-load plants should utilize contract volume options primarily for pricing advantages as will be discussed later. Plants that are considered "intermediate" or "swing" plants have more uncertainty relating to future requirements and should have firm commitments but at a lesser percentage than base-load plants. The intermediate plants should incorporate more short-term spot purchases and/or contract option flexibility. Plants that are considered "peaking" should have little or no firm

commitments. These plants should rely on short-term spot purchases as needed or long-term agreements with volume commitments tied to the requirements of the plant.

Pricing Risk and Strategy

Competing for energy market share with other utilities and power marketers requires competitive energy pricing. With over 50% of the electricity cost for coal-fired generation being fuel, competitively priced coal supplies must be maintained. The objective is to have a portfolio of long-term contracts and spot coal supplies that provide pricing at or below market at any given point in time. [redacted]

Fuel Price Curve



[redacted]

[redacted]

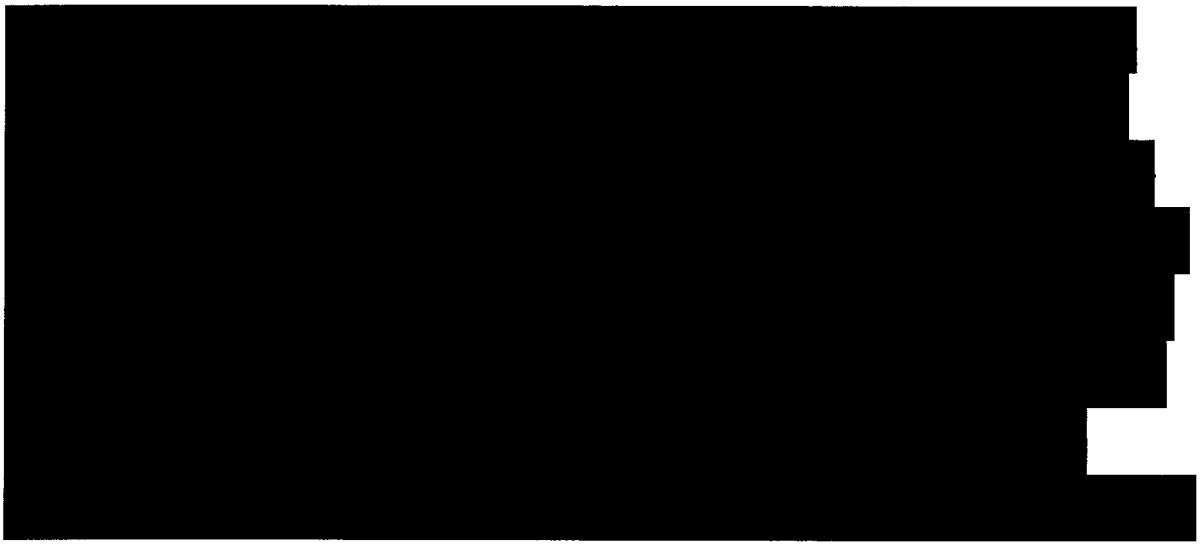
Diversity of Supply Risk and Strategy

Procuring coal from various regions and suppliers is increasingly important. There is a risk in relying on one or two large producers from a single supply region to meet supply needs. It is increasingly important to avoid having significant quantities committed with a single supplier. Also, having the ability to utilize coal from various regions will decrease the availability risk associated with lack of supply in a particular region. The economic impact associated with a diverse portfolio of long-term commitments from various regions and suppliers must be evaluated versus the advantages. Diversifying will also keep the competition strong not only among the suppliers, but among the regions as well.

[redacted]

Reliability Risk and Strategy

Reliability of coal supply has not been a major issue until late 2000 and early 2001. Prior to that time, coal supply had not been an issue for almost twenty years. The events seen in recent years pertaining to reliability of supply were last seen surrounding the events of the oil embargo of the 1970's. Since that time, the coal industry has lived in an oversupply situation. During the past 10 years, the financial health of the coal industry has deteriorated such that many companies have either entered bankruptcy proceedings or have been sold resulting in consolidation of the industry. In the current world of supply and demand imbalance in the coal industry, reliability of supply has once again surfaced and poses a risk that needs to be mitigated now and into the future. Securing business with producers that have performed well during times of unreliable supply can mitigate risk. Also, in addition to an economic evaluation, technical and financial evaluations of suppliers should be conducted and taken into consideration during the purchase process.



[redacted]

[redacted]

Environmental Risk and Strategy

When procuring coal for a term greater than 12 months, a major risk is the potential impact from future changes in environmental laws and regulations that may preclude the burning of coal or render its use non-economic to our system. With the implementation of the Clean Air Interstate Rule and Clean Air Mercury Rule and ongoing discussions of more environmental legislation, we should be most guarded in any future coal supply commitments which do not allow the company to clearly terminate or otherwise escape from these agreements. We cannot assume future environmental risk in coal agreements. When signing new long-term coal supply agreements we will include the most current environmental language that allows the company the maximum flexibility and discretion to modify and or terminate such agreements based on our sole judgment.

Also, when considering long-term commitments, emission control equipment must be considered. Close interaction between Environmental Strategy, Research and Development, Emissions Management, Plant and Fuel personnel must be maintained. Schedules for installing scrubbers, SCRs, and other emission control technology will have a significant impact on the desired coal supply. Operational issues, such as the effect chlorine has on boilers and emission control equipment, acidic aerosol emissions related to high sulfur coals in conjunction with SCRs, sulfur rates and limestone supply for limestone to scrubbed units, and coal stockpile transitions will also be considered.

Strategic Plan

When procuring coal for Gulf Power Company, Plants Crist and Smith will be grouped together because of their common supply source and transportation mode. Diversity of supply and flexibility will be important aspects of their fuel supply strategy. On the other hand, Plant Scholz can burn similar quality coals but their transportation mode differs as they are rail served. The co-owned plants, Daniel and Scherer, will be treated individually. We will consider the similarities and differences in these plants as we establish a long-term coal procurement strategy. Also, as discussed earlier, the strategic plan should be determined based on the type of plant being considered, i.e. base-load, intermediate, or peaking. The plants for Gulf Power Company are as follows:

Plant Crist - Plant Crist is barge served by Ingram Barge Company. Historically and on average, Crist has burned approximately 3.0 million tons of coal a year and must comply with a state SO_2 emission limit of 2.4 lbs/mmBtu. However, Gulf Power Company seeks to maintain an SO_2 emission limit of 1.7 lbs/mmBtu to meet the local ambient air quality. For the last several years, Crist has been burning low sulfur Illinois Basin coal from the Galatia mine that is supplied under the Peabody long-term contract. Crist can also burn some Colombian import coals, as well as coals from Colorado and the Central Appalachian regions. Plant Crist is considered a base load coal plant with a projected capacity factor greater than 80%.

Plant Smith – Plant Smith is also barge served by Ingram Barge Company. Historically and on average, Smith has burned approximately 1.1 million tons of coal a year. Smith must comply with the state SO_2 emission limit of 2.1 lbs/mmBtu. Smith can burn a variety of coals including Illinois Basin and import coals such as Colombian, Australian and Venezuelan. Domestic sources such as Colorado and Central Appalachian coals have also been burned in the past. Plant Smith is also considered a base load coal plant with a projected capacity greater than 80%.

Plant Scholz – Plant Scholz is rail served by the CSX Railroad. Historically and on average, Scholz has burned approximately 193,000 tons of coal a year and must comply with a state SO_2 emission limit of 6.17 lbs/mmBtu. Scholz has burned Central Appalachian coals in the past. Scholz currently

has no commitments for 2007 and beyond. Plant Scholz is considered a peaking coal plant with a projected capacity factor of less than 65%.

Plant Daniel - Plant Daniel is served by the Mississippi Export Railroad (MSE). Historically and on average, Daniel has burned approximately 3.3 million tons of coal a year. The MSE is a short line railroad that is approximately 40 miles in length and runs between Moss Point and Evanston, Mississippi. The MSE is served by two large Class 1 railroads: the Canadian National Railroad connecting at Evanston and the CSX Railroad connecting at Moss Point. Classified as a New Source Performance Standard (NSPS) plant, Daniel must utilize "compliance" coal with a maximum of 1.2 lbs SO2/MMBtu (0.6 lbs Sulfur/MMBtu). Daniel can utilize import coals as well as coals from Colorado and the Central Appalachian regions. PRB coal has been burned in Daniel's units during off-peak periods and has also been blended with bituminous coal at a 60% bituminous / 40% PRB ratio. Plant Daniel is considered a base load coal plant with a projected capacity factor greater than 80%.

Plant Scherer – Plant Scherer utilizes sub-bituminous Powder River Basin (PRB) coal from Wyoming. Plant Scherer is considered a base load plant and burns approximately 15-16 million tons of PRB coal per year. Classified as an NSPS plant, Scherer must utilize "compliance" coal with a maximum of 1.2 lbs SO2/MMBtu (0.6 lbs Sulfur/MMBtu). As with the other base-load plants, the goal is to maintain firm commitments of 85-95% of the projected requirements for the following year and up to 10% contract

options. Scherer Unit 3 is considered a base load coal unit with a projected capacity factor greater than 80%.

[redacted]

Environmental issues of concern to Gulf Power in the near term (2007-2012) are broadly categorized into the following: Regulatory and Allowance, Environmental Construction Program, and Combustion Product Utilization.

Environmental regulatory issues currently facing Gulf Power Company include compliance in accordance with the Acid Rain SO_2 provisions imposed by the Clean Air Act - Title IV. In the past, Title IV compliance was achieved by implementing an allowance strategy to bank, use and then buy allowances. Gulf Power's SO_2 allowance bank is currently being depleted and purchasing strategies for future needs have been developed.

In March of 2005, the Clean Air Interstate Rule (CAIR) was signed. Phase I of this ruling will subject Gulf Power to an annual NOx cap as well as a state-wide seasonal NOx cap starting in 2009. CAIR also causes more stringent SO_2 compliance beginning in 2010. In 2015, Phase II introduces even more stringent SO_2 and NOX compliance. In addition to CAIR, Gulf Power Company will also be subject to the Clean Air Mercury Rule (CAMR) beginning in 2010. This rule implements a cap on the Mercury emissions, with an even more stringent cap in 2018.

Finally, the EPA released an update to Regional Transport Rules (PM2.5) in September of 2006. The ruling has been passed down to the states to develop an implementation plan. The effects to Gulf Power are not known at this time. Regional Transport Rules, for both Ozone and Particulates, will continue to be updated every 5 years, as required by National Ambient Air Quality Standards (NAAQS).

Southern Company and its subsidiaries are required to purchase emission allowances in order to comply with the Clean Air Act of 1990, Clean Air Interstate Rule, and Clean Air Mercury Rule.
Southern Company's Operating Companies choose to develop allowance procurement strategies at the operating company level. The strategies are developed using forward projections of coal burn, sulfur content of coal, and other factors. Southern Company's allowance procurement strategy requires that all operating companies have allowances needed for compliance at least one year prior to the need. The allowances are procured using a diverse combination of products, with a mixture of several creditworthy counterparties, and using a disciplined approach. This approach applies to Gulf Power.

The near-term scrubber construction activities for Gulf Power are primarily focused on Crist. Crist's scrubber will come on-line in 2009 (Units 4-7). The scrubber is a Chiyoda design for an 11,800 BTU/lb fuel at 1.6%S and 98% removal efficiency. It will be a single scrubber vessel servicing all

four units. In the long-term, other Gulf scrubbers are in various stages of discussion and are subject to change. These include Smith 1-2. At this time, however, these longer term units are not definite.

Daniel's scrubber will come on-line in 2011 (Unit 1-2). The scrubber is just now entering conceptual design and is subject to change. As of now, the scrubber is most likely an Advatech design. The exact fuel design basis is still in discussion. The decision of whether this will be a single vessel for both units are also in discussion. Exact delivery methods for the limestone have not been determined. The limestone grind size will be 90% passing a 325 mesh (Advatech) should the Advatech design be the ultimate choice.

The scrubber design for Scherer Unit 3 is not yet definitive. The tentative timeline for scrubbing all Scherer Units 1 – 4 is 2011 through 2014 with Unit 3 the first to be retrofitted. The Scherer units will most likely employ the Advatech design for PRB fuel with the ability to upgrade to a 12,000 btu/lb 1.5% fuel and still maintain 95% + removal efficiency.

Coal combustion products (CCP) include ash and gypsum. The current CCP strategic goal for Southern Company is: maximize utilization of CCP to provide greatest downward pressure on rates for our customers while effectively managing short term and long term risks. [redacted]

Specific plans for the Gulf Power plants are developed under the above guidelines.

Gulf Power currently produces about 200K tons of fly ash annually, and 30K tons of bottom ash. Depending on the coal the plants will burn, the future production level could vary. Currently there is no market for the ash. Initiatives are undergoing to pursue utilization markets such as structural fill and raw feed areas.

In the near term, Crist's scrubber is projected to produce about 100K tons of gypsum annually. Currently three markets are being assessed and developed for the future gypsum production for all of Gulf Power's plants: wallboard, cement manufacturing and agricultural uses.

The limestone procurement strategy for Gulf is in its infancy stages. The key matters in procuring limestone are volume uncertainty, reliability of

supply, availability of supply, and quality assurance. The procurement of limestone will correlate directly to the type and quality of coal being procured. Thus the volume of limestone to be procured will vary according to the type of coal procured. Volume flexibility will be incorporated in the limestone contracts as a hedge against volume uncertainty. The strategy will be to procure limestone quantities based on the quality of the coal contracts that are currently in place at the plant. The entire anticipated limestone need will be procured over a five to ten year term to ensure reliability of supply.

Tactical Plan

There are several issues facing the long-term Gulf coal procurement program. They are:

(1) Gulf has no committed coal for 2011 and beyond.

(2) Scrubber installation at Crist's Units 4, 5, 6 & 7 in 2009.

(3) Scrubber installation at Daniel's Units 1 & 2 in 2011.

(4) Scrubber installation at Scherer's Unit 3 in 2011.

(5) Limestone procurement.

