REDACTED

GULF POWER COMPANY

Risk Management Plan
For
Fuel Procurement
Docket No. 100001-EI

Date of Filing: August 2, 2010

GULF POWER

A SOUTHERN COMPANY

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GULF POWER LONG-TERM COAL PROCUREMENT STRATEGY AND TACTICAL PLAN AUGUST 2010

Introduction

Gulf Power (Gulf) reliably serves more than 428,000 customers. In 2009, Gulf generated 12.9 billion kilowatt-hours (kWhs) with $573 million in fuel expense. Coal represented 69 percent of Gulf's generation sources.

Gulf owns and operates three coal fired plants (Crist, Smith and Scholz) with a combined normal full load gross rating of 1,459 megawatts (MWs) and annual coal consumption of more than 3 million tons. The procurement of this coal is critical to the success of Gulf Power.

Gulf also co-owns 50 percent of Plant Daniel, which is operated by Mississippi Power (MPC) and has a projected annual coal consumption of 1.5 million tons, and 25 percent of Plant Scherer's Unit 3, which is operated by Georgia Power (GPC) and has a projected annual consumption of 800,000 tons. The output of Plant Scherer is sold in the wholesale market. The combined normal full load capacity of Gulf's ownership of Daniel and Scherer is 756 MWs.

Competition in the electric utility 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:

- A review of the current coal program including current commitments and uncommitted requirements
- A procurement strategy that identifies and addresses specific risks and risk mitigation strategies and discusses a strategic plan
- A tactical plan detailing specific actions required to achieve the strategy

Fuel Program Overview

Crist and Smith are barge served plants and have six long-term coal contracts in place effective January 1, 2011:

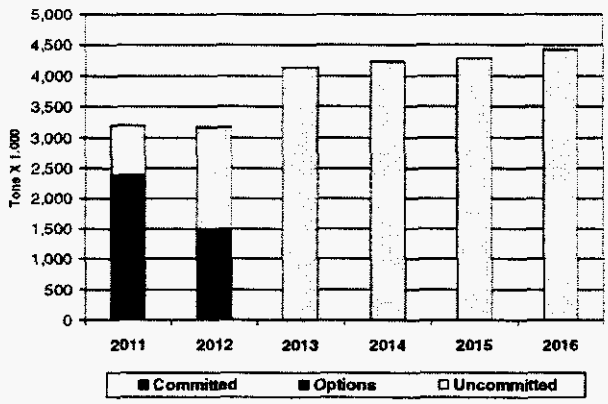
- The first contract is with Interocean Coal Sales, LDC's La Loma mine in Colombia for 160,000 tons in 2011. This contract was originally due to expire in 2010 but the parties agreed to defer 160,000 tons under this contract from 2010 into 2011. This contract has been extended and will now expire May 31, 2011.
- The second contract is with The American Coal Company's Galatia mine in the Illinois Basin coal supply region. Gulf is scheduled to receive 500,000 tons from Galatia in 2011 and 300,000 tons in 2012. This contract expires December 31, 2012.
- The third contract is with The American Coal Company's West Ridge Mine located in Utah. Gulf is scheduled to receive 378,000 tons of West Ridge coal in 2011 which includes 200,000 tons of coal deferred from 2010 into 2011. This contract expires December 31, 2011.
- The fourth contract is with Oxbow Mining, LLC's Elk Creek mine in Colorado for 550,000 tons in 2011. This contract expires December 31, 2011.

- The fifth contract is with Foresight Coal Sale's Sugarcamp mine in the Illinois Basin that will supply Gulf with 400,000 tons in 2011 and 700,000 tons in 2012. This contract expires December 31, 2012.
- The sixth contract is with Patriot Coal Sales, LLC's Hobet, Fanco and Toms Fork mines in the Central Appalachian region for 400,000 tons in 2011 and 500,000 tons in 2012. This contract expires December 31, 2012.

Crist and Smith have an uncommitted need in 2011 of 815,000 tons and a need of almost 1.7 million tons in 2012. Because 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 years 2011 and 2012 are from the GPIF burn file and the projected requirements for years 2013 through 2016 are from the June 2010 Budget Update. The chart below illustrates the projected burn and commitments of coal for Crist and Smith through 2016.

Gulf Power Company – Crist & Smith
Fuel Program Status

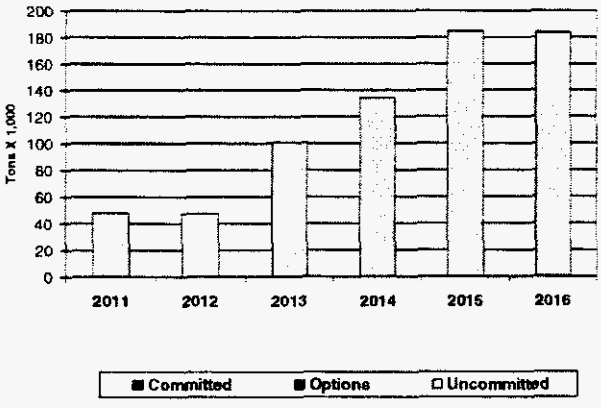


Sources: 2011 & 2012 – GPIF Burn File
2013 Forward – July 2010 Burn Update

Plant Scholz will continue use coal as a generation fuel source beyond 2011 as Gulf continues to evaluate its future operation status. Because Scholz is a peaking plant, its fuel supply will be based on limited-term, firm commitments and/or spot purchases depending on burn projections. Contract commitment terms will be two years or less. If commitments are made for more than 50 percent of projected burn requirements, the contract will match the maximum annual tonnage purchased to the plant burn requirements.

The following chart illustrates the projected burn and commitments of coal for Scholz through 2016.

Gulf Power Company – Scholz
Fuel Program Status



Sources: 2011 & 2012 – GPIF Burn File
2013 Forward – July 2010 Burn Update

Daniel is classified as a New Source Performance Standard (NSPS) plant requiring the use of 1.2 lbs SO2/MMBTU or less. Gulf owns 50 percent of Units 1 and 2 at Daniel which is rail served and will have three long-term coal contracts in place as of January 1, 2011:

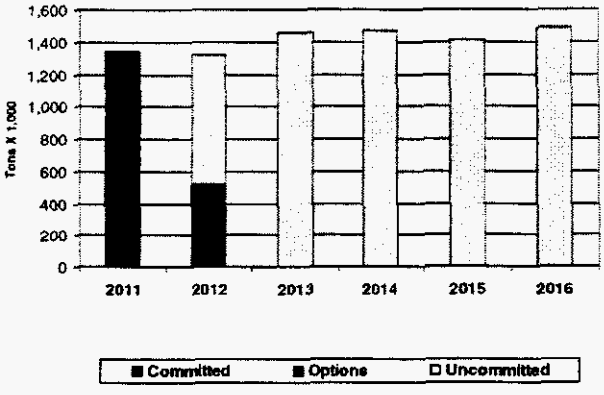
- The first contract is with Peabody's Twenty Mile mine in Colorado for 1 million tons per year for 2010 through 2012. This contract expires December 31, 2012.

- The second contract is with Oxbow's Elk Creek mine in Colorado. The Oxbow contract is for 550,000 tons in 2011. This contract expires December 31, 2011.
- The third contract is for Powder River Basin (PRB) coal with Cloud Peak Energy's Antelope mine in Wyoming. This contract is for 1 million tons in 2011. This contract expires December 31, 2011.

In addition to the three contracts discussed above, Daniel also has the ability to receive tons under a MPC agreement with Interocean Coal Sales, LDC, which expires December 31, 2011. Currently, all tons under this agreement are projected to be delivered to Plant Watson.

Comparing current commitments plus projected inventory carryover to the current burn projections, Daniel is fully committed for 2011. There are no committed tons at Daniel for 2013 and beyond.The following chart illustrates Gulf's 50 percent ownership in projected burn and commitments of coal for Daniel through 2015.