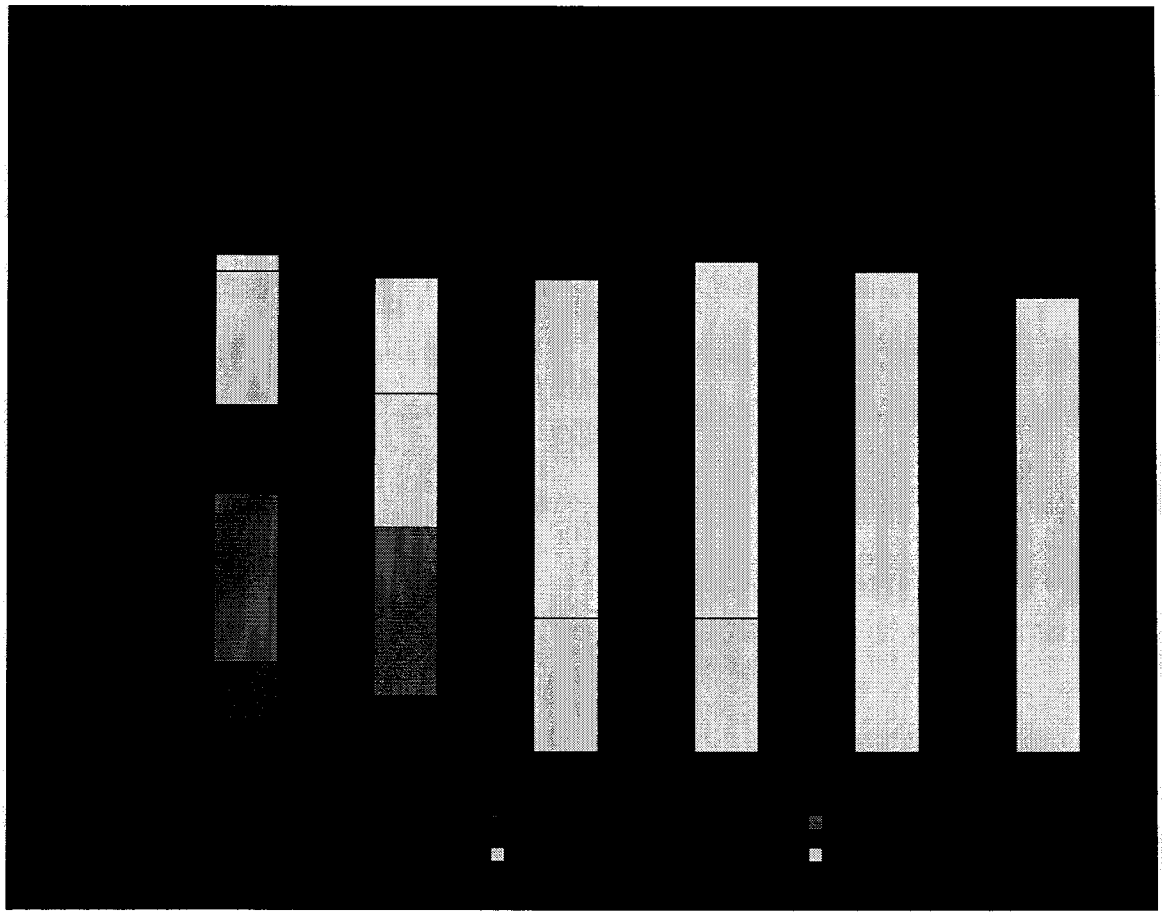
(6) Throughput congestion at the Alabama State Docks.

(7) State SO_2 limitations are: Crist = 2.4 lbs/mmBtu; Smith = 2.1 lbs/mmBtu and Scholz = 6.17 lbs/mmBtu.

(8) Transportation concerns, particularly with the CSX Railroad at Scholz.

Crist and Smith

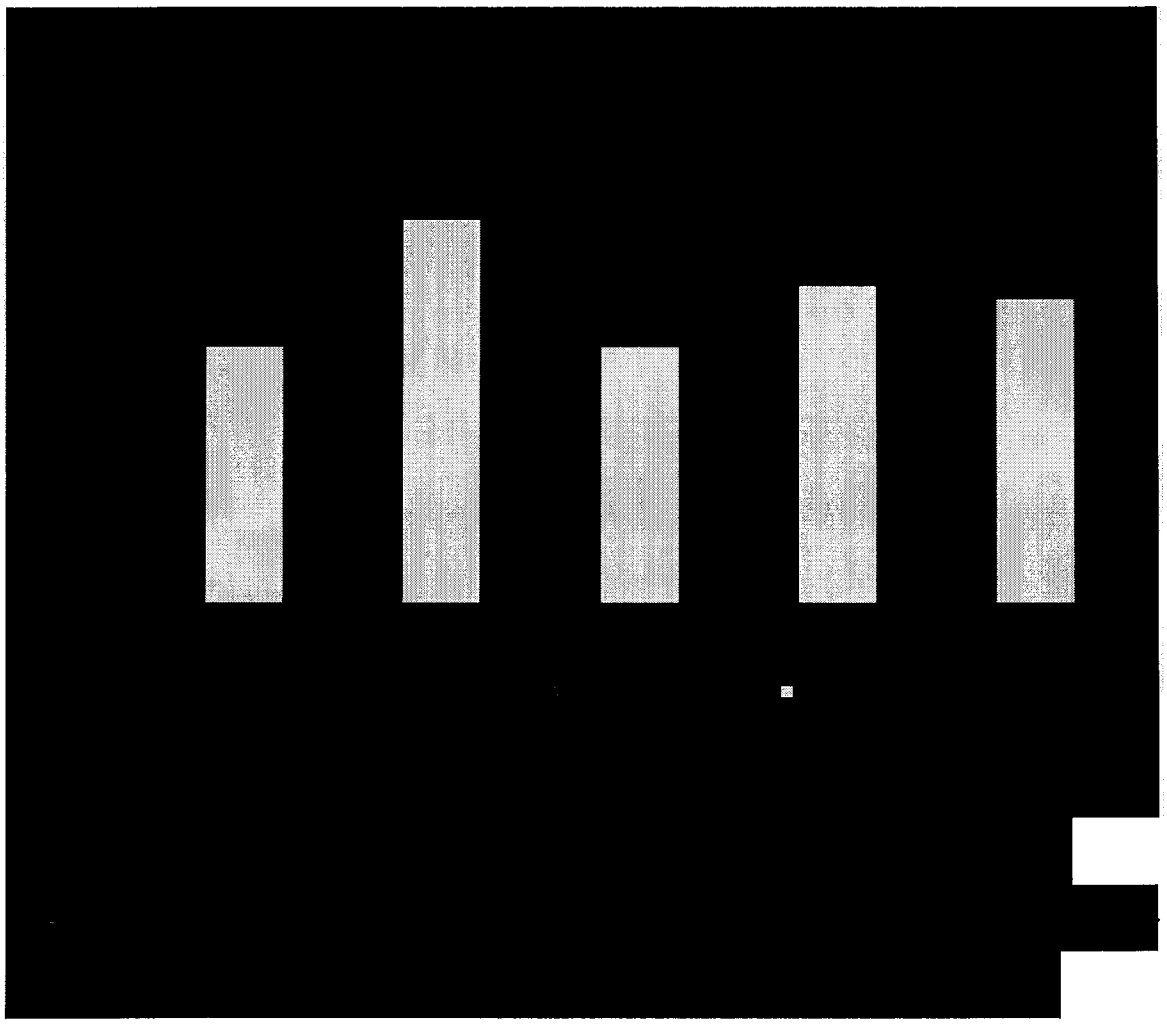
The chart below shows a breakdown of the current Crist and Smith suppliers and volume commitments, including options, through 2012:



[redacted]

Plant Scholz

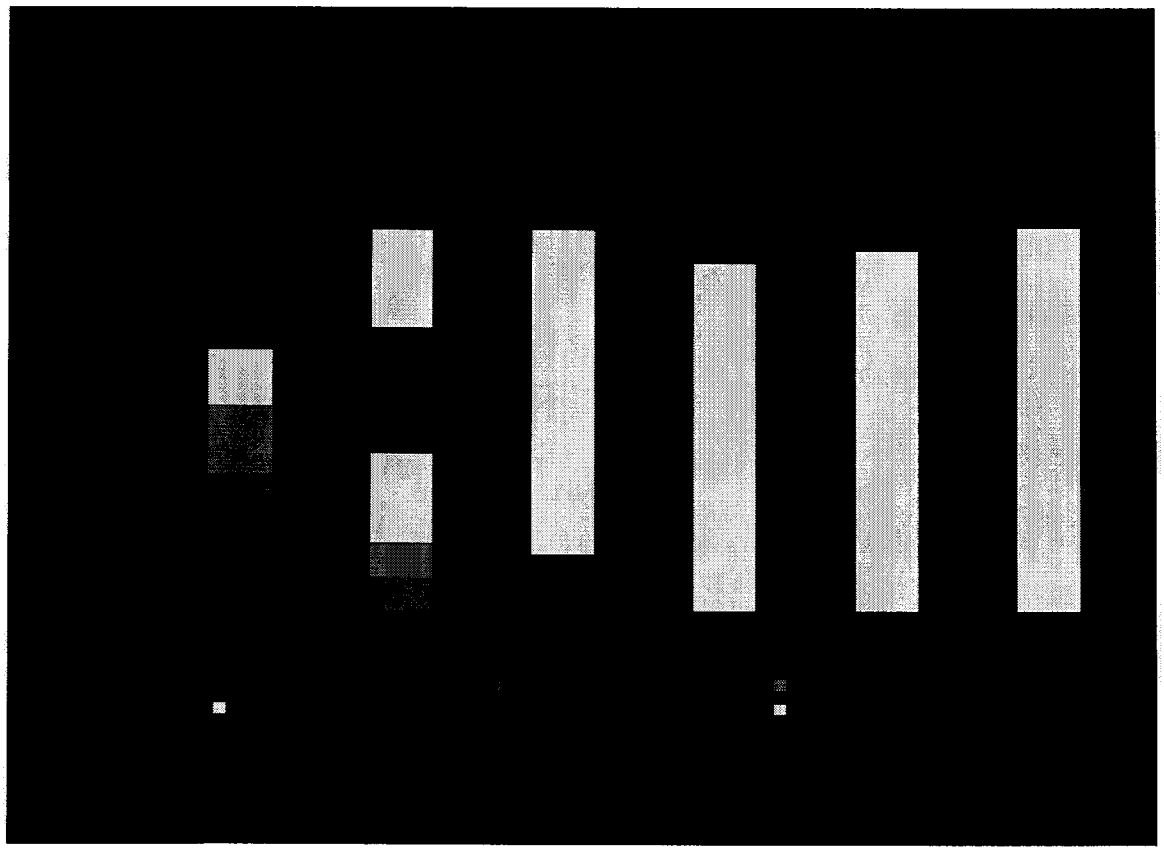
The chart below shows a breakdown of the current Scholz supplier and volume commitment, including options, through 2011:



[redacted]

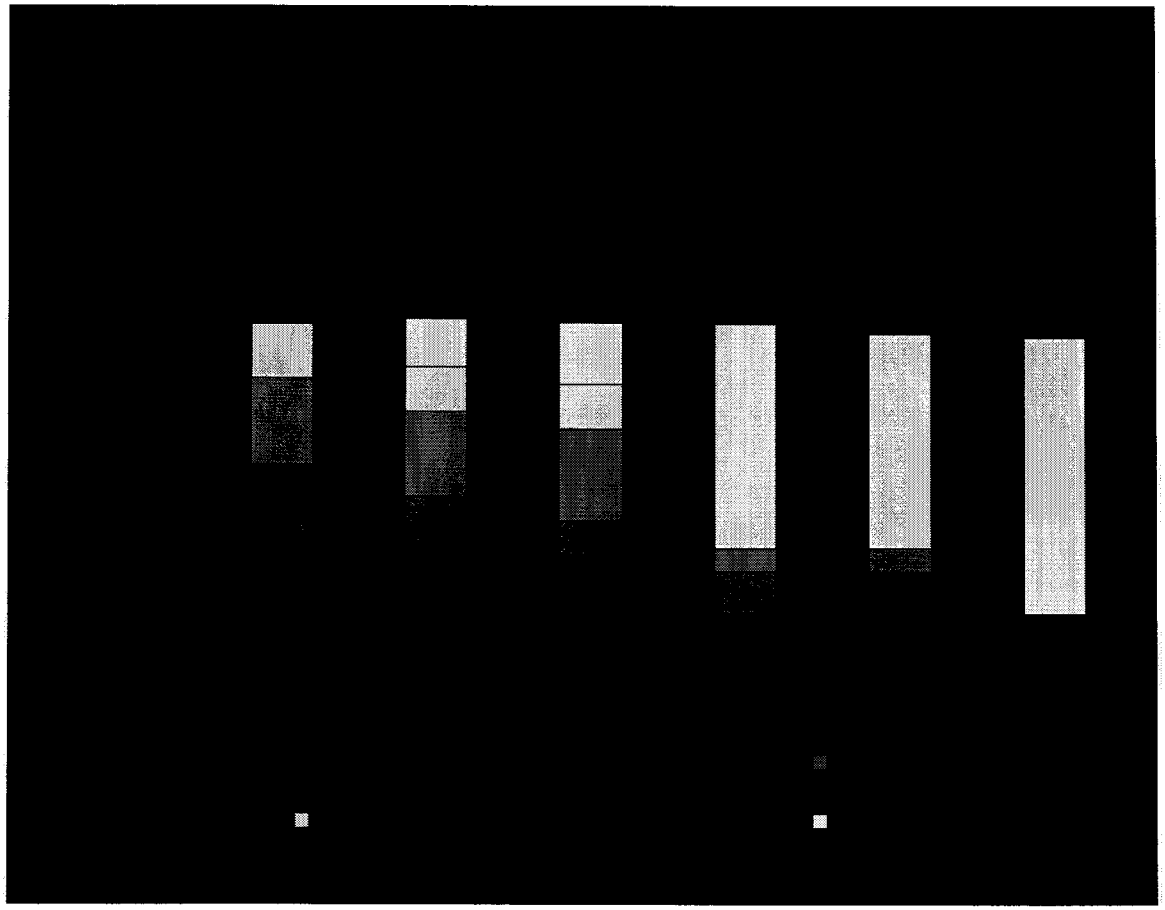
Daniel

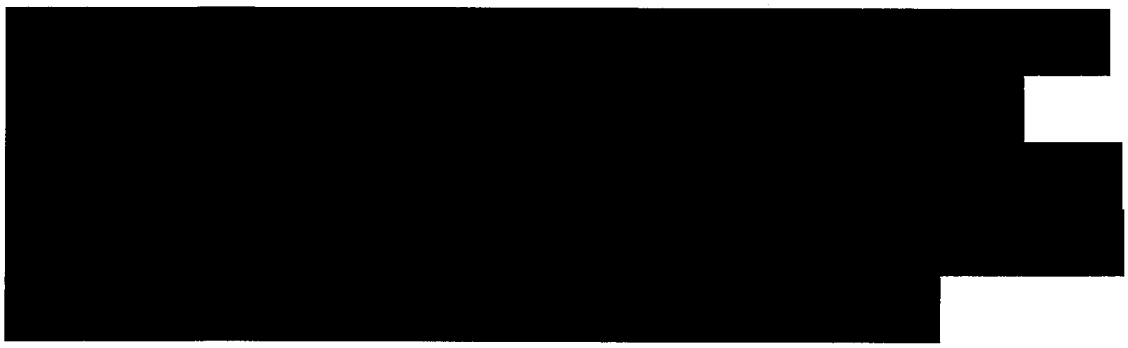
The chart below shows a breakdown of the current Daniel suppliers and volume commitments, including options, through 2012:

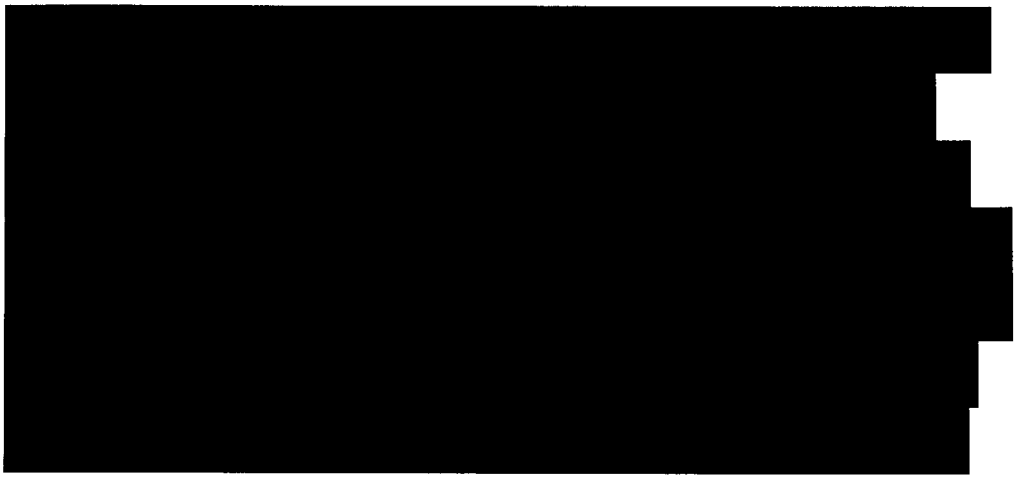


Scherer

The chart below shows a breakdown of Gulf's 25% ownership of Scherer's Unit 3 suppliers and volume commitments, including options, through 2012:







In support of the scrubber program at Crist, the plan is to initiate a test burn program after the installation of the scrubber in late 2009 to determine the impact that various coals will have on these scrubbed units. These tests may include higher sulfur Illinois Basin coals, Central Appalachian coals, Colorado coals, as well as import coals. Depending on the outcome of the tests and the economics, a procurement strategy will be put into place, utilizing the contracting strategies mentioned above, in order to secure larger volumes of these coals beginning 2010. The procurement group will need to be cognizant of the environmental controls placed on the units and ensure that the coals purchased will meet the environmental requirements.

(4) For 2007, the strategy is to solicit spot coal bids in the fourth quarter of 2006 to secure Daniel's remaining uncommitted need. A long-term solicitation will be issued in the second quarter 2007 for a four year term (2008-2011) in order to achieve the commitment

goals listed above. This RFP will be used to measure the cost impact that is attributable to buying coal for a scrubbed unit. These contracts will be negotiated using the contracting strategies mentioned above.

In support of the scrubber program at Daniel, the plan is to initiate a test burn program after the installation of the scrubber in late 2011 to determine the impact that various coals will have on these scrubbed units. These tests may include higher sulfur Illinois Basin coals, Central Appalachian coals, Colorado coals, as well as import coals. Depending on the outcome of the tests and the economics, a procurement strategy will be put into place, utilizing the contracting strategies mentioned above, in order to secure larger volumes of these coals beginning in 2011 and 2012. The procurement group will need to be cognizant of the environmental controls placed on the units and ensure that the coals purchased will meet the environmental requirements.

(5) If the burn requirements change in 2007, the procurement plan for Plant Scherer will be to procure spot coal to meet burn and inventory requirements. The plan for 2007 will also be to issue a long term RFP to secure tons beginning in 2008. The goal will be to (1) lock up contracts for 5-10 years if possible, (2) purchase PRB coal at a starting price of around $12/ton or less, beginning 2009, (3) purchase up to 70% of the burn requirements in 2010,

and up to 50% of the burn requirements 2011 and 2012. For the remaining burn requirements, the strategy will be to maintain a minimum commitment of 90% for the following year (year 1), 80% for year 2, 70% for year 3, 60% for year 4 and 50% for year 5. If pricing under the long term RFP for coal beginning in 2009 is well above the $12/ton target then purchases may be delayed.

In support of the scrubber program at Scherer, the procurement strategy in the future will need to be cognizant of the environmental controls placed on the units and ensure that the coals purchased will meet the environmental requirements.

Coal Procurement
Performance from Prior Year

For coal purchased under long term or spot contracts during the immediately preceding year (2006), Gulf will provide a numerical comparison of the price paid for each subcategory of coal to the best market indicator(s) for that coal at the time the utility entered the contract for the coal. Such market indicator(s) may include market indexes, averages, and/or bid prices. Gulf will describe the methodology behind each comparison. Gulf will explain the reason(s) for any significant difference between the price it paid and the market price for such coal. For year 2006, the comparison is listed below:

The market indicators used in this analysis are either (1) the marginal market pricing for the time period in which these purchases were made or (2) as compared with offers made under bid solicitations. The values below refer to the cost differential, in both $/mmBtu's and $/ton, between what Gulf actually paid for these purchases versus these market indicators.

Purchase Order	$/mmBtu	$/Ton
FP06004	$0.00	$0.00
FP06005	$0.00	$0.00
FP06014	$0.00	$0.00
MP2006-06	$0.00	$0.00
MP2006-10	($0.04)	($0.94)
MP2006-10M	$0.00	$0.00
MP2006-19	$1.12	$25.31
MP2006-20	$0.00	$0.00
MP2006-21	$0.00	$0.00
MP2006-22	$0.00	$0.00

FP06004 – this is a Russian import coal purchased from offers made under a bid solicitation to cover Crist & Smith's 2006 uncommitted coal need and was purchased at market.

FP06005 – this is a Colombian import coal purchased from offers made under a bid solicitation to cover Crist & Smith's 2006 uncommitted coal need and was purchased at market.

FP06014 – this is an Illinois coal purchased from offers made under a bid solicitation to cover a Crist & Smith 2006 spot coal need and was purchased at market.

MP2006-06- this purchase was from offers made under a bid solicitation to cover Daniel's 2006 uncommitted coal need and was purchased at market.

MP2006-10- this Colombian import spot coal was purchased and delivered to the ICRMT in Convent, LA to help cover Plant Daniel's 2006 uncommitted needs. This coal was purchased through ICRMT at a premium in order to diversify Daniel's throughput capacity with the Alabama State Docks.

MP2006-10M- this Colombian import spot coal was purchased in conjunction with MP2006-10 through the Alabama State Docks in order to help cover Plant Daniel 2006 uncommitted needs. This coal was purchased at market.

MP2006-19- was purchase was made to cover 2006 spot coal needs and was issued concurrent with an existing contract purchase order. It was below market.

MP2006-20- this is western bituminous coal purchased from offers made under a bid solicitation to cover 2006 spot coal needs and was purchased at market.

MP2006-21- this is western bituminous coal purchased from offers made under a bid solicitation to cover 2006-2008 coal needs and was purchased at market.

MP2006-22- this is Colombian import coal purchased from offers made under a bid solicitation to cover 2006 spot coal needs and was purchased at market.

GULF POWER COMPANY
TRANSPORTATION STRATEGY

Introduction

Gulf Power Company (Gulf) operates three coal-fueled plants with a combined normal full load gross rating of 1,455 megawatts and with annual coal consumption projected at over 4.4 million tons per year. Gulf utilizes railcars and barges to transport the 4.4 million tons of coal to its plants.

Because coal is such an important factor in Gulf's ability to provide reliable power to its customers, the highest priority for a coal transportation strategy is to maintain a reliable, cost-competitive transportation system. A reliable, cost-competitive transportation system helps assure Gulf's electricity customers that fuel will be available to generate electricity. Increasing competition in the electricity industry, demand/supply imbalance in the coal transportation industry, the changing location of coal supply sources, and the performance capabilities of transportation providers are just a few of the challenges that must be addressed when developing a transportation strategy.

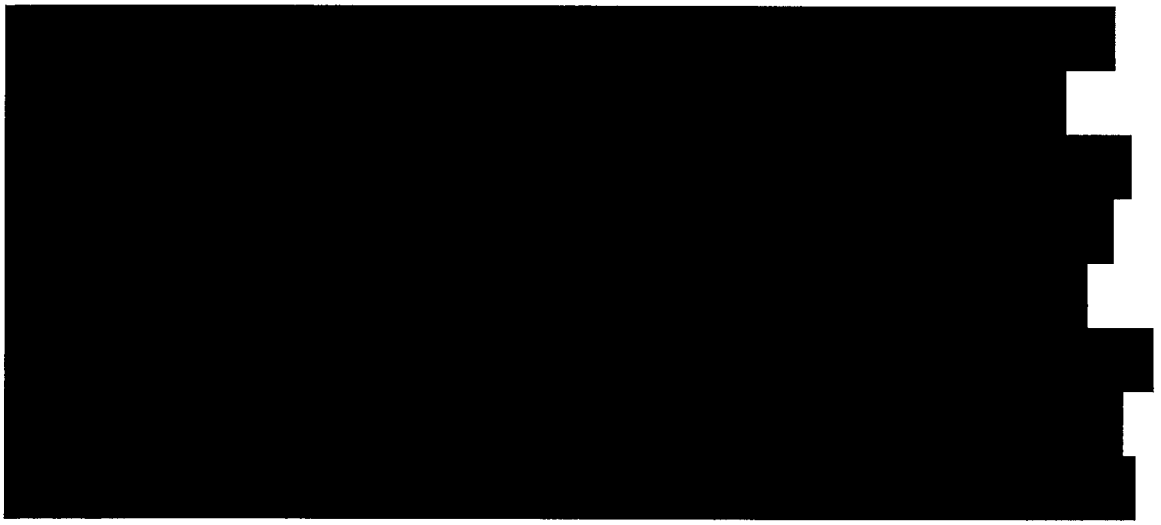
The following is provided in order to develop Gulf's coal transportation strategy: 1) a review of the current coal transportation program including current agreements, available mode of transportation, and budget, 2) a transportation strategy that identifies and addresses specific risks and risk mitigation strategies,

3) a tactical plan detailing specific actions required in order to achieve the strategy, and 4) an overview of the transportation strategy for the movement of limestone and gypsum.

Transportation Program Overview

Plants Crist and Smith

Plants Crist and Smith have the ability to receive both imported and domestic coal by barge. Western coals can be transported by the BNSF or the UP railroads to loadouts on the Mississippi River and then barged to the plant. Illinois or Central Appalachian river loadouts can be used to move coal by barge to these plants as well. Coal can also be moved, via interchange with the Alabama State Docks Railroad, by the CN, CSX and NS Railroads or by ocean vessel to the Port of Mobile for barge movement to the plants. Currently, Plants Crist and Smith use Colombian coal and Illinois Basin coal.



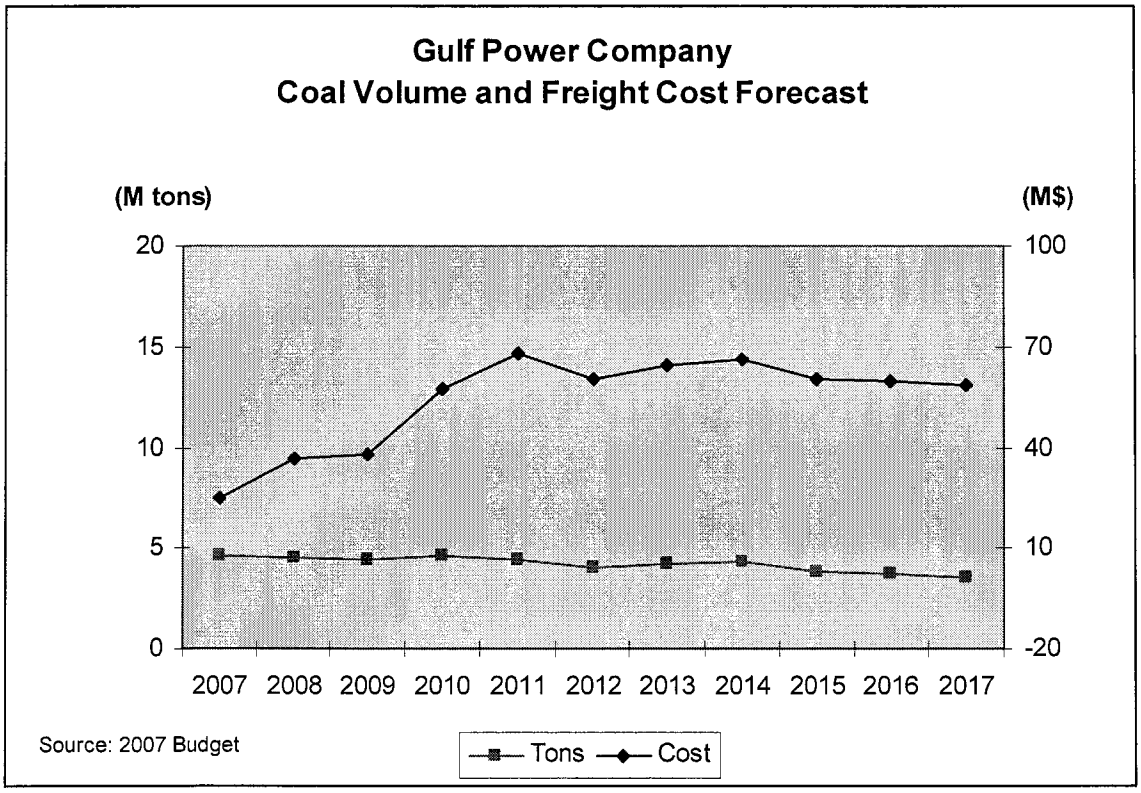
commitment in years 2008 and 2009. During the life of this contract, 100% of waterborne tonnage moved to Smith and Crist must be offered to Ingram.

Plant Scholz

Plant Scholz is rail served by the CSX railroad. Plant Scholz has the ability to receive both domestic and import coal. Import coal could be brought into the Alabama State Docks and then transloaded into railcars for movement to the Plant. Currently, Plant Scholz has no coal commitment in place for 2007. There is a plan to test Colombian coal at Plant Scholz in the first quarter of 2007. The results of that test will dictate the source of coal for the remainder of 2007.

Budget

Over the next ten years, Gulf is budgeted to transport 3.6 to 4.7 million tons of coal per year. The cost to transport Gulf's coal is estimated to increase from $25 to $68 million between 2007 and 2017. This increase in cost is due to the combination of normal escalation and the projected rate increase which will be realized when the existing contract with Ingram expires in 2009. The chart below shows the forecasted coal volume and transportation costs for Gulf's coal-fueled plants.



Coal Transportation Procurement Strategy

As previously stated, the long-term transportation goal for Gulf Power Company will be to provide a reliable, cost-competitive transportation system for the movement of the coal necessary to provide reliable power to Gulf's customers. In meeting this goal, a transportation strategy must address reliability, competitive prices, flexibility in volume commitments, and the ability to adjust coal movements to changing coal sources.