Gulf Power Company – Daniel
Fuel Program Status



Sources: 2011 & 2012 – GPIF Burn File
2013 Forward – July 2010 Burn Update

Procurement Strategy

The long-term coal procurement goal for Gulf is to provide a reliable, cost-competitive, environmentally acceptable coal supply. The successful coal program provides flexibility in volume and pricing, becomes more diverse by pursuing other supply regions, creates competition for supply, focuses on reliability of supply, and adheres to changing environmental laws and guidelines.

Over the past two years, the coal industry has become more susceptible to the influences of the global commodities market. Given the global market dynamics that occurred during this time frame, the coal market has reacted by becoming more volatile from both a pricing and volume availability standpoint. This has, in turn, impacted the dynamics between natural gas and coal, leading to increased uncertainty in coal burn.

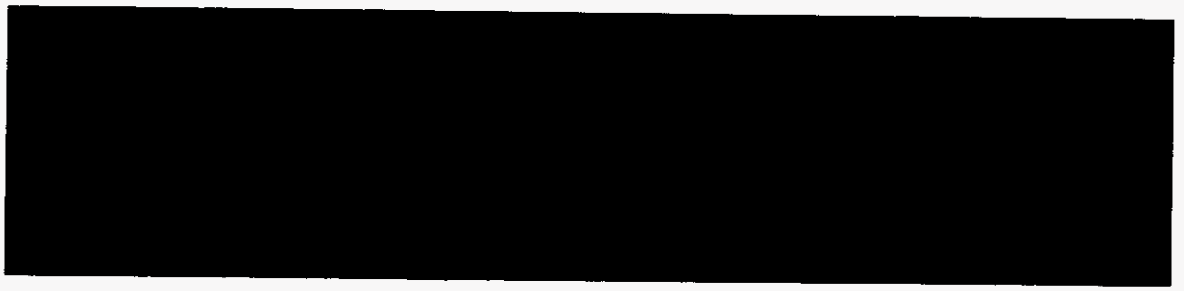
The following section addresses the risks associated with each of these areas and identifies strategies to mitigate them. Also included in this section is a discussion of a strategic plan that incorporates several of these mitigation techniques.

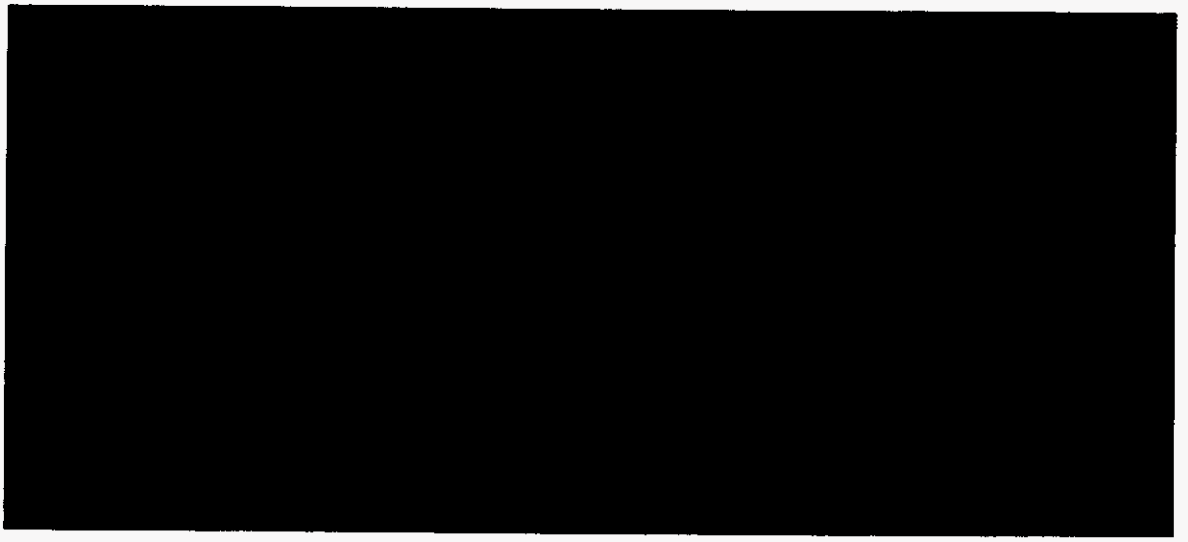
Risks and Risk Mitigation Strategies

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 need to be addressed in developing a strategy for long-term coal procurement. Southern Company currently owns or manages a significant amount of natural gas fired generating capacity and is projected to install additional capacity between 2010 and 2013. This increase in natural gas capacity within the Southern Company system in conjunction with the volatility of natural gas pricing will cause the

amount of future coal generation to continue to become more uncertain. In addition, weather and economic conditions will continue to impact future coal burn requirements.





Pricing Risk and Strategy

Competing for energy market share with other utilities and power marketers requires competitive energy pricing. Because more than 50 percent of the cost

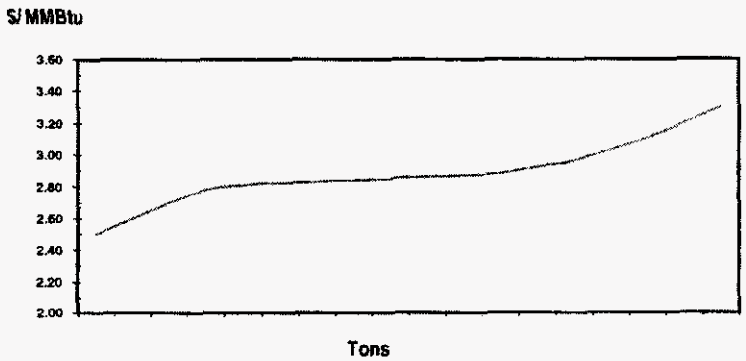
for coal-fired generation is fuel, competitively priced coal supplies should be maintained.

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.
Where negotiations allow, mechanisms to achieve this objective include:

[redacted]

Due to the size of our system, the volume of purchases made at a particular time can impact the market. Ranking bid proposals in order of least cost and cumulative volume produces a price curve similar to the following:

Fuel Price Curve



[redacted]

[redacted]

Diversity of Supply Risk and Strategy

There is a risk in relying on one or two large producers from a single region to meet supply needs. Also, having the ability to burn coal from various regions will decrease the availability risk associated with lack of supply in a particular region. Diversifying will also keep the competition strong among the suppliers.

Close involvement with plant personnel will be required to actively pursue alternate sources, including testing and plant modifications if required.

[redacted]

Reliability Risk and Strategy

When a supply and demand imbalance occurs in the coal industry, reliability of supply poses a risk. Securing business with producers that have performed well during times of unreliable supply can mitigate that risk. Also, in addition to an economic evaluation, technical and financial evaluations of suppliers are now a required part of the coal procurement process.

[redacted]

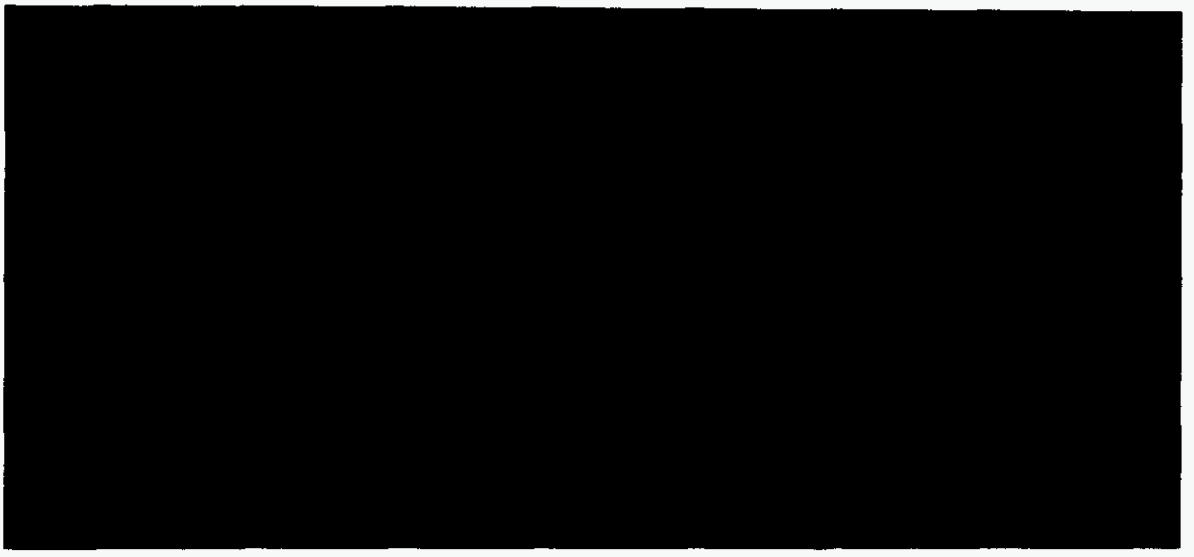
[redacted]

[redacted]

Environmental Risk and Strategy

When procuring coal for a term greater than 12 months, a major risk factor is the potential impact from future changes in environmental laws and regulations that may render the burning of coal as non-economic to our system.