The following will address the risks associated with each of these areas and identify strategies to mitigate them.

RISKS AND RISK MITIGATION STRATEGIES

Reliability Risk and Strategy

Reliable delivery of coal is vital to the success of any coal program. This helps ensure that fuel will be available to generate electricity. Term agreements will be negotiated and signed with the transportation carriers that ensure the barge and rail companies will have available infrastructure in place to service the required coal supply. The terms of the transportation agreements will coincide with the terms of single source coal supply agreements as closely as possible.

[redacted]

Reliability of service can be greatly enhanced through communication between all parties in the coal supply chain. Communication between Gulf's coal operating personnel and each plant, SCS Fuel Services Department, and the various carriers is vital in maintaining reliable and efficient operations. Effective and timely communication of transportation plans, orders, problems, and maintenance are critical to ensure reliable service.

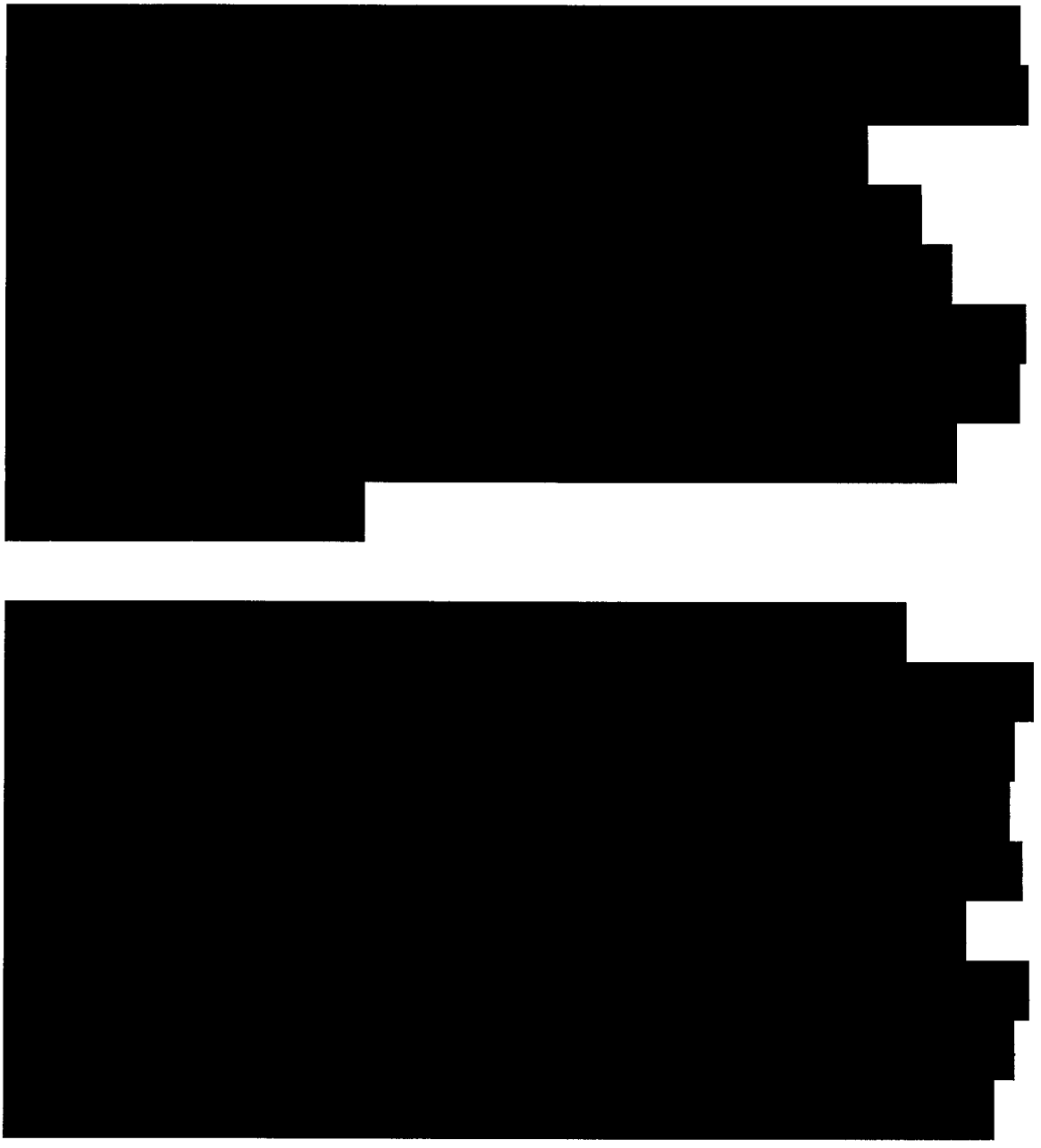
Pricing Risk and Strategy

The creation of competition is vital to any transportation strategy with the result being to lower Gulf's transportation costs. Competition is created with diversity of coal supply sources and alternative transportation modes at each of the plants. Competition is achieved by periodically bidding transportation alternatives and educating carriers on the effects of marginal dispatch changes on unit load requirements.

The goal will be to create competition as stated above to obtain the most competitive pricing possible when entering the market. In addition, when entering term agreements, the goal will be to seek to limit the escalation of prices to a percentage increase that is below the expected rate of inflation. Other cost optimization practices will be sought, such as mitigation of demurrage charges which occur when there are delays in the loading and/or unloading process, minimizing liquidated damages, and seeking guaranteed cycle time provisions.

Volume Risk and Strategy

The uncertainty in the amount of coal generation and therefore the need for coal transportation that will be needed in the future is still one of the most critical risks that must be addressed in developing a strategy for long-term transportation procurement. However, with the increase in overall system load over the past few years, this risk is being reduced as some intermediate coal units are becoming base loaded generation. The fluctuation of weather, natural gas pricing, and economic growth will continue to impact future coal burn requirements. The addition of gas–fired capacity to the Southern Company system over the past few years will mean that coal burn has the potential to be displaced by the gas-fired generation if natural gas pricing decreases relative to coal pricing.



Supply Risk and Strategy

Diversity of supply coal sources is important to any coal program. This is equally true for the transportation program. It is desirable to have multiple transportation modes and carriers to mitigate the risk of a supply disruption due to a rail and/or

barge accident that might disrupt the supply chain. Diversity of transportation modes and carriers is also vital as the location of historical coal supply sources changes over time.

A successful transportation program must ensure that the infrastructure is in place to handle deliveries of coal from changing coal sources. Historical coal sources are shifting as changes in the environmental laws and regulations evolve and as reserve depletions continue in historical coal regions. It is vital to the success of a coal and transportation program to make sure infrastructure is in place to move the coal from changing locations as this occurs. This may include enhancements to existing facilities or the development of new facilities.

[redacted]

Tactical Plan

Plants Crist and Smith

The coal transportation tactic for Plants Crist and Smith will be to maintain competitive agreements with barge companies to ensure the reliable and competitive delivery of both import and domestic coals. The current contract through Ingram was extended in 2005 through December 31, 2009. Therefore, there is no necessary action for this contract at this time.

As discussed earlier, expansion at the Alabama State Docks is under way which should allow for greater quantities of coal to be imported in the future through this facility. The existing transloading agreement with the Alabama State Docks expires on December 31, 2036

[redacted]

[redacted]

Plant Scholz

The current CSX Agreement at Scholz is in place through December 31, 2006.

A couple of options are being explored for the renewal of a transportation agreement for Scholz. The first option will be to continue to receive coal via the CSX from CAPP. The second option will be to bring in import coal via a Gulf Coast import facility, for example the Alabama State Docks in Mobile, AL, and then rail the coal via CSX to Plant Scholz.

Regardless of which option is chosen, the strategy will be to make the transportation agreement closely align with the coal contract in terms of both tonnage and term. As previously mentioned, a new agreement is currently being negotiated with the CSX railroad. The term on this contract will be January 1, 2007 – December 31, 2011.

Mineral (Limestone & Gypsum)

Scrubber installations within the system will necessitate procurement of transportation services for the mineral constituents, with limestone used as the reactive agent and also disposal of the gypsum by-product of the reaction. Scrubber installation is staggered within the system, and the construction timetables have been shifted from time to time as to when the scrubber units shall become operational.

As sulfur content in coal varies, so too will the required volume of limestone. Silicon content, and other mineral content, will impact gypsum salability, which dictates that transportation services for each plant be flexible, and cannot be pursued until firm decisions on construction timetable, limestone volume, and gypsum delivery/disposal are made.

The long-term transportation goal will be to provide a reliable, cost-competitive transportation system for the movement of the minerals, with the flexibility necessary to satisfy power plant constraints. In meeting this goal, a transportation strategy must address reliability, competitive prices, flexibility in volume commitments, and the ability to adjust mineral movements to changing coal sources.

The spectrum of risk mitigation techniques embodied in the coal transportation strategies in the preceding pages with regard to reliability, pricing, volume, and supply are also appropriate for mineral transportation. Application of these

strategies shall be tempered by other's decisions as to: timing of mineral purchases; sourcing of limestone; sales or otherwise disposal of gypsum; and applicable transportation mode(s).

Preliminary estimates of transportation modes and costs for various scenarios are provided upon request to combustion by-products specialists. This information is provided as early as 5 years before actual commencement of scrubber operations, for planning and design purposes. Procurement of transportation does not occur prior to procurement of minerals contract, since sourcing and mode are required for bidding. The term of the transportation agreement shall be no longer than the term of the minerals contract.

The limestone procurement strategy at this time is focused on Plant Crist. Plant Crist's limestone will come from the regions of Alabama, Tennessee, Kentucky or offshore regions such as Mexico or the Bahamas. Barge delivery will be the preferred method for Plant Crist.

Currently, three markets are being assessed and developed for Gulf's future gypsum production. As sales of gypsum production occur, transportation contracts will be negotiated accordingly.

Gulf Power's Natural Gas Procurement Strategy

Gas Program Overview

Natural Gas is used for boiler lighter fuel at Crist units 4-7 and as the primary fuel at the Smith 3 combined-cycle unit. In the past, natural gas represented a relatively small portion of Gulf's overall fuel budget. With the addition of the Smith 3 combined-cycle unit in 2002, natural gas became a more significant portion of Gulf's overall fuel budget.

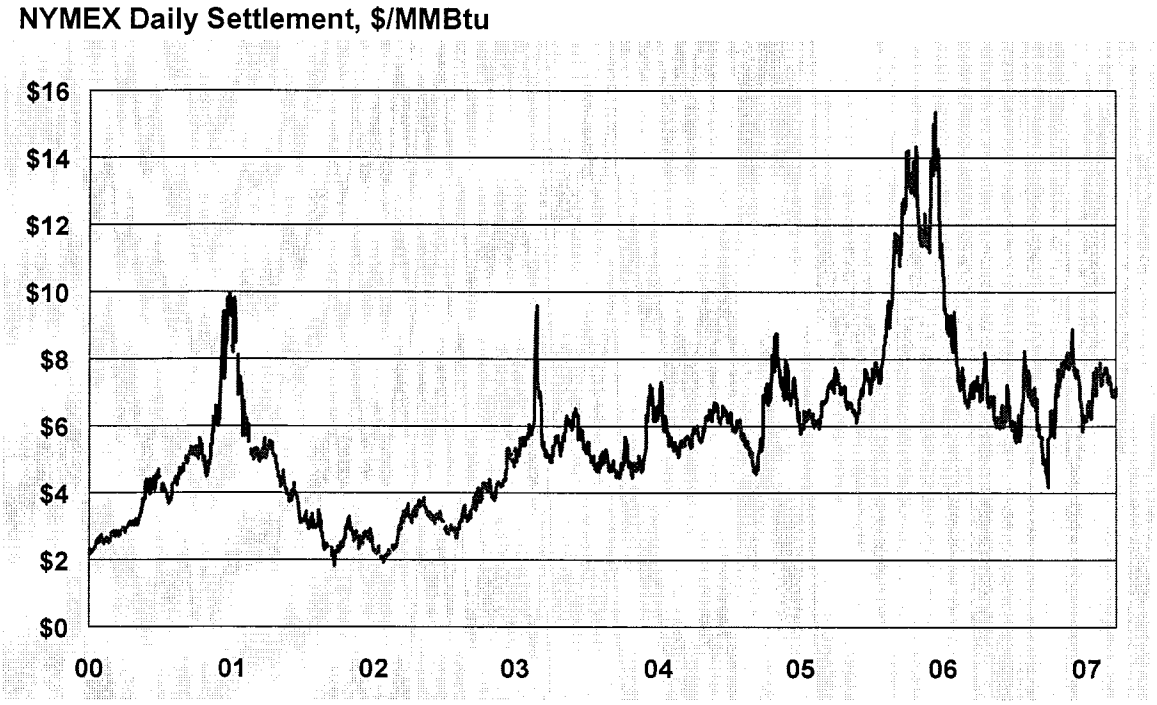
Gulf Power's natural gas procurement strategy is to produce a cost effective yet highly reliable fuel supply. Securing competitive fuel prices for its customers is the governing consideration in all of Gulf's fuel decisions.

Procurement Strategy

Gulf's strategy for gas procurement is to purchase the commodity at market prices. Fuel purchased at-market over a long period is a low cost option for customers. For non-peaking plants, Gulf arranges long-term firm transportation with adequate firm storage capacity. For peaking plants, Gulf purchases natural gas on the spot-market, and transports the gas using interruptible transportation, released seasonal firm transportation capacity, or delivered natural gas (priced to the plant). For Gulf, spot-market contracts have a term of less than one year and long-term contracts have a term of 1 year or longer. All natural gas, regardless of whether it is bought under long-term contracts or spot-market contracts, is purchased at market based

prices. While fuel purchased at market over long periods is a low cost option for customers, it does expose the customers to short-term price fluctuations. Since these price fluctuations can be severe, Gulf Power, at the direction of the Florida PSC, will attempt to protect its customers against short-term price fluctuations by utilizing hedging tools. It is understood that the cost of hedging will sometimes lead to fuel costs that are higher than market prices.

Historical Natural Gas Prices - NYMEX



Pricing Strategy

Gulf Power will continue to purchase gas, both under long-term and spot contracts at market based prices. However, pursuant to Commission order, Gulf Power will

financially hedge gas prices for some portion of Gulf Power's budgeted annual gas burn in order to protect against short-term price swings and to provide some level of price certainty. Gulf Power will attempt to take advantage of opportunities in the futures and derivatives markets that benefit the customer. Gulf Power will employ both technical and fundamental analysis to determine appropriate times to hedge. While various analyses will be used, Gulf Power is not proposing any set schedule, formula or triggering scheme to dictate when it takes financial positions. Instead, the hedging strategy will evolve over time.

While the hedging program will protect the customer from short-term price spikes, hedges can also lead to higher costs when natural gas prices fall subsequent to entering hedges. Gulf Power will limit the amount of fixed-price hedges to 100% of the projected fuel burn for the upcoming year. In addition, Gulf Power will limit option priced hedges to 110% of its projected burn. Finally, in order to protect its customers from market exposure in subsequent years, Gulf Power will take forward hedge positions for up to 42 months into the future.

Gulf Power's Oil Procurement Strategy

Oil Program Overview

Oil is used at Gulf predominantly for boiler lighting. Oil is used as a boiler lighter fuel at Crist units 4-7, Daniel 1&2, Scherer 3, Scholz 1&2 and Smith 1&2. Oil is also the primary fuel at the Smith A CT unit. Overall, oil use at Gulf is a small portion of Gulf's overall fuel budget.

Procurement Strategy

Gulf's strategy for oil procurement is to purchase the commodity at market prices. Fuel purchased at-market over a long period is a low cost option for customers.

Gulf purchases fuel oil on an annual basis through a formal bidding process. Gulf purchases fuel oil at index based prices. Gulf negotiates predetermined contracts for each plant and purchases fuel oil quantities throughout the year (as needed).

Pricing Strategy

Since fuel oil is such a small portion of the overall fuel budget, Gulf does not currently plan to hedge oil prices unless Gulf's oil use significantly increases or some other need warrants doing so.

Risk Management Plan for Gas & Oil Procurement
Performance from Prior Year

OBJECTIVE: Provide a numerical comparison of the price paid for each fuel type (natural gas and oil) in 2006 as reflected in the December 2006, Schedule A-3 to the market price for natural gas during this period.

As described in Gulf's Risk Management Plan for Fuel Procurement filed in Docket No. 060001–EI on April 3, 2006, SCS Fuel Services as agent for Gulf will purchase natural gas and oil at prices that are indexed to the published market price for each commodity at the time of shipment. In 2006 firm quantities of natural gas were purchased either on long term or spot gas supply contracts or on the daily spot market as needed to meet burn requirements. Oil is purchased under spot contracts for each generating plant that are full quantity requirement agreements.

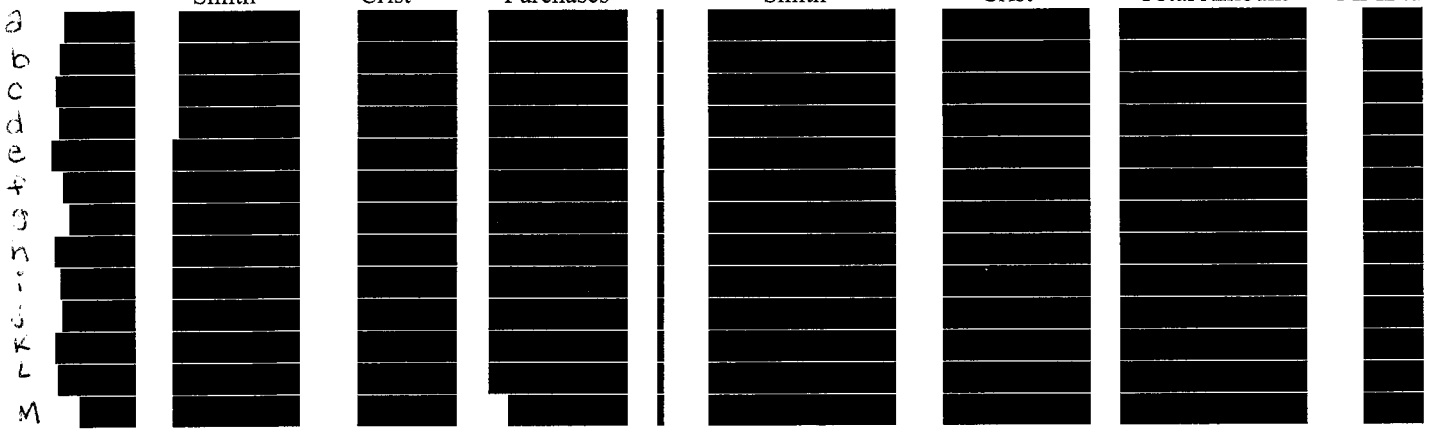
[1] This quantity includes gas retained by pipelines as fuel reimbursement, and excludes storage injections and withdrawals.

[redacted]

Gulf Power Company

Comparison of 2006 Actual Gas Purchases to Market Cost

(Volumes in MMBtu)



	Purchases - Smith [1]	Purchases - Crist [1]	Total Purchases	Purchase Amt-Smith	Purchase Amt-Crist	Total Amount	Cost per MMBtu
Market [2]			14,759,144			$102,292,432.96	$6.93

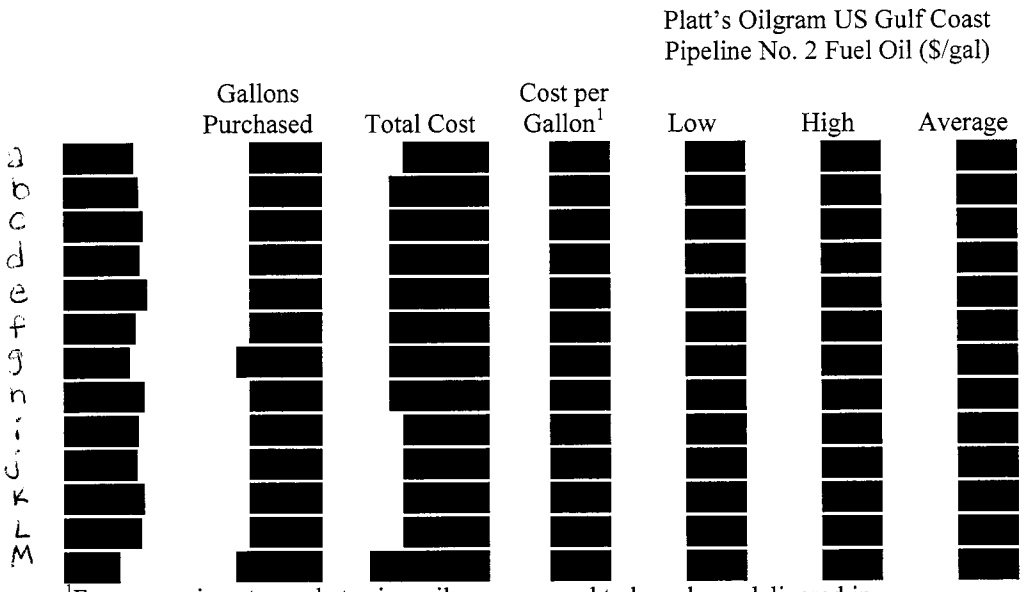
[1] Quantities represent volumes purchased and delivered to Plant Smith or Plant Crist, including gas to be retained by pipelines as fuel reimbursement, and excluding storage injections and withdrawals.

[2] Market cost assumes the same daily purchases had been priced at the Gas Daily FGT Zone 3 Midpoint index price.

Gulf Power Company

Comparison of 2006 Actual Fuel Oil Purchases to Market Cost

(Volumes in Gallons)



[1]For comparison to market price, oil was assumed to have been delivered in the month that the invoice was paid.

Gulf Power Company Risk Management Policy

I. Introduction

Natural gas has become a large part of the Gulf Power Company (Company) fuel program. This increased need, combined with the market price volatility associated with natural gas and purchased energy, has created a need to begin hedging the risks related to the Company's overall fuel program.

II. Objectives

The primary objective of this Risk Management Policy (RMP) is to establish guidelines for use of hedging transactions associated with the Company's fuel program. Hedging transactions will allow the Company to:

- Reduce price volatility
- Provide more predictable stability to customers, and
- Provide additional flexibility and options in the procurement of fuel.

III. Guidelines

The risk management guidelines of The Southern Company require any business unit engaging in risk management activities to establish a Risk Oversight Committee (ROC). The officer listed below in Section IV will serve as the Company's ROC for this program.

Gulf Power Company Risk Management Policy

The Southern Company Derivatives Policy states:

> "It is the policy of The Southern Company that derivatives are to be used only in a controlled manner, which includes identification, measurement, management, control and monitoring of risks. This includes, but is not limited to, well-defined segregation of duties, limits on capital at risk, and established credit policies. When the use of derivatives is contemplated, this policy requires that a formal risk management plan be developed that adheres to The Southern Company Risk Oversight Committee Business Unit Guidelines. This policy also requires that, prior to initiation of a risk management program that makes use of derivatives, the risk management program must be approved by both the Chief Financial Officer of the respective Southern Company subsidiary and the Chief Financial Officer of The Southern Company."

The Southern Company Generation Risk Management Policy (SCGen RMP), attached in Section 6 of this document, will be the governing policy in the administration of the Company's fuel procurement program. The SCGen RMP provides all criteria specified in the above extract from the Southern Company Derivatives Policy.

Gulf Power Company Risk Management Policy

The Gulf Power Company Board of Directors has authorized the use of hedging transactions relating to contracts and other agreements for fuel supplies. The board resolution is shown below:

> "**RESOLVED,** That The Southern Company System Policy on Use of Derivatives (the "Policy") as presented to the meeting is hereby approved; and
>
> **RESOLVED FURTHER,** That the Officers are hereby authorized to effect derivative transactions that comply with the policy, including swaps, caps, collars, floors, swap options, futures, forward and options, relating to energy and associated commodities, weather, interest rates, currencies, and contracts and other arrangements for fuel supplies; and
>
> **RESOLVED FURTHER,** That in connection with the foregoing, the officers are hereby authorized to take any and all actions and to execute, deliver and perform on behalf of the Company any and all agreements and other instruments as they consider necessary, appropriate or advisable, each such agreement or other instrument to be in such form as the officers executing the same shall approve, the execution thereof to constitute conclusive evidence of such approval."

Gulf Power Company Risk Management Policy

IV. Process

Certain officers of the Company were given authority to enter into hedging transactions that they consider necessary in order to reduce risk associated with procuring fuel and energy. The authorized officers are Vice President, Chief Financial Officer and Comptroller for Gulf Power Company or his designee.

Once authorization has been received, Southern Company Services Fuel Services, agent for Gulf Power Company, will conduct all hedging transactions in accordance with the Southern Company Generation Risk Management Policy.

It is the responsibility of SCGen Risk Control (the mid-office) to inform the Fuel Manager for Gulf Power Company or the Regulatory Accounting Manager for Gulf Power Company about the use of hedging transactions associated with Gulf generation resources and to provide open position values (mark to market) to the above noted individuals and the Gulf Chief Financial Officer and Comptroller.

Southern Company Generation (SCGen)

Risk Management Policy

CONFIDENTIAL
FOR COMPANY USE ONLY

Approved February 1, 2005

I. Introduction

In August 1997 the Southern Company Risk Oversight Committee (subsequently replaced by the Energy Risk Management Board ("ERMB")) approved a set of risk management guidelines. Also, at various times during 2000 through 2002, the boards of directors for Southern Company, the Operating Companies, Southern Power Company and Southern Company Gas adopted the Southern Company Policy on the Use of Derivatives ("Derivatives Policy"). These guidelines outline the Southern Company philosophy toward risk and the responsibilities of the ERMB and business units that engage in risk management activities.

The risk management guidelines and Derivatives Policy require any business unit engaging in risk management activities to develop a risk management policy to ensure that risk management activities are conducted in accordance with Southern Company risk management guidelines.

II. Purpose

[redacted]

III. Business Objectives

[redacted]