[redacted]



Strategic Plan

As mentioned above, when procuring coal for Gulf, the Crist and Smith plants 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, Scholz can burn similar quality coals, but its transportation mode differs because it is rail served. The co-owned plants, Daniel and Scherer, will be treated individually.

Crist – In 2011, Crist will be served by Marquette Barge Company. Crist burns between 1.5 and 2.5 million tons of coal a year and must comply with a state SO2 emission limit of 2.1 lbs SO2/MMBTU. For the past several years, Crist has burned low sulfur Illinois Basin coal from the Galatia mine. Crist can also burn Colombian import coals, as well as coals from Colorado, Utah and the Central Appalachian regions. Crist is considered an intermediate coal plant with a projected capacity factor of greater than 60 percent.

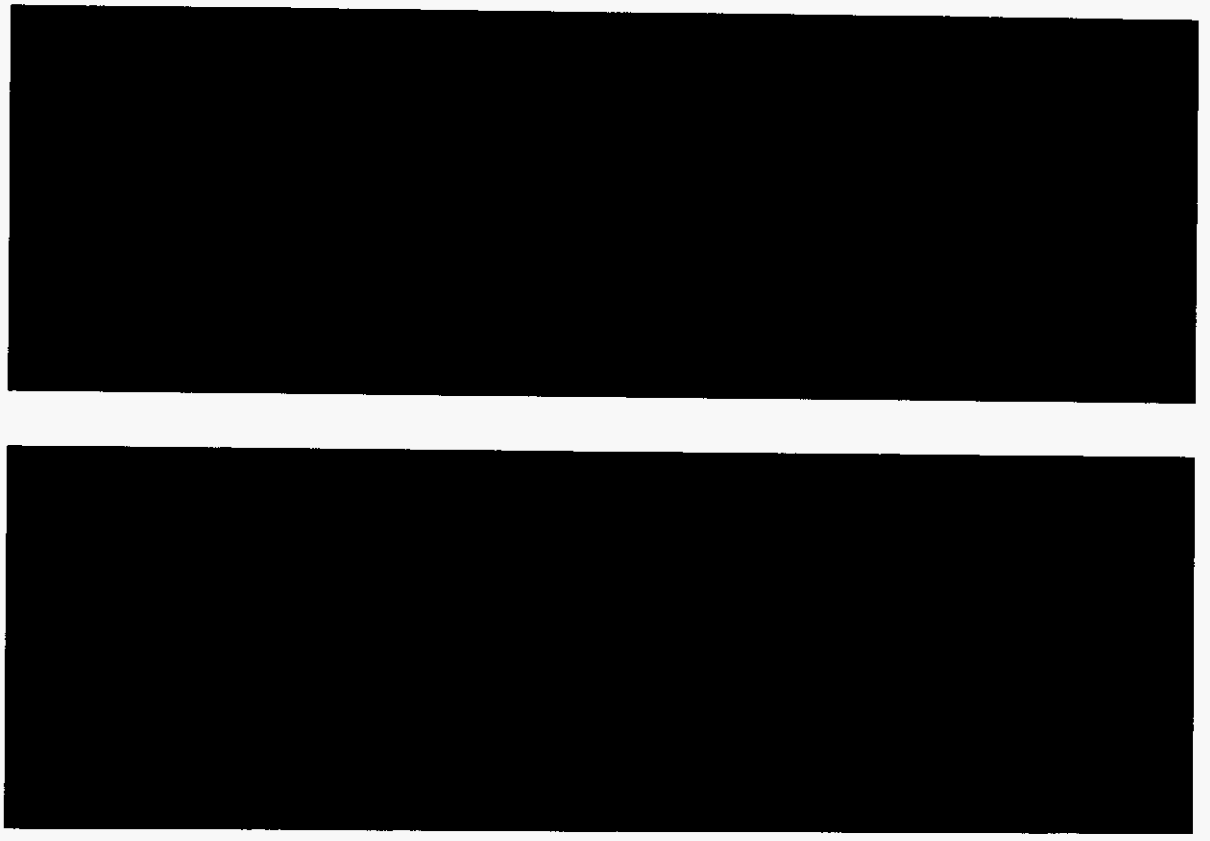
Smith – In 2011, Smith will also be served by Marquette Barge Company. It burns between 500,000 and 1 million tons of coal a year and must comply with the state SO2 emission limit of 2.1 lbs SO2/MMBTU. Smith can burn a variety of

coals, including Illinois Basin and import coals such as Colombian, Australian and Venezuelan. Domestic sources such as Colorado, Utah and Central Appalachian coals also have been burned in the past. Smith is considered an intermediate coal plant with a projected capacity factor of greater than 60 percent.

Scholz –Scholz is served by the CSX Railroad. Scholz is projected to burn 48,000 tons of coal in 2011 and must comply with a state SO2 emission limit of 6.17 lbs SO2/MMBTU. Scholz has burned Central Appalachian coals in the past. It currently has no commitments for 2011 or beyond. It is considered a peaking coal plant with a projected capacity factor of less than 50 percent.

Because Scholz is a peaking plant, its fuel supply will be based on limited-term, firm commitments and/or spot purchases depending on burn projections. Contract commitment terms will be two years or less. If commitments are made for more than 50 percent of projected burn requirements, the contract will match the maximum annual tonnage purchased to the plant burn requirements.

Daniel – Daniel is served by the Mississippi Export Railroad (MSE) which is approximately 40 miles in length and runs between Moss Point and Evanston, Miss. 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 NSPS plant, Daniel must use "compliance" coal with a maximum of 1.2 lbs SO2/MMBtu (0.6 lbs Sulfur/MMBtu). Daniel can burn import coal in addition to coal from Colorado and the Central Appalachian regions. Powder River Basin coal is also burned in Daniel's units and blended with bituminous coal at an average of 60 percent bituminous /40 percent PRB ratio. Daniel is considered an intermediate coal plant with a projected capacity factor of greater than 60 percent.

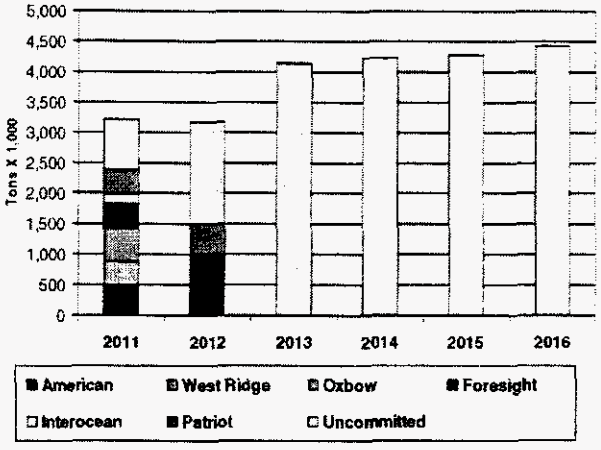


Tactical Plan

Crist and Smith

The chart below shows a breakdown of the current Crist and Smith suppliers and volume commitments, including options, through 2016.

Gulf Power Company – Crist & Smith
Fuel Program Status - Supplier Breakdown



Sources: 2011 & 2012 – GPIF Burn File
2013 Forward – July 2010 Burn Update

The strategy for the intermediate plants is to have a certain percentage of firm commitments established for the next several years. [redacted]

[redacted]

[redacted]

In recent years, Crist and Smith have undertaken a plan to blend Illinois Basin coal with Colombian coal in order to take advantage of an increased Btu content and decreased sulfur content of a blended coal. This practice of blending Illinois Basin coal with Colombian coal is scheduled to continue through mid-2011. However, beginning in 2011, this plan will change to an Illinois Basin - Central Appalachian coal blend or an Illinois Basin - Colorado/Utah coal blend as the Interocean contract is due to expire on May 31, 2011.

Both Crist and Smith's portfolio currently includes coals from other supply regions such as the Central Appalachian region and the Western bituminous regions of Colorado and Utah. These coals are being delivered by rail to the Alabama State Docks (ASD) in Mobile, Alabama.

In 2009, the ASD upgraded the rail unloading facility at the Bulk Terminal to allow for an increase in volume of rail coal at this facility. Shipments can also be delivered to various ports along the Mississippi River and transloaded into barges for ultimate delivery to Crist and Smith.

Crist and Smith have an uncommitted need of approximately 815,000 tons in 2011. The plan is to issue a spot coal solicitation in the fourth quarter of 2010 to fulfill a portion or, depending on pricing, all of this uncommitted need. Beginning in 2012, Crist and Smith have a combined uncommitted need of approximately 1.7 million tons. This uncommitted need increases to approximately 4.0 million tons for years 2013 through 2016. The plan will be to issue a long-term solicitation in the second quarter of 2011 to fulfill percentages of firm commitments that conform to Gulf's long-term procurement strategy through 2016

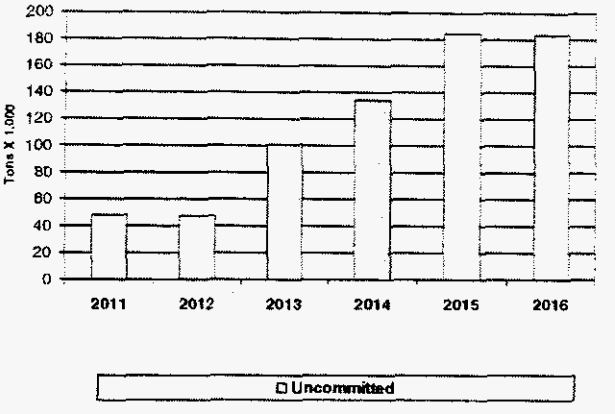
As mentioned above, Illinois Basin and Central Appalachian coals must be blended on a 50/50 basis before delivery to Crist and Smith. This is currently accomplished by railing both coals to the ASD, blending them for transloading into barges. This blending process could be performed at other off-site locations as economics permit.

Western bituminous coals can either be railed direct to ASD and transloaded into barges or railed to the Mississippi River and transloaded into barges for ultimate delivery to Crist and Smith. Currently, no transportation infrastructure improvements will be necessary for the movement of these coals to Gulf's plants. At this time, it is unknown whether the plant will need some time to acquire additional equipment for burning large volumes of the Illinois Basin coals.

Scholz

The chart below shows a breakdown of the current Scholz suppliers and volume commitment, including options, through 2016.

Gulf Power Company – Scholz
Fuel Program Status - Supplier Breakdown



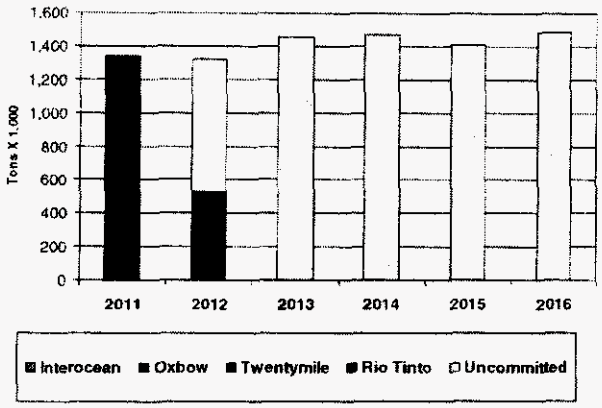
Sources: 2011 & 2012 – GPIF Burn File
2013 Forward – July 2010 Burn Update

As mentioned previously, Scholz is served by the CSX Railroad. Scholz's burn is projected to be 48,000 tons in 2011. These short-term requirements at Scholz will be satisfied with existing coal inventory on the ground at the plant. [redacted] Because Scholz is a peaking plant, its fuel supply will be based on limited-term, firm commitments and/or spot purchases depending on burn projections. Contract commitment terms will be two years or less. If commitments are made for more than 50 percent of projected burn requirements, the contract will match the maximum annual tonnage purchased to the plant burn requirements.

Daniel

The chart below shows a breakdown of the current Daniel suppliers and volume commitments, including options, through 2016.

Gulf Power Company – Daniel
Fuel Program Status - Supplier Breakdown



Sources: 2011 & 2012 – GPIF Burn File
2013 Forward – July 2010 Burn Update

As mentioned earlier, the strategy for intermediate plants is to have a certain percentage of firm commitments established for the next several years. [redacted]

In 2011 (year one), Daniel is 100 percent committed based on current burn projections, 40 percent committed in year two and has no committed coal in years three and four. A long-term solicitation will be issued in 2011 for up to a four-year term (2012 to 2015) covering the requisite committed percentages for those years. These contracts will be negotiated using the strategies mentioned above.

For 2011 and forward, the tactical plan consists of continuing to diversify Daniel's coal supply into two or three regions with one supplier having no more than 30 percent of the plant's commitment. Daniel's portfolio has diversified its coal supply by taking coal from Colorado, import and PRB regions. For 2011, Daniel has committed to approximately two-thirds Colorado coal and one-third PRB

coal, with the continued flexibility to divert contracted import tons from Watson to Daniel to maintain and control inventory. This diversity of supply is projected to continue into 2012.The goal for future years, if economics warrant, would be to maintain this diversity. Should supply problems occur, this diverse portfolio of suppliers would help ensure that the other suppliers could continue seamless deliveries to the plant. Another important element of this diversification philosophy is that Daniel can share most coal supplies with MPC's Watson plant should operational, supply, or transportation problems occur at either plant. Gulf will also continue its policy of testing various import as well as domestic coals.

Traditionally, Daniel has used sources such as PRB and Colorado low-sulfur coals. Since 2000-2001, market conditions -- including production problems, lack of availability of supply in some domestic regions and environmental awareness -- have emphasized the need to diversify with import coals. These other coal sources, transportation arrangements and plant quality limitations will be actively evaluated because of reliability and availability issues in the domestic market and in the existing Colombian market.

The strategic objective is to include import, Colorado, and PRB sources in future coal commitments for Daniel. Colorado and/or PRB coal will continue to make up a significant portion of Daniel's committed volumes provided that economics warrant and that Union Pacific and BN Railroad transportation capacity is available. As part of this objective, Gulf will explore expanding its plant quality parameters through the continuation of an active test burn program.

In addition to receiving import coal through the ASD, Daniel also has the ability to take imported rail coal through the Illinois Central Rail Marine Terminal (ICRMT) in Convent, La. This is a proven facility that Daniel has used in the past. Because it is an inland-river facility capable of unloading Panamax-sized vessels, it provides additional security during hurricane season.

Both Illinois Basin and Central Appalachian coals can be railed directly to Daniel, although some infrastructure improvements would be necessary. At this time, it is uncertain if the plant will need some time to acquire additional plant equipment necessary for burning Illinois Basin coals. 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.

GULF POWER
TRANSPORTATION STRATEGY
AUGUST 2010

Introduction

The highest priority for a coal transportation strategy is to maintain a reliable, cost-competitive transportation system. Increasing competition in the electric utility industry, demand/supply imbalance in the coal transportation industry, the changing location of coal supply sources, compliance with environmental regulations, 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:

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.
4) An overview of the transportation strategy for the movement of limestone and gypsum, including contracts in place or under negotiation.