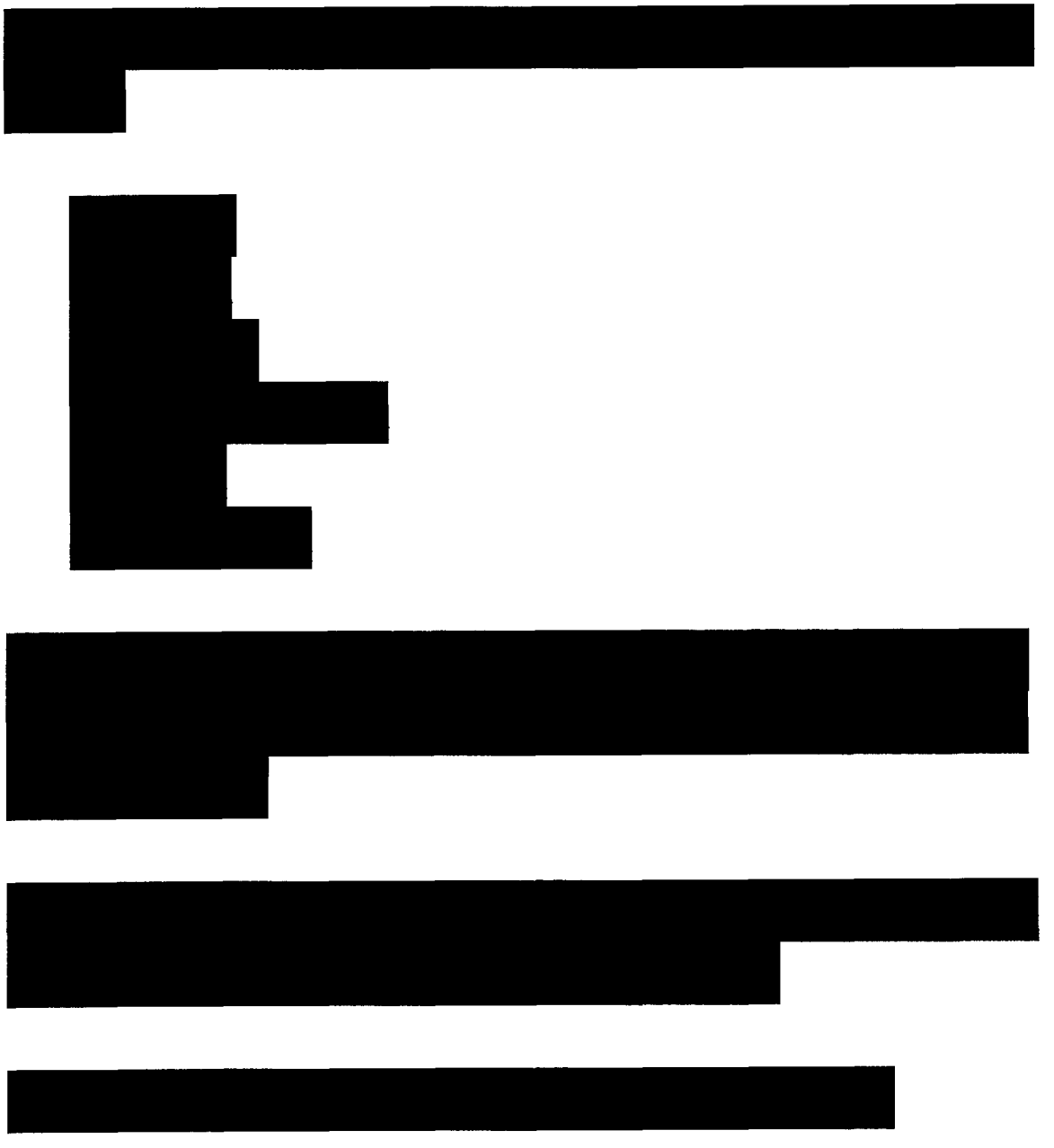
IV. Business Strategies

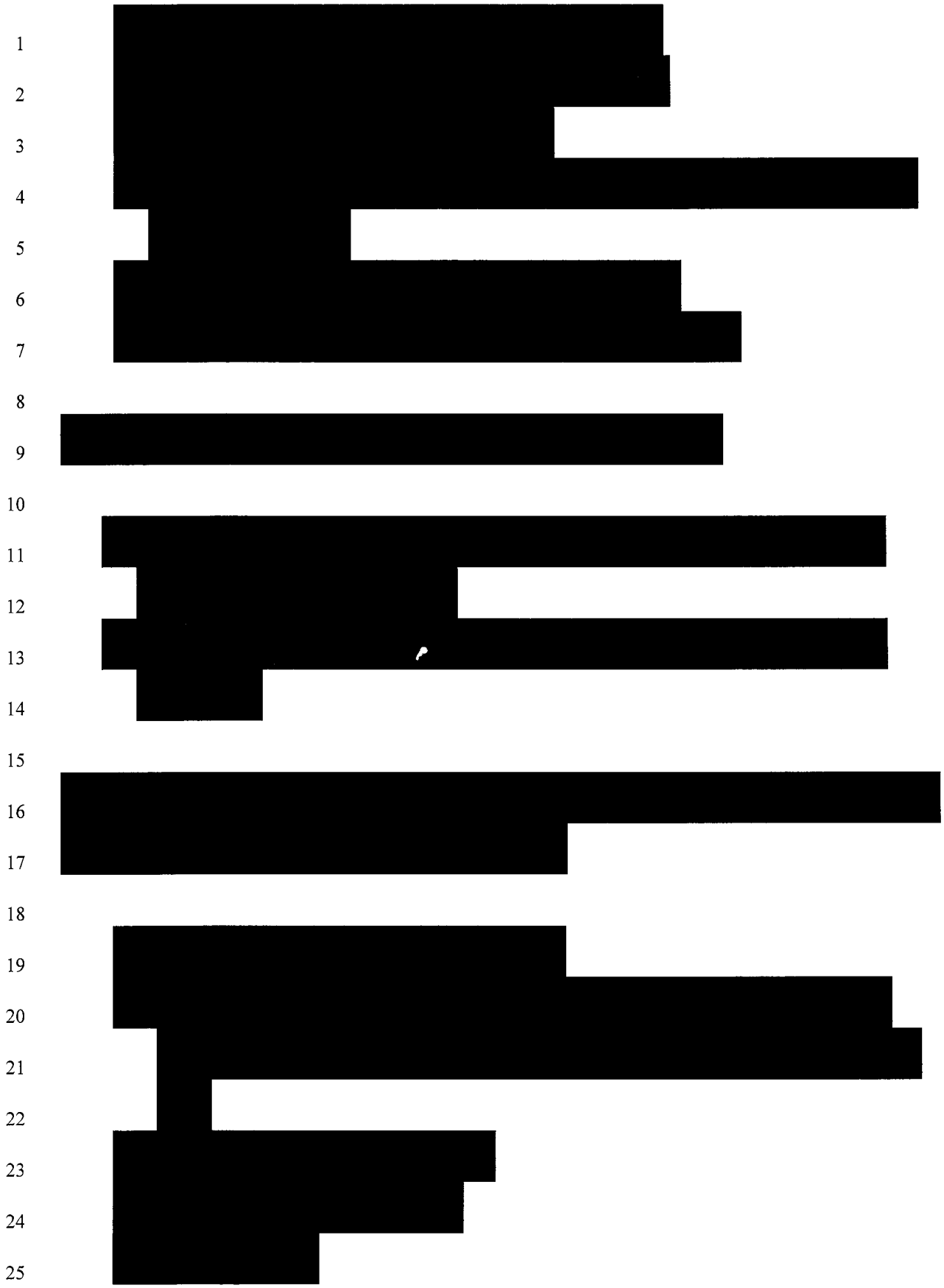
[redacted]

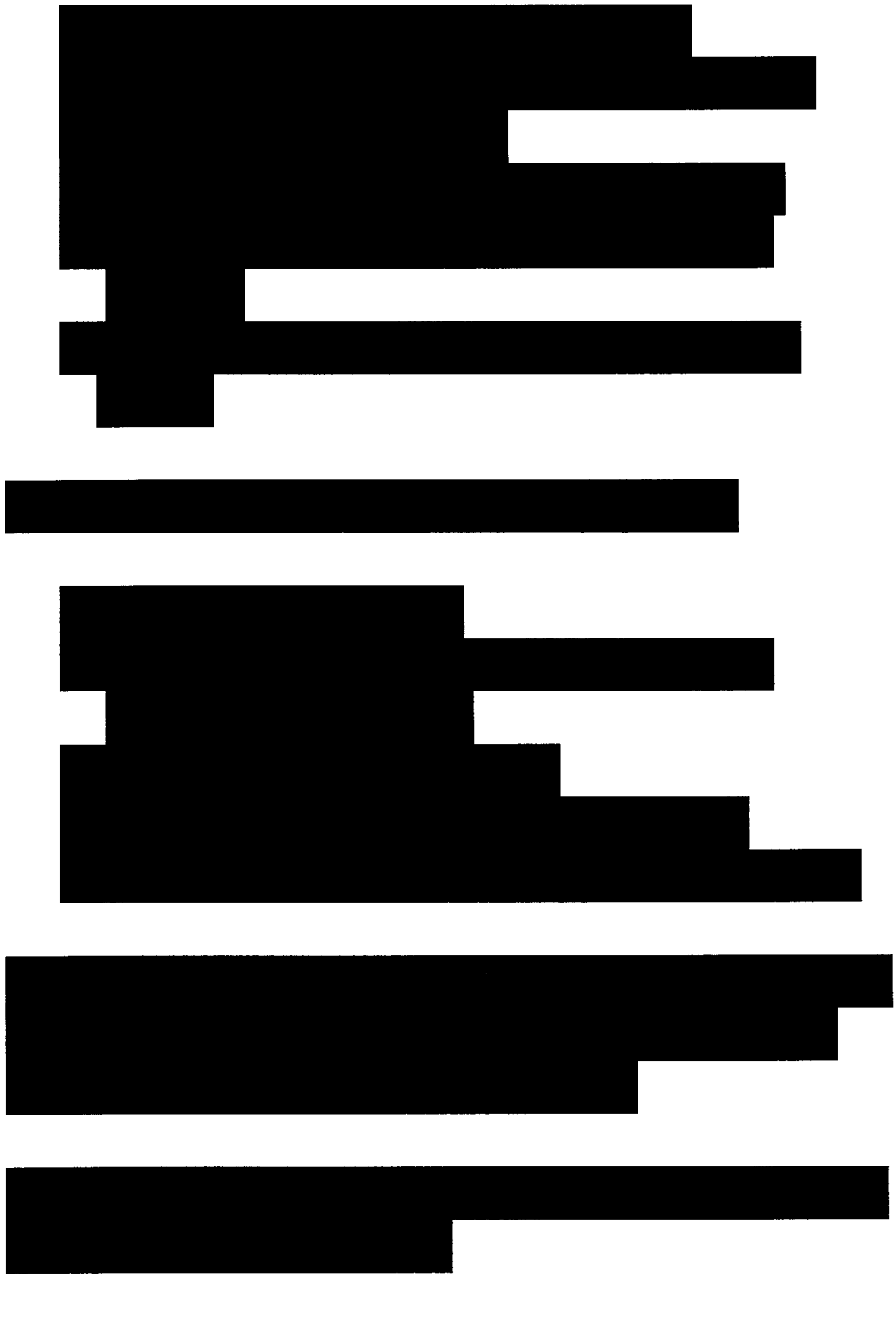
V. Authorizations

Appendix D contains the individuals, boards, and committees authorized to carry out various activities, reviews, and approvals.

VI. Segregation of Duties







VII. Market Risk Identification

VIII. Market Risk Measurement and Valuation

IX. Market Risk Limits

X. Credit Risk

XI. New Products

[redacted]

XII. Funding Liquidity

[redacted]

XIII. Operating Procedures and Systems

[redacted]

XIV. Accounting and Tax

[redacted]

XV. Legal

[redacted]

[redacted]

XVI. Monitoring and Reporting

Middle Office personnel will calculate and report the following items on a daily basis:

- Counterparty credit exposures and limits
- Value-at-risk
- Portfolio mark-to-market

[redacted]

XVII. Personnel Trading

[redacted]

XVIII. Business Recovery

[redacted]

XIX. Compliance

[redacted]

XX. Independent Review

[redacted]

XXI. Policy Amendments

XXII. Terminology

APPENDIX A

APPROVED BUSINESS OBJECTIVES

ENERGY MARKETING

Fleet Operations and Trading

FUEL SERVICES

Natural Gas Fulfillment Function

Emission Allowance Management Function

[redacted]

1. [redacted]

[redacted]

[redacted]

Coal Fulfillment Function

[redacted]

APPENDIX B

APPROVED COMMODITIES

The approved commodities for this RMP are:

- Electric power
- Natural gas
- Coal
- Emissions Allowances
- Fuel oil

APPENDIX C

APPROVED INSTRUMENTS

The approved instruments are:

- Futures
- Forwards
- Options
- Swaps

APPENDIX D

AUTHORIZATIONS

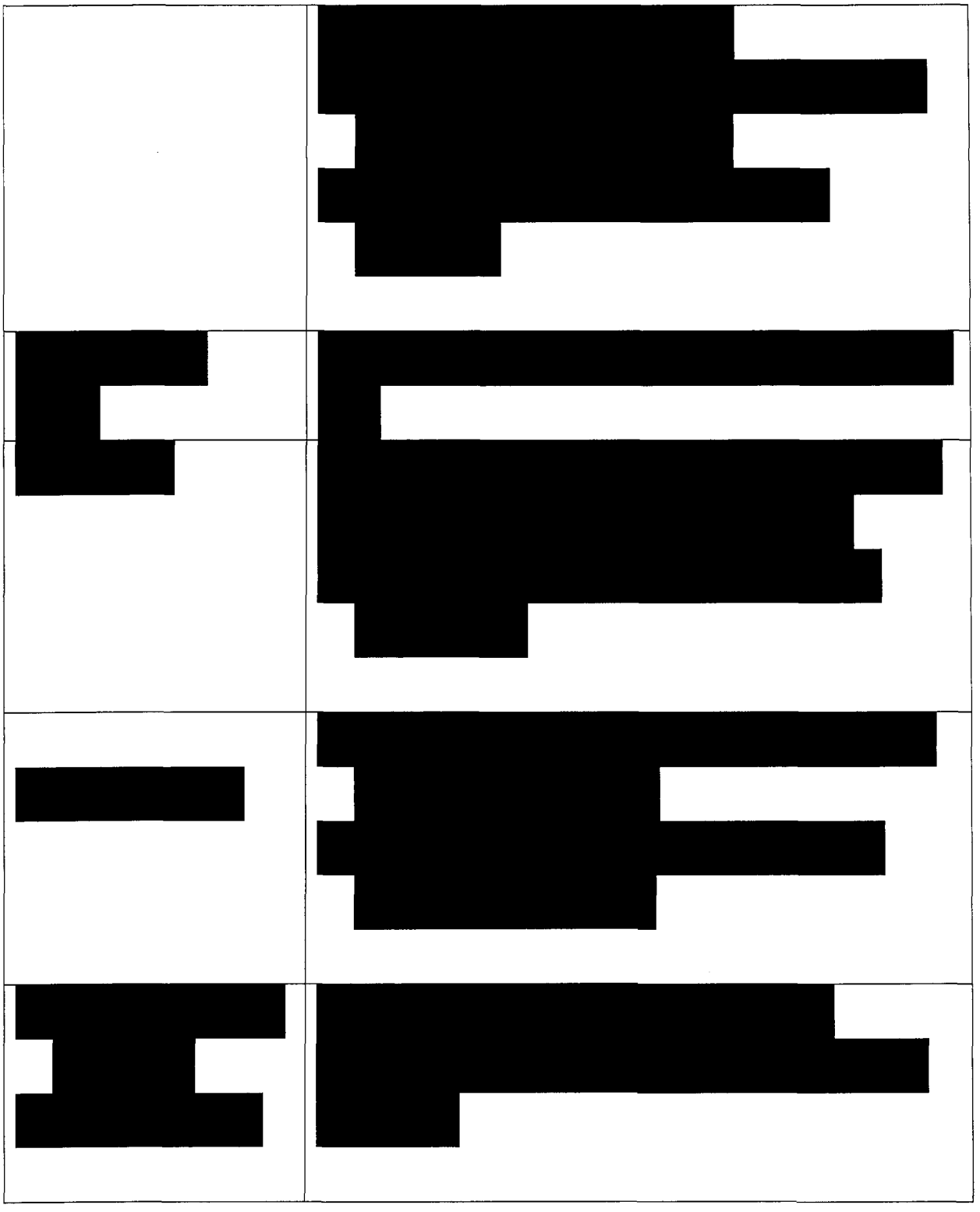
Name	Authority
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]

APPENDIX D

AUTHORIZATIONS (continued)

Energy Marketing

Name	Authority
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]