Transportation Program Overview

Plants Crist and Smith

Crist and Smith have the ability to receive both import and domestic coal by barge. Western coals can be transported by the Burlington Northern Santa Fe

Railroad (BNSF) or the Union Pacific Railroad (UP) to terminals on the Mississippi River or via the Canadian National Railway (CN) to the Alabama State Docks facility in Mobile, Ala., and then barged to the plants. Illinois Basin or Central Appalachian coal can be transported by barge or by a combination of rail and barge to these plants as well.

Eastern coal can be transloaded at the Alabama State Docks Facility in Mobile, Ala., via interchanges with the Canadian National Railway (CN), CSX Transportation Inc. (CSXT), Alabama Gulf Coast Railroad (AGCRR), and Norfolk Southern (NS) railroads. Import coal can be delivered by ocean vessel to the Alabama State Docks facility for barge movement to the plants. Currently, Crist and Smith receive import coal, Illinois Basin coal, and coal from Colorado and Utah.

UP Agreement UP-53281 provides for rail transportation of Colorado coal to the Cora Dock terminal on the Mississippi River through Dec. 31, 2010. There are no annual minimum or maximum volume requirements in this agreement.

UP Agreement UP-53285 with Utah Railway/UP/CN provides for rail transportation of Utah coal from the Wild Cat loadout to the Alabama State Docks through Dec. 31, 2010. There is no annual minimum volume requirement in the agreement; however, the agreement includes a maximum of 600,000 tons of coal that can be shipped.

UP Agreement UP-53286 with UP/CN provides for rail transportation of Colorado and Utah coal to the Alabama State Docks through Dec. 31, 2011. The agreement has an annual minimum volume requirement of 1 million tons and a maximum of 1.8 million tons of coal that can be shipped in 2010. In 2011, the annual minimum volume requirement is 400,000 tons and a maximum of 1.2 million tons of coal that can be shipped. Per the agreement, tons that are shipped

pursuant to UP-53285 shall count toward the minimum volume requirement in UP-53286 during the year in which they are shipped.

Crist and Smith are served primarily by a single barge carrier, Marquette Transportation Company, LLC (Marquette). Marquette agreement (SC09005-T) provides for transportation of coal to both plants from the Alabama State Docks facility. The Marquette agreement expires Dec. 31, 2014. Plant Crist is also served by Crounse Corporation (GU10002-B) for smaller tonnages shipped from various Central Appalachian and Illinois Basin river terminals on the Kanawha and Ohio rivers. The Crounse agreement expires Dec. 31, 2010.

Plant Scholz

Scholz is rail served by the CSXT railroad. The plant has the ability to receive both domestic and import coal. Import coal could be brought into the Alabama State Docks facility and then transloaded into railcars for movement to the plant.

Scholz has an agreement with the CSXT Railroad (CSXT-C-83791) that expires Dec. 31, 2011. This agreement specifies that 95 percent of all deliveries must move on the CSXT railroad.

Plant Daniel

Daniel is served by the Mississippi Export Railroad (MSE) that interchanges with the CSXT and the CN. Daniel accesses Powder River Basin (PRB) and Colorado coal sources via multiple line hauls to the MSE from the BNSF, UP, and CN railroads.

Daniel can also take advantage of import coals, when economical, through the Alabama State Docks facility located at the Port of Mobile. Import coal is transloaded from an ocean vessel at the Alabama State Docks facility to railcars

for shipment to the plant by the CN and interchange with the MSE. Daniel can also receive Central Appalachian coal via the CSXT and interchange with the MSE. Another potential source of Central Appalachian coal is via the NS railroad through an interchange agreement with the CN railroad. Currently, Daniel receives Colorado, PRB, and import coal.

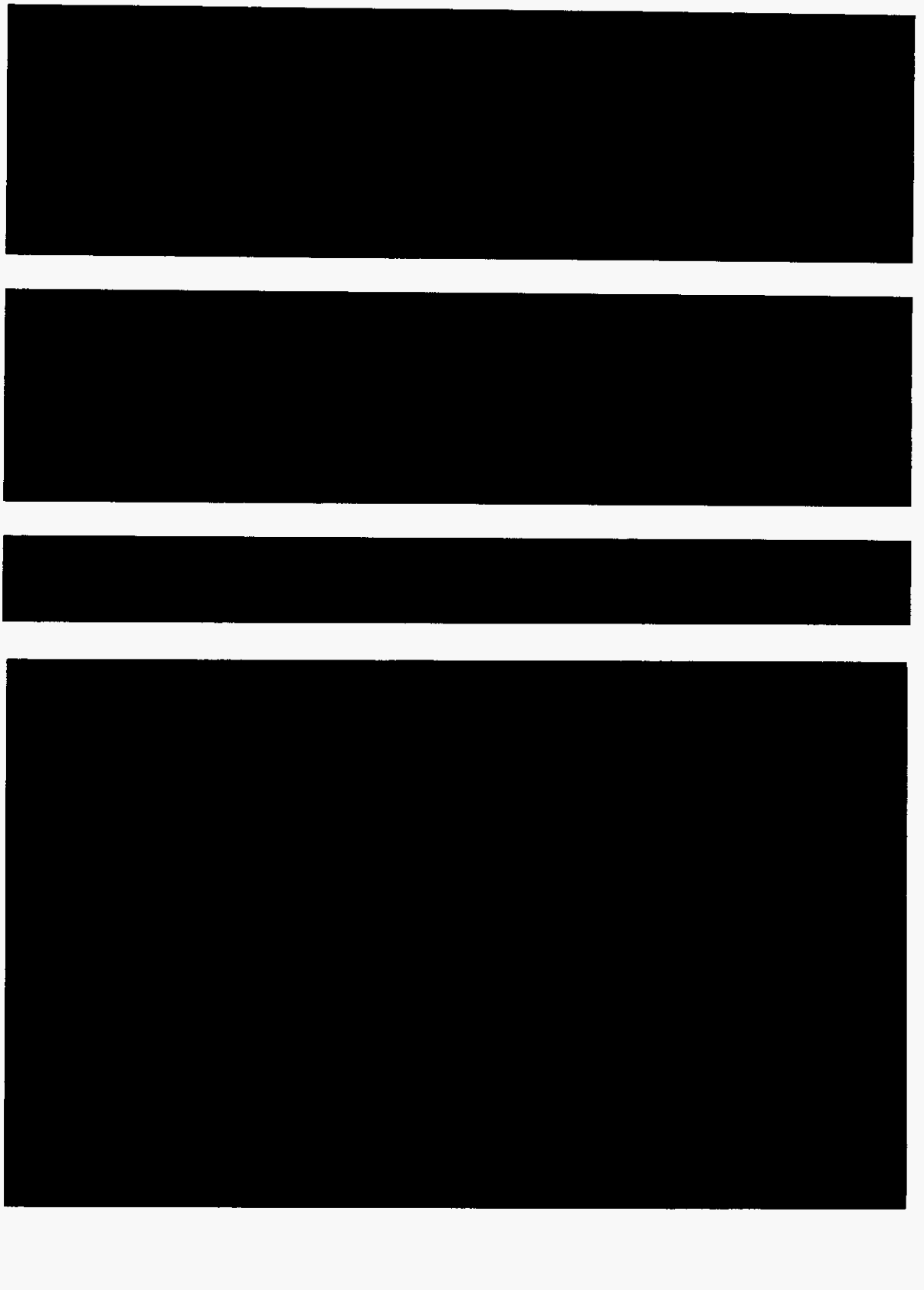
UP Agreement UP-52624 with UP/CN/MSE provides for rail transportation of Colorado coal to Daniel through Dec. 31, 2011. The agreement has an annual minimum volume requirement of 1 million tons and a maximum of 2.2 million tons of coal that can be shipped.

BNSF Agreement BNSF-12523 with BNSF/CN/MSE provides for rail transportation of PRB coal to Daniel through Dec. 31, 2011. The agreement has an annual minimum volume requirement of 1 million tons and a maximum of 1.3 million tons of coal that can be shipped.

CN/MSE Tariff Agreement CN-682227AB provides for rail transportation of import coal from the Alabama State Docks facility to Daniel. The tariff rate expires Dec. 31, 2010. The tariff has no minimum volume requirements.

Budget

[redacted]



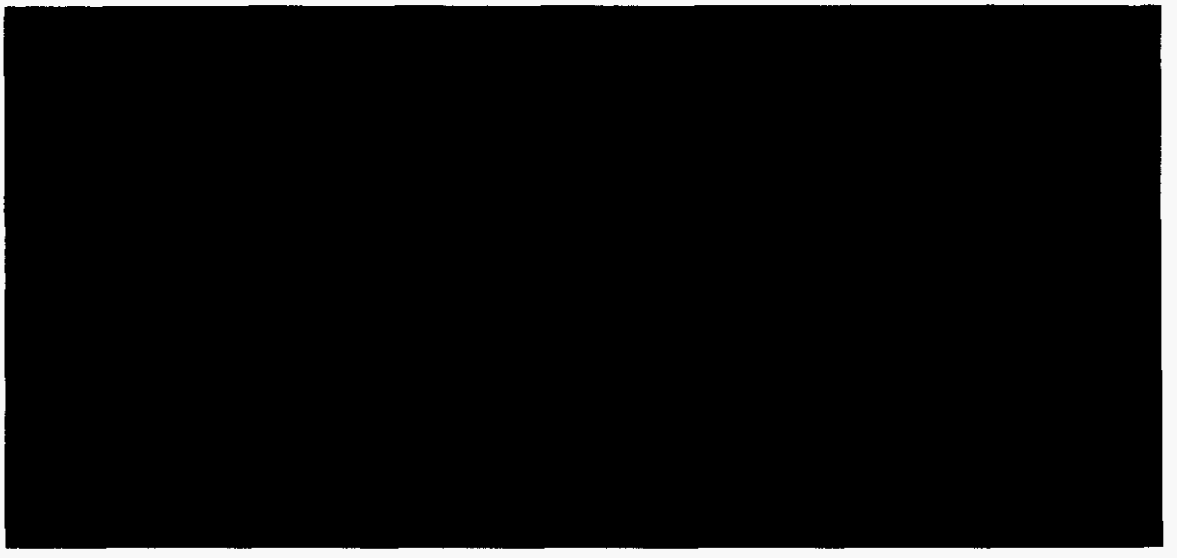
Coal Transportation Procurement Strategy

A transportation strategy must address reliability, competitive prices, flexibility in volume commitments, and the ability to adjust coal movements to changing coal supply sources. The following information will address the risks associated with each of these areas and identifies strategies to mitigate them.

RISKS AND RISK MITIGATION STRATEGIES

Reliability Risk and Strategy

Reliable delivery of coal ensures 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 and resources in place to transport 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.



Communication between Gulf's coal operating personnel, each plant, Southern Company Generation Fuel Services, and the various carriers is vital in

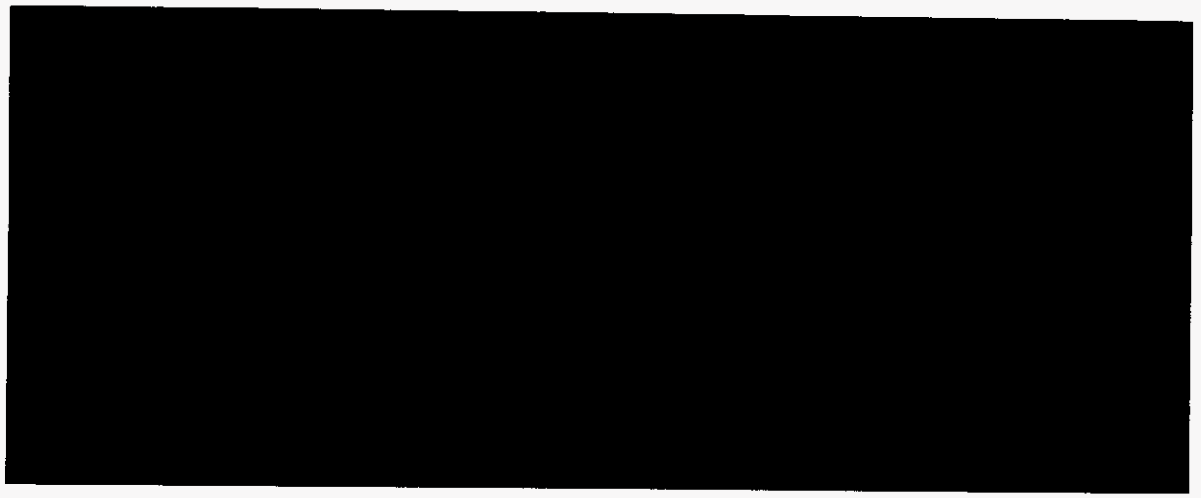
maintaining reliable and efficient operations. Effective and timely communication of transportation plans, orders, problems, and maintenance is critical.

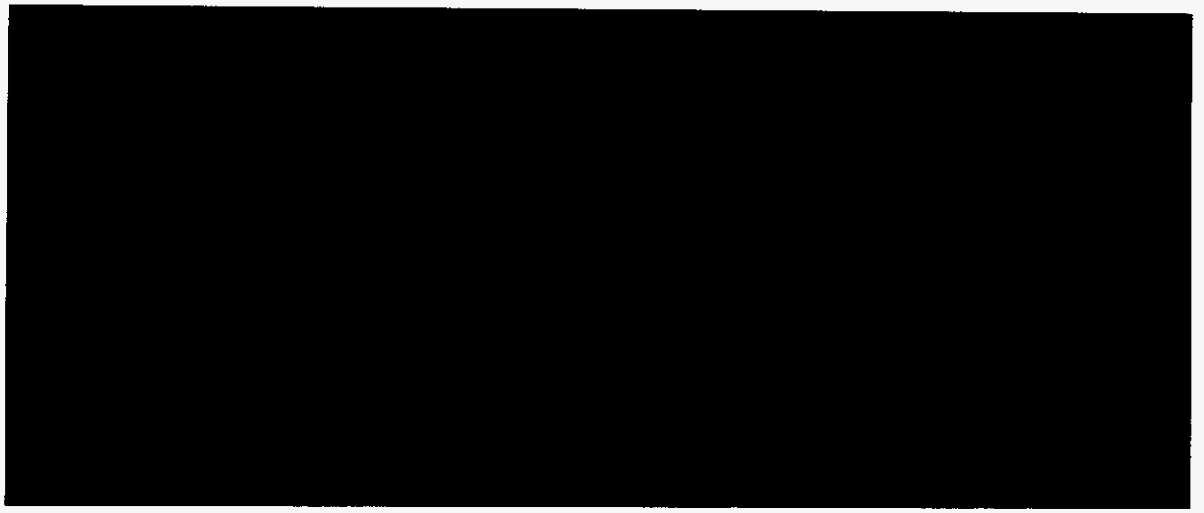
Pricing Risk and Strategy

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.

Volume Risk and Strategy

The uncertainty in the amount of coal generation and 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. Weather, natural gas pricing, and economic growth will continue to impact future coal burn requirements, as will the addition of gas-fired capacity to the Southern Company system. Over the past two years, the coal industry has become more susceptible to the influences of the global commodities market. Given the global market dynamics that occurred during this time frame, the coal market has reacted by becoming more volatile from both a pricing and volume availability standpoint. This has, in turn, impacted the dynamics between natural gas and coal, leading to increased uncertainty in coal burn.





Supply Risk and Strategy

It is desirable to have multiple transportation modes and carriers in case there is a rail and/or barge accident that might disrupt the supply chain. Diversity of transportation modes and carriers is also vital because the location of coal supply sources changes as environmental laws and regulations evolve and as coal is depleted in established regions.

It is vital to the success of a coal and transportation program to ensure 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.

The Alabama State Docks' McDuffie Coal Terminal has the capacity to receive approximately 16 million tons of import coal per year. In addition, the Alabama State Docks recently completed the Bulk Unloader Railcar Project at the Alabama State Docks' Bulk Materials Handling Plant (Bulk Plant). Upgrade of railcar handling facilities provides the Bulk Plant with the ability to receive an additional 3 million tons of coal per year by rail.