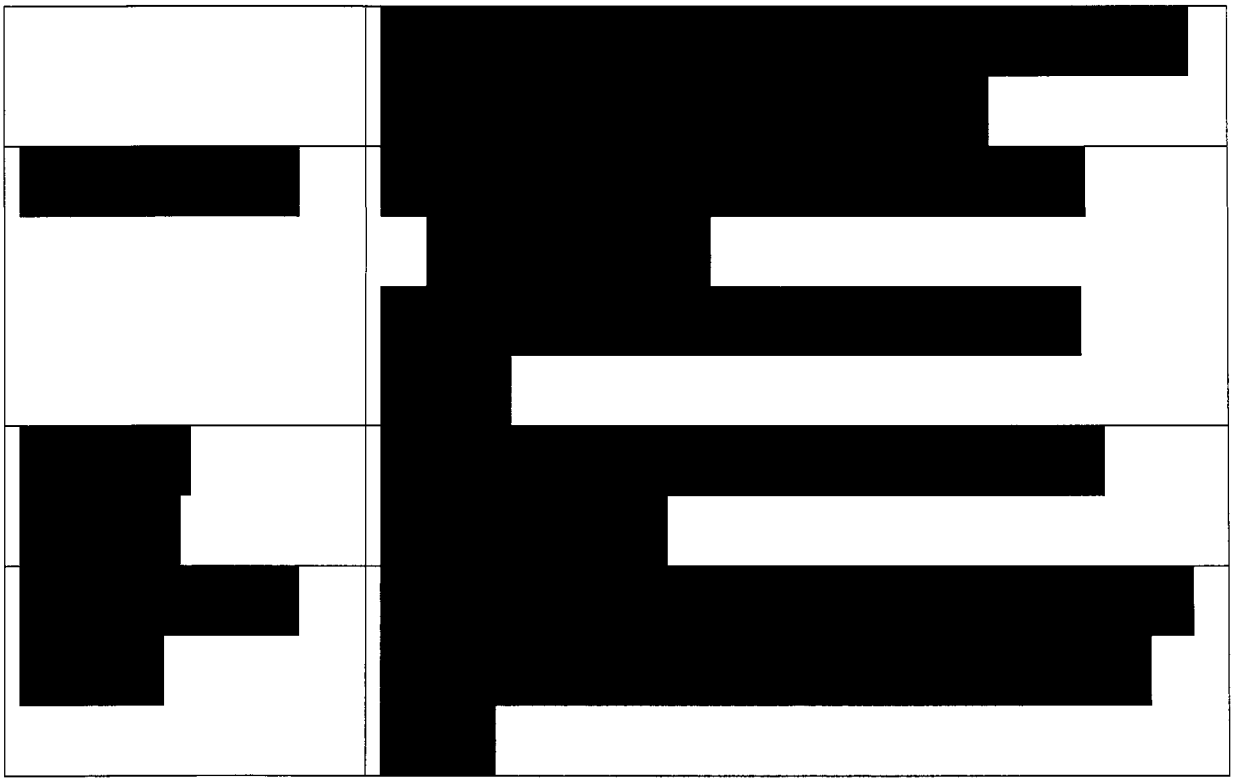


APPENDIX D

AUTHORIZATIONS (continued)

SCS Fuel Services

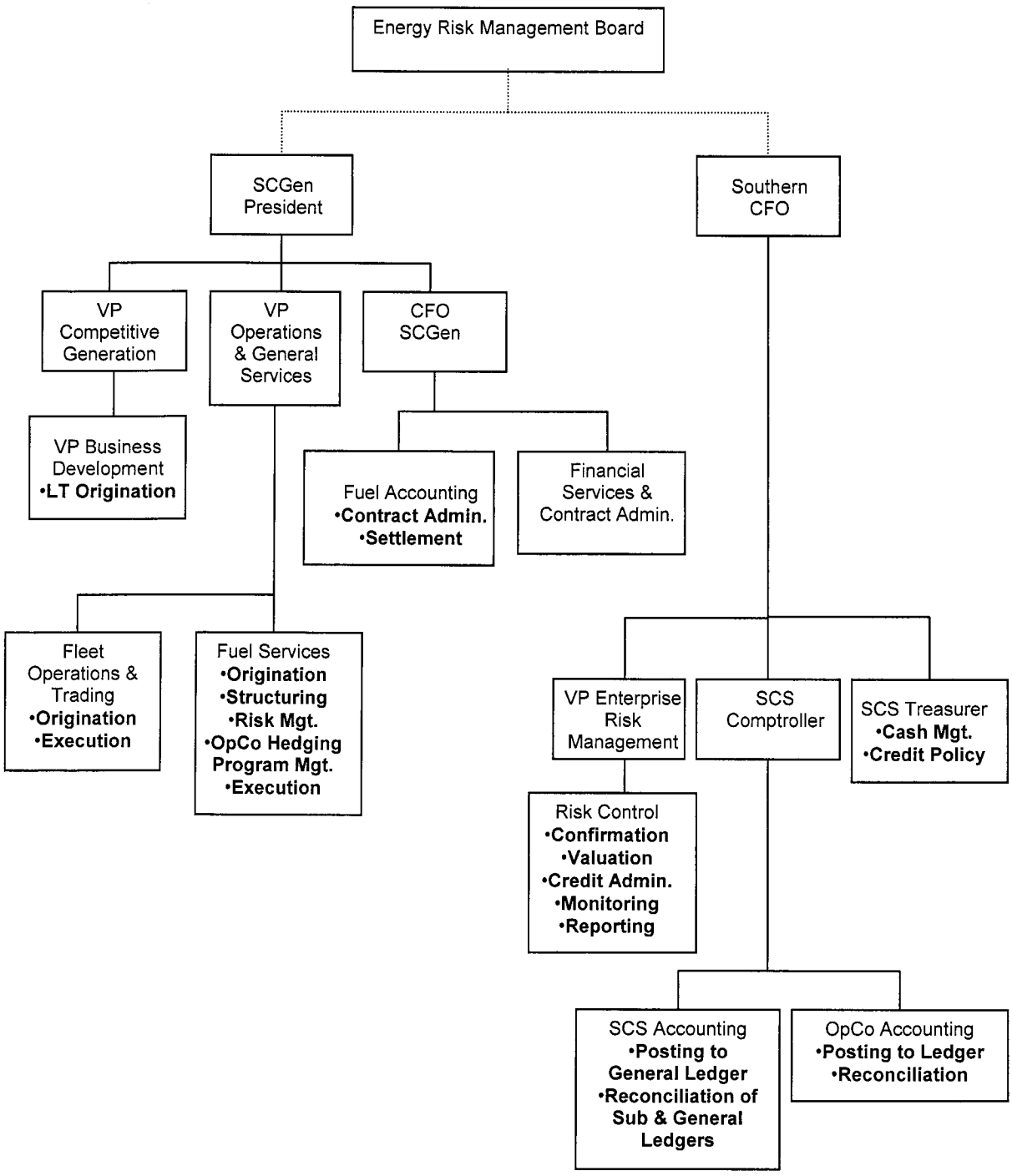
Name	Authority
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]



APPENDIX E

SEGREGATION OF DUTIES

To ensure that risk management activities are properly carried out, certain functions will be separated. The following chart identifies these functions (depicted as **BOLD** bullet items) and their reporting process.

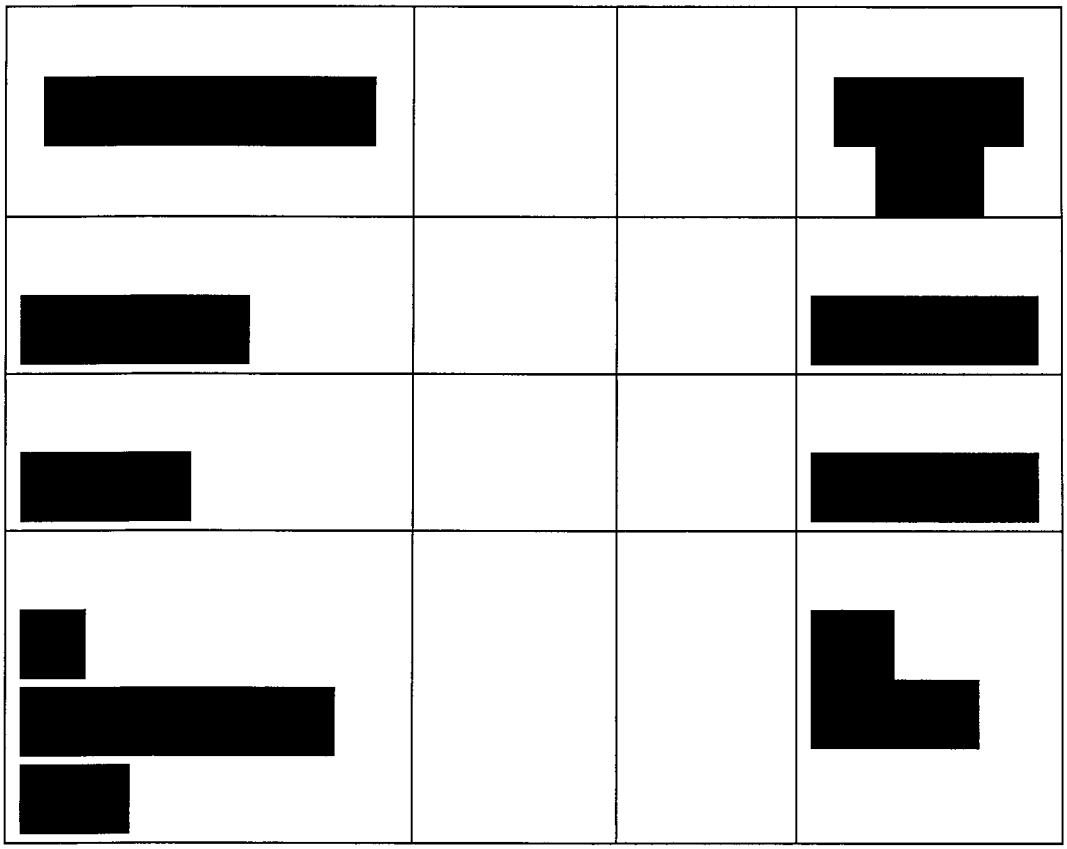

Energy Risk Management Board
SCGen President
Southern CFO
VP Competitive Generation
VP Operations & General Services
CFO SCGen
VP Business Development •LT Origination
Fuel Accounting •Contract Admin. •Settlement
Financial Services & Contract Admin.
Fleet Operations & Trading •Origination •Execution
Fuel Services •Origination •Structuring •Risk Mgt. •OpCo Hedging Program Mgt. •Execution
VP Enterprise Risk Management
SCS Comptroller
SCS Treasurer •Cash Mgt. •Credit Policy
Risk Control •Confirmation •Valuation •Credit Admin. •Monitoring •Reporting
SCS Accounting •Posting to General Ledger •Reconciliation of Sub & General Ledgers
OpCo Accounting •Posting to Ledger •Reconciliation

1

2

APPENDIX F

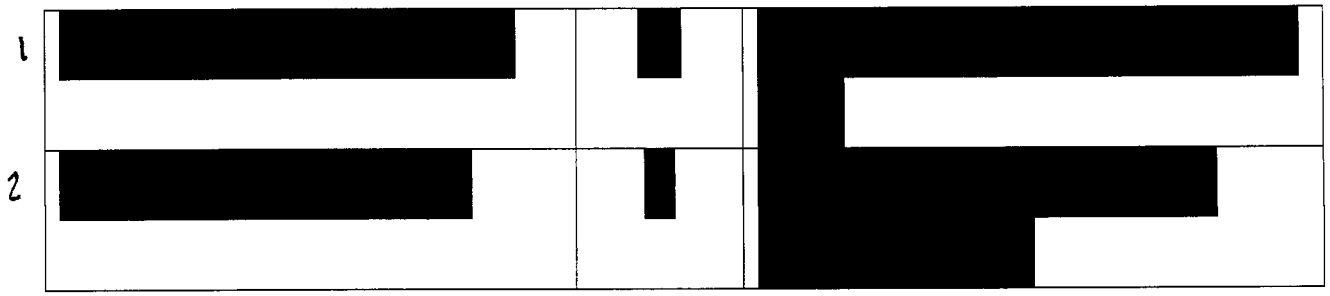
MARKET RISK MEASUREMENT



Parametric VaR Methodology

Formula Components

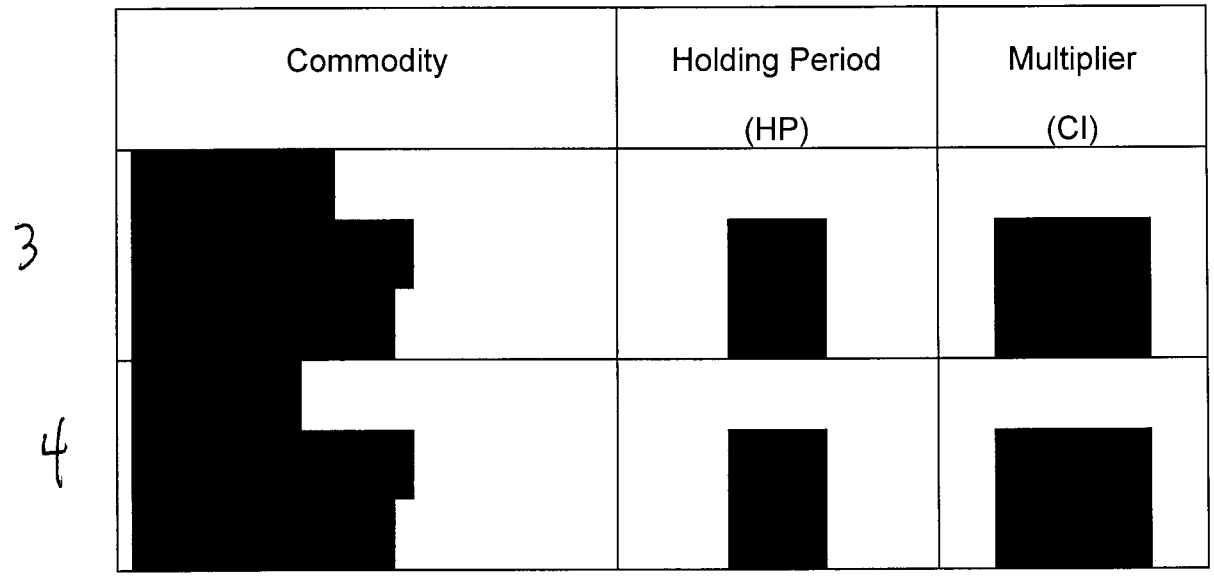
Component	Symbol	Comments



$$VaR = PSN * \Delta P * \sqrt{HP} * CI$$

Equation

Parameters



APPENDIX G

DAILY INCOME NOTIFICATION LEVELS

UPDATED EFFECTIVE 10/09/00

Approved Commodities	Daily MTM Change	Notify

[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]

APPENDIX H

MARKET RISK LIMITS

Overall Risk Limit

Approved Commodity	Overall Risk Limit	Approval Date
1		

Electricity

Net Open Position Limits

2		
3		

APPENDIX I

INCUMBENT LISTING; AUTHORIZED INDIVIDUALS

Incumbent Listing

Name	Title
David Ratcliffe	Chairman, President, and Chief Executive Officer Southern Company
Tom Fanning	Chief Financial Officer, Southern Company Chairman, Energy Risk Management Board
Paul Bowers	President, Southern Company Generation, Energy Risk Management Board
Phil Saunders	Sr. VP, Operations & General Services, SCGen
Ronnie Bates	Executive VP, Competitive Generation, SCGen
Dean Hudson	Senior Vice President, Comptroller, and Chief Financial Officer of SCS, Energy Risk Management Board
Jeffrey Wallace	Vice President, Fuel Services
Charley Long	Vice President, Fleet Operations and Trading
Todd Perkins	Manager, Risk Control
Scott Teel	Manager, Energy Trading
Roy Hiller	Gas Procurement Team Leader

Southern Company Generation

Energy Credit Committee

Name	Title

Earl Long (Chairman)	Assistant Treasurer, SCS
Phil Saunders	Sr. Vice President, Operations & General Services, SCGen
Jeffrey Wallace	Vice President, Fuel Services
Charley Long	Vice President, Fleet Operations & Trading, SCGen
Todd Perkins	Manager, Risk Control