Tactical Plan

Plants Crist and Smith

UP Agreement UP-53281 provides for rail transportation of Colorado coal to the Cora Dock terminal on the Mississippi River through Dec. 31, 2010. There are no annual minimum or maximum volume requirements in this agreement.

[redacted]

UP Agreement UP-53285 with Utah Railway/UP/CN provides for rail transportation of Utah coal from the Wild Cat loadout to the Alabama State Docks through Dec. 31, 2010. There is no annual minimum volume requirement in the agreement; however, the agreement includes a maximum of 600,000 tons of coal that can be shipped.

[redacted]

UP Agreement UP-53286 with UP/CN provides for rail transportation of Colorado and Utah coal to the Alabama State Docks through Dec. 31, 2011. The agreement has an annual minimum volume requirement of 1 million tons and a maximum of 1.8 million tons of coal that can be shipped in 2010. In 2011, the annual minimum volume requirement is 400,000 tons and the maximum volume is 1.2 million tons of coal that can be shipped. Per the agreement, tons that are shipped pursuant to UP-53285 shall count toward the minimum volume requirement in UP-53286 during the year in which they are shipped.

[redacted]

Gulf has entered into a contract to purchase Central Appalachian coal from Patriot Coal Sales beginning Jan.1, 2011. The coal will be transported by rail to the Alabama State Docks and transloaded to barges for shipment to Crist.

[redacted]

Gulf has entered into a contract to purchase Illinois Basin coal from Foresight Coal Sales beginning Jan.1, 2011. The coal will be transported by rail to the Alabama State Docks and transloaded to barges for shipment to Crist.

[redacted]

Marquette agreement (SC09005-T) provides primary barge transportation of coal from the Alabama State Docks to Crist and Smith. Marquette agreement (SC09006-T) and Heartland Barge Management agreement (SC09004-T) provide a supply of barges to move coal to Crist and Smith. These agreements expire Dec. 31, 2014.

[redacted]

The Crounse agreement (GU10002-B) provides barge transportation of Central Appalachian and Illinois Basin coals from river terminals located on the Kanawha and Ohio rivers to the Mobile, Ala area and to Plant Crist. This agreement expires Dec. 31, 2010.

[redacted]

Plant Scholz

Scholz has an agreement with the CSXT Railroad (CSXT-C-83791) that expires Dec. 31, 2011.

[redacted]

Plant Daniel

UP Agreement UP-52624 with UP/CN/MSE provides for rail transportation of Colorado coal to Daniel through Dec. 31, 2011. The agreement has an annual minimum volume requirement of 1 million tons and a maximum of 2.2 million tons of coal that can be shipped.

[redacted]

BNSF Agreement BNSF-12523 with BNSF/CN/MSE provides for rail transportation of PRB coal to Daniel through Dec. 31, 2011. The agreement has an annual minimum volume requirement of 1 million tons and a maximum of 1.3 million tons of coal that can be shipped.

[redacted]

CN/MSE Tariff Agreement CN-665098AB provides for rail transportation of import coal from the Alabama State Docks facility to Daniel. The tariff rate expires Dec. 31, 2010.

[redacted]

Gulf Power's Natural Gas Procurement Strategy
August 2010

Gas Program Overview

Natural Gas is used for primary fuel at the Smith 3 combined cycle unit, boiler lighter fuel at Crist Units 4-7, and for generation secured under purchased power agreements beginning in 2009. Prior to 2002, 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 purchase a cost effective yet highly reliable fuel supply to support the operation of its generating facilities. Securing competitive fuel prices for its customers and minimizing both price and supply risk are the governing considerations in developing Gulf's fuel procurement strategy.

Projected Natural Gas Purchases

Southern Company Services (SCS) as agent for Gulf purchases natural gas to be delivered to Plant Crist for lighter purposes on the coal fired units and to Plant Smith as primary fuel for Unit 3 which is a combined cycle generating unit. SCS will also purchase natural gas to serve as primary fuel for the Coral (Baconton), Southern Power (Dahlberg) and Shell (Central Alabama) purchased power agreements. Gulf has contracted for storage capacity at Bay Gas Storage near Mobile, AL and at Southern Pines Energy Center near Hattiesburg, MS and will purchase natural gas to maintain targeted quantities of gas in storage during the

year. The following chart shows the total projected gas burn for 2010 through 2013 in MMBTU that these purchases will support:

PROJECTED NATURAL GAS BURN (MMBTU)

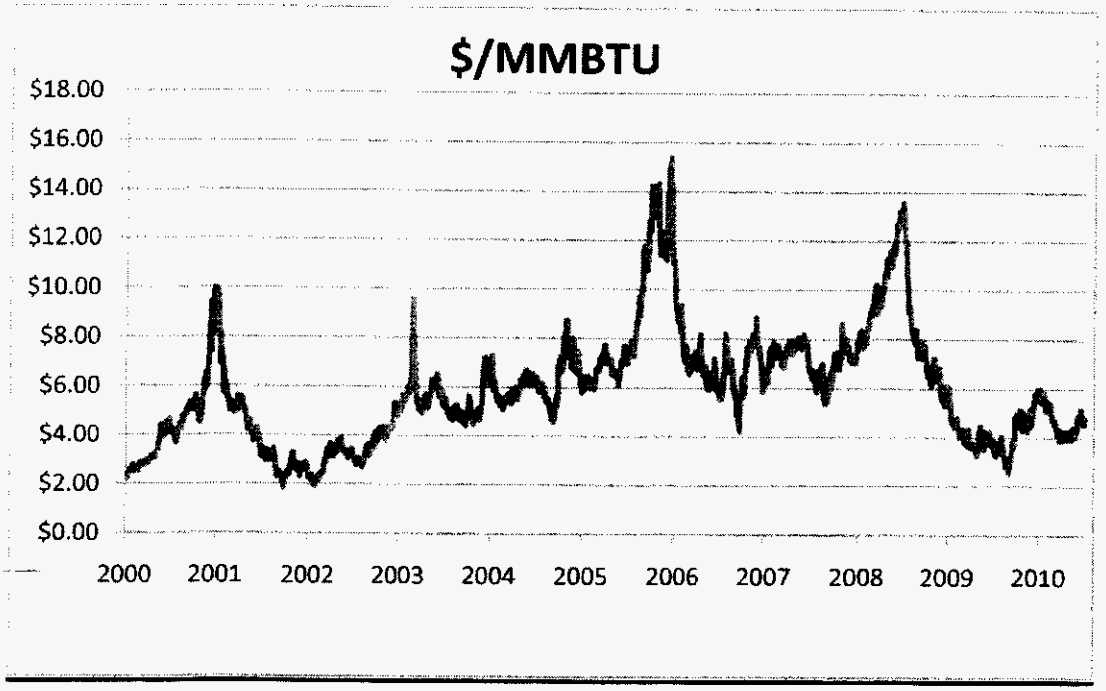
Month	2010	2011	2012	2013
January	25678			
February	511248			
March	1151522			
April	1634771			
May	1627560			
June	1366728			
July	1520126			
August	1290826			
September	1118224			
October	1169487			
November	672369			
December	330826			
TOTAL	**12419365**			

Procurement Strategy

Gulf's strategy for gas procurement is to purchase the commodity using long term and spot agreements at market prices. Fuel purchased at market over a long period is a low cost option for customers. [redacted] 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 volatility. Since these price fluctuations can be severe, Gulf Power, at the direction of the Florida Public Service Commission, will attempt to protect its customers against short-term price volatility by utilizing hedging tools. It is understood that the cost of hedging will sometimes lead to fuel costs that are higher than market prices but that this is a reasonable trade-off for reducing the customers' exposure to fuel cost increases that would result if fuel prices actually settle at higher prices than when the hedges were placed.