Fleet Operations & Trading

Management Team

Name	Title
Phil Saunders	Sr. VP, Operations & General Services, SCGen
Mike Bush	Director, Portfolio Mgmt.
Greg Darnell	Fleet Operations Manager
Scott Teel	Manager, Energy Trading

SCS Fuel Services

Management Team

Name	Title
Phil Saunders	Sr. VP, Operations & General Services, SCGen
Jeffrey Wallace	Vice President, Fuel Services
Robert Schaffeld	Gas Services Director
Xia, Liu	Fuels Environmental & Compliance Manager

APPENDIX I

INCUMBENT LISTING; AUTHORIZED INDIVIDUALS (continued)

Authorized Individuals

Title	Name	Approved Commodities						
		Electricity		Natural Gas			Coal	Allowances
		Energy	Transmission	Gas	Transport	Storage		
Southern Company Generation								
Energy Trading Manager	Scott Teel	X	X					
Term Trader	David Hansen	X	X					
Term Trader	Steve Lowe	X	X					
Term Trader	Tim Sorrell	X	X					
Term Trader	Scott Morales	X	X					
Core Commercial Operatings Mgr.	Mike Smith	(2)	(2)					
Energy Coordinator	Bill Brown	X	X					
Energy Coordinator	Todd Curl	X	X					
Energy Coordinator	Frank Harris	X	X					
Energy Coordinator	David	X	X					

	Deerman							
Energy Coordinator	John Spratley	X	X					
Energy Coordinator	Jimmy Walker	X	X					
Transmission Project Coordinator	Mike Greene (3)		X					
Transmission Coordinator	Ron Carlson	X	X					
Transmission Coordinator	Martha Russell		X					
Scheduler	Jackie Abercrombie	(1)	X					
Scheduler	Shannon Gunnells	(1)	X					
Scheduler	Kristie Taylor	(1)	X					
Trading Analyst	John Ciza	(2)	(2)					
Trading Analyst	Susan Olive	(2)	(2)					

Title	Name	Approved Commodities						
		Electricity		Natural Gas			Coal	Allowances
		Energy	Transmission	Gas	Transport	Storage		
SCS Fuel Services								
Gas Services, Director	Bob Schaffeld							
NG Team Leader	Roy Hiller			X	X	X		
NG Buyer	Ken Damsgard			X	X	X		
NG Buyer	Vicki Gaston			X	X	X		
NG Buyer	Debora Honeycutt			X	X	X		
NG Buyer - Financial	Brian George			X				
NG Scheduler	Bryan Mitchell				X	X		
NG Scheduler	Russell Hall				X	X		
NG Scheduler	Tisha Dale				X	X		
NG Scheduler	Tonya Gary				X	X		
NG Project Manager	Alan Kilpatrick							

Storage	Carol Thomasson				X	X		
Coal & Transport Procure Manager	Debra Rouse						X	
Manager – Emissions	Gary Hart							X

Notes:

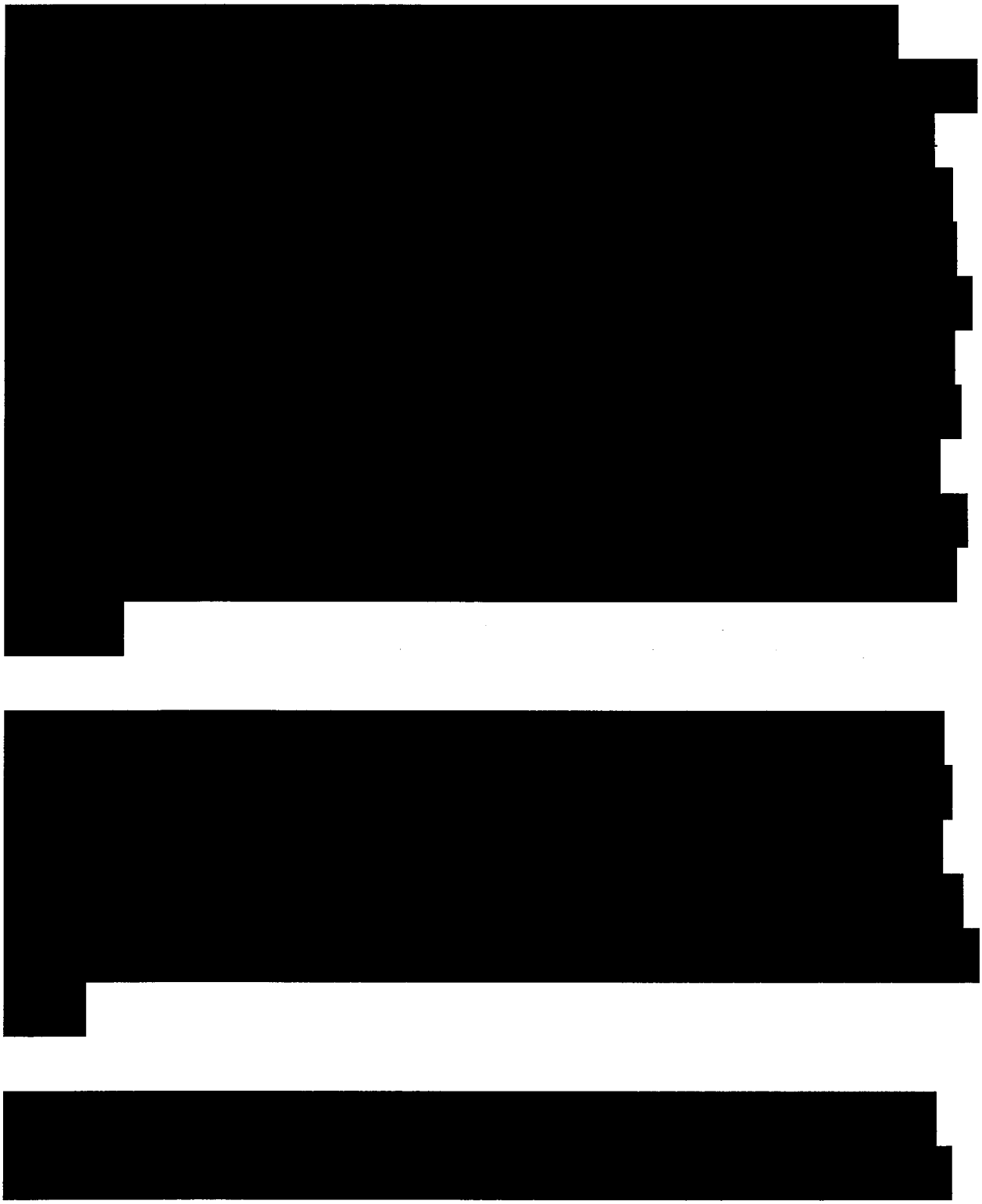
(1) Authority to engage in energy transactions is the same as the energy coordinator position.

(2) Authority to make changes to transactions.

(3) Authority to procure Transmission for Business Development Project, not trading

APPENDIX J

ACCOUNTING AND TAX



[redacted]

APPENDIX K

EMPLOYEE ACKNOWLEDGMENT

I have been provided a copy of the SCGen Risk Management Policy (RMP) and have had an opportunity to read and familiarize myself with its contents and understand the requirements that apply to my position.

I understand that the officers and Board of Directors of SCS place a very high priority of each employee adhering to the requirements, policies, and procedures described in the RMP and on the accurate tracking and reporting of levels and types of risks as described in the RMP.

I agree to comply with the policies, requirements, and procedures of the RMP as all or portions of the RMP apply to my position. I do not have any questions regarding or need to clarify any matters contained in the RMP.

_____

Printed Name

_____

Signature

Date: _____ ____, 200_

APPENDIX L

DEFINITIONS

Allowances	The emissions of various criteria pollutants such as sulfur dioxide usually traded in the over-the-counter markets via brokers with one allowance being equal to one tone of the pollutant (expressed in US short tons.) For Sulfur Dioxide (SO2) see the 1990 Clean Air Act Amendments, Title IV Section 402(3) "an authorization allocated to an affected unit by the Administator, to emit, during or after a specified calendar year one ton of sulfur dioxide. For NOx, the right to emit one ton of Nitrous Oxide during the 5 months ozone season May through September (beginning May 1st, 2003) as per the Final EPA Regional SIP Call Rules 40 CFR Parts 51, 72, 75 and 96. For trading in Green House Gases (predominately CO2) one ton of carbon dioxide emitted on an annual basis.
Approved Commodity	Those commodities listed in appendix B which have been approved.
Authorities	All applicable limitations imposed on SCGen RMP trading activities, and shall include, but not necessarily be limited to, authorized trading limits, daily loss exposure limits, maximum approved value at risk, income limits, and term limits.
Authorized Individuals	Employees whose position may involve: (1) the authority (or appearance of authority) to directly bind SCS (or any subsidiary) to agreements with third parties; and/or (2) the authority (or appearance of authority), acting through its various brokers and other representatives, to bind SCS (or any

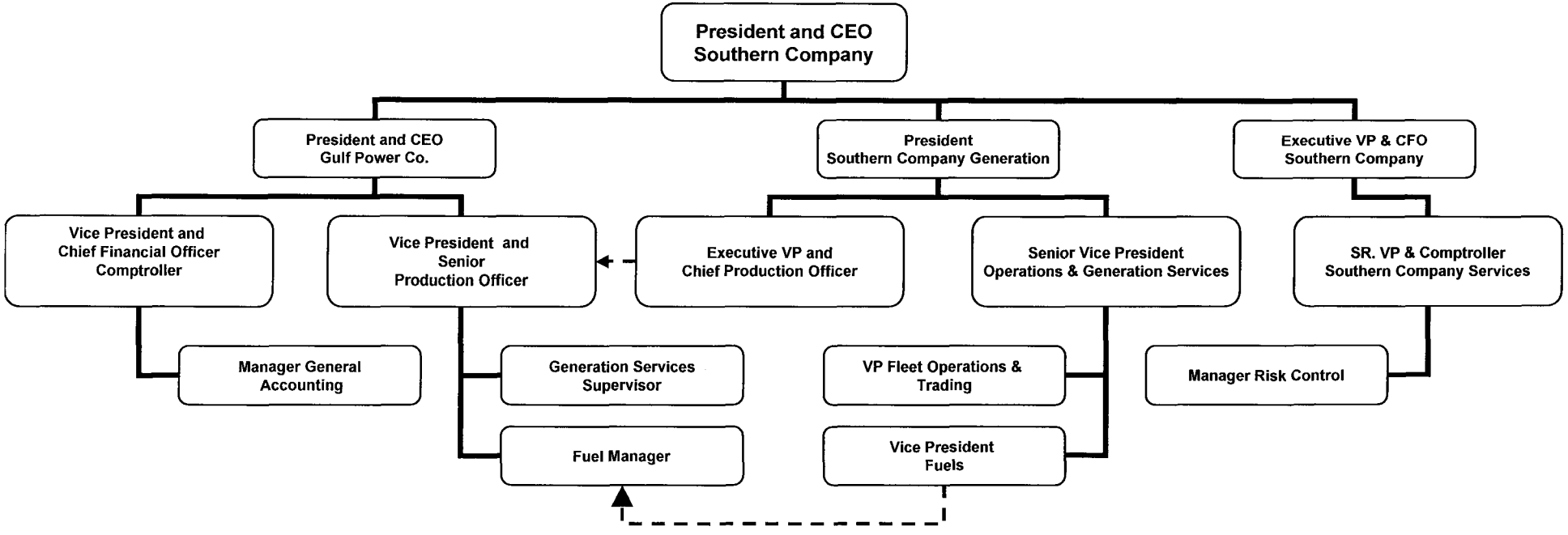
	subsidiary) to exchange-traded futures and option contracts.
Authorized Trading Limit	The levels set out in appendix F and H. Such levels are expressed in dollars that establish boundaries for maximum value at risk due to changes in market prices.
Daily Income Limit	The change in value of the Asset Optimization Floor portfolio on a daily basis as detailed in appendix G. The change in value will be calculated on a MTM net-present-value basis.
Daily Portfolio Value	The net present value on a MTM basis of yet to be performed transactions from all approved portfolios.
Delta	The sensitivity on an option's price to changes in the price of the underlying commodity.
Financial Instruments	Futures, forwards, options, swaps, and other derivative or financial risk management transactions entered into to hedge price risks.
Forwards	An agreement to buy or sell a quantity of a product, at an agreed price, on a given date, with a specific counterparty. Forwards are typically trading in the over-the-counter (OTC) markets.
FS	SCS Fuel Services

Futures	An agreement to buy or sell a quantity of a product, at an agreed price, on a given date, traded on an exchange, and cleared by a clearinghouse.
Illiquid Market	A market characterized by wide bid/offer spreads, lack of transparency, and large movements in price after any sizable deal.
Income Limit	The dollar income amounts set out in appendix G which require notification as described herein once triggered.
Mark to Market (MTM)	The value of a financial instrument, or risk book of such instruments, at current market rates, or prices of the underlying commodity.
Market Positions	Positions taken that are readily liquidated at a readily observable and transparent price.
Net Open Position	The sum of all open positions for the approved commodities on an equivalent basis.
Open Position	The difference between long positions and short positions in any given risk book.
Option	An instrument which provides the holder the right, but not the obligation, to sell to (or buy from) the option seller the underlying commodity at a specified price and time.
Originator	The lead individual responsible for negotiating the transaction with the counterparty.
Premises	SCGen business office located in Birmingham, Alabama.

Products	Financial instruments and related transactions for approved commodities as dictated by usage.
Risk Book	The official record in which all transaction risks related to changes in market prices is maintained for valuing, monitoring, managing, and reporting said risk.
RMP	Risk Management Policy
SCS	Southern Company Services, Inc.
Swaps	An agreement to exchange net future cash flows.
Structured Transaction	Any negotiated transaction not readily traded in the market and the price of which is not easily validated.
Transactions	Futures, forwards, options, swaps, or other instruments conducted over-the-counter or via organized exchanges including long- and short-term agreements involving approved commodities or financial instruments.

Value at Risk (VAR)	The expected loss that will be incurred on the portfolio with a given level of confidence over a specified holding period, based on the distribution of price changes over a given historical observation period. (This is not an estimate of worst possible loss.)

Risk Management for Fuel and Wholesale Energy



State of Florida

Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: 4-5-07

TO: Susan Ritenour

FROM: T. Henry, Division of the Commission Clerk & Administrative Services

RE: **Acknowledgment of Receipt of Confidential Filing**

02925-07

This will acknowledge receipt of a **CONFIDENTIAL DOCUMENT** filed in Docket No. 070001-EI or (if filed in an undocketed matter) concerning Risk management plan, and filed on behalf of Gulf Power/Ritenour. The document will be maintained in locked storage.

Any questions regarding this matter should be directed to Marguerite Lockard at (850) 413-6770.

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PSC/CCA019-C(Rev 12/06)