The following graph of actual natural gas prices is an indication of price volatility in the gas commodity market:

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, generally between [redacted] percent of Gulf Power's projected annual gas burn for the current year, in order to protect against short-term price swings and to provide some level of price certainty. This [redacted] percent hedge range allows Gulf Power to provide a degree of price certainty and protection against short-term price swings while still allowing the customers to participate in markets where natural gas prices are

low. Gulf Power will secure natural gas hedges over a time period not to exceed [redacted] months, per the following schedule:

Period	Min. Hedge %	Upper Target Hedge %
Prompt Year (2011)	[redacted]	[redacted]
Year 2 (2012)		
Year 3 (2013)		
Year 4 (2014)		
Year 5 (2015)		

Note: The annual hedge percentage is based on the budgeted annual gas burn

Although SCS will target the levels shown in the table above, if extreme market conditions exist, SCS may accelerate or decelerate the plan accordingly. Gulf's hedging targets are expressed on an annual basis due to the potential for large variances in month to month gas consumption. The monthly variance in gas burn is due to Gulf's ownership of only one firm gas fired generating unit that is dispatched on an economic basis with the other generating units in the Southern electric system and the impact of unit outages on Gulf's total gas burn.

SCS, working in partnership with Gulf Power, develops short-term hedge strategies based on current and projected market conditions. [redacted] SCS will employ both technical and fundamental analysis to determine appropriate times to hedge.

However, the objective is not to speculate on market price or attempt to outguess or "beat the market". Gulf will utilize fixed priced swaps as its primary financial gas price hedging instrument but may also utilize options to a lesser degree when appropriate.

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 a maximum of 100 percent of the projected fuel burn for the upcoming year. In addition, Gulf Power will limit option priced hedges to [redacted] percent 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 [redacted] months into the future.

System Hedges

Because Gulf Power is a part of the Southern Electric System (SES), it indirectly participates in gas hedging for fuel price indexed power related transactions done on behalf of the SES. These hedges are referred to as "system hedges." In these instances, Southern Company Services utilizes financial hedging instruments to mitigate fuel price risk related to individual power transactions. Gulf is allocated its portion of these gas hedges when they occur based on its peak period load ratio. All system hedges are matched to individual power transactions and are considered separate from Gulf's directed hedging program for gas burn at generating units where it directly purchases natural gas supply.

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 and as back-up fuel at the Coral (Baconton) and Southern Power (Dahlberg) CT units and the Shell (Central Alabama) CC Plant currently under purchase power agreements with Gulf. Overall, oil use is projected to be 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. As part of this bidding process, Gulf negotiates predetermined contracts to set the index based market price for the commodity and delivery adders for fuel oil delivery to each plant. As inventories are depleted during the year, Gulf will purchase additional fuel oil quantities based on the negotiated contract for the plant.

Pricing Strategy

Since fuel oil is such a small portion of the overall fuel budget, Gulf does not currently plan to financially hedge oil prices.

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.

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.

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."

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
Energy Trading Risk Management Policy

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B. Approved Commodities B–1

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I. Introduction

In August 1997 the Southern Company Risk Oversight Committee 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, and Southern Power Company adopted the Southern Company Policy on the Use of Derivatives ("Derivatives Policy"). During 2006, the risk oversight and governance framework for Southern Company continued to evolve to further refine the oversight structure and to reflect organizational changes since the original Southern Company Risk Oversight Committee (SROC) approved risk management guidelines in August 1997. As part of this evolution, the Southern Company Risk Oversight Committee was reconstituted, and a Generation Risk Oversight Committee was formed. These groups, along with the newly formed Risk Advisory and Controls Committee, replaced the Energy Risk Management Board and assumed its responsibilities.

Effective November 19, 2007, certain functions for Southern Power were separated from the other Southern Operating Companies and certain communications between them was restricted. It was decided that, Southern Power would no longer attend or have representation on the Generation Risk Oversight Committee. This decision prompted the need for a Southern Power Risk Oversight Committee and separate Southern Power risk monitoring. The Generation Risk Oversight Committee will continue to monitor the consolidated energy trading risks, including Southern Power positions.

The Southern Company Derivatives Policy requires any business unit engaging in energy trading and marketing activities to develop a risk management policy. This policy must be consistent with the Southern Company Enterprise Risk Management Policy and Framework document; and must include, but not be limited to, well-defined segregation of duties, limits

on capital at risk and established credit policies.

II. Purpose

[redacted]

III. Business Objectives

The Approved Business Objectives for the trading activities performed on the Trading Floors are defined in Appendix A.

III. Business Strategies

The business objectives are achieved by entering into transactions involving the approved commodities shown in Appendix B.

[redacted]

[redacted]

Various contract types or financial instruments will be used to achieve the Approved Business Objectives. The Approved Risk Management Instruments are listed in Appendix C.

IV. Authorizations

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

V. Segregation of Duties

[redacted]

[redacted]

Appendix E represents the functional separation organizationally as specified in this RMP. The following is a summary of the responsibilities of the different functions:

Origination and Structuring: The functions of origination and structuring include the following responsibilities:

[redacted]

Confirmation, Monitoring, and Reporting: The functions of trade confirmation, risk monitoring, and risk reporting include the following responsibilities:

[redacted]

[redacted]

Settlement: The function of settlement includes the following responsibilities:

[redacted]

Cash Management: SCS Treasury is responsible for receiving and disbursing all funds from or to counterparties and for the delivery of margin / collateral requirements. SCS Treasury will also be responsible for investment of collateral provided by counterparties.

Accounting: SCS Accounting is responsible for posting transactions to the general ledger and reconciling the subledgers to the general ledger.

VII. Market Risk Identification

[redacted]

VIII. Market Risk Measurement and Valuation

[redacted]

IX. Market Risk Limits

Exposure Limits	The maximum exposure limits are shown in Appendix H. the maximum exposure limit for each business objective should not exceed the limits specified in Appendix H.

Notification	Certain notifications to management are required as defined in Appendix G.
Limit Excess Reporting	Irrespective of other provisions contained in this RMP, limit overages may occur. Each occurrence shall be promptly reported by the middle office to individuals identified in Appendix G.

X. Credit Risk

[redacted]

XI. New Products

[redacted]

[redacted]

XII. Funding Liquidity

[redacted]

XIII. Operating Procedures and Systems

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

XIV. Accounting and Tax

[redacted]

[redacted]

XV. Legal

[redacted]

XVI. Monitoring and Reporting

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

[redacted]

The Portfolio Management group will prepare regular position reports. The back office will report preliminary gross margins or P&L on a daily basis.

XVII. Personal Trading

[redacted]

XVIII. Business Recovery

[redacted]

XIX. Compliance

[redacted]

[redacted]

XX. Independent Review

[redacted]

[redacted]

XXI. Policy Amendments

[redacted]

XXII. Terminology

Definitions of terminology used in this RMP are contained in appendix L.

APPENDIX A

APPROVED BUSINESS OBJECTIVES

ENERGY TRADING AND MARKETING

Fleet Operations and Trading

The primary objectives of Fleet Operations and Trading are to:

[redacted]

In addition to the primary objectives, Fleet Operations and Trading may execute secondary activities as limited by Appendix H to achieve the following secondary objectives to the extent permitted by all applicable policies and regulations:

[redacted]

Southern Power Company Trading & Asset Management

The primary objectives of the Southern Power Company Trading and Asset Management activities are the following:

[redacted]

FUEL SERVICES

Natural Gas Fulfillment Function

The primary objectives of the Natural Gas Fulfillment Function are to:

[redacted]

Secondary activities of the natural gas fulfillment function are restricted to positions intended to hedge secondary power positions, and which have been requested by Fleet Operations and Trading.

Emission Allowance Management Function

The primary objectives of the Emissions Allowance management function are to:

[redacted]

Secondary activities of the emission allowance management function are restricted to

positions intended to hedge secondary power positions, and which have been requested by Fleet Operations and Trading.

Coal Fulfillment Function

The primary objectives of the Coal fulfillment function are to:

[redacted]

Secondary activities of the coal fulfillment function are restricted to positions intended to hedge secondary power positions, and which have been requested by Fleet Operations and Trading.

Renewable Energy Credits (REC) Fulfillment Function

The primary objectives of the REC fulfillment function are to:

[redacted]

Secondary activities of the REC fulfillment function are restricted to positions intended to hedge secondary power positions, and which have been requested by Fleet Operations and Trading.

APPENDIX B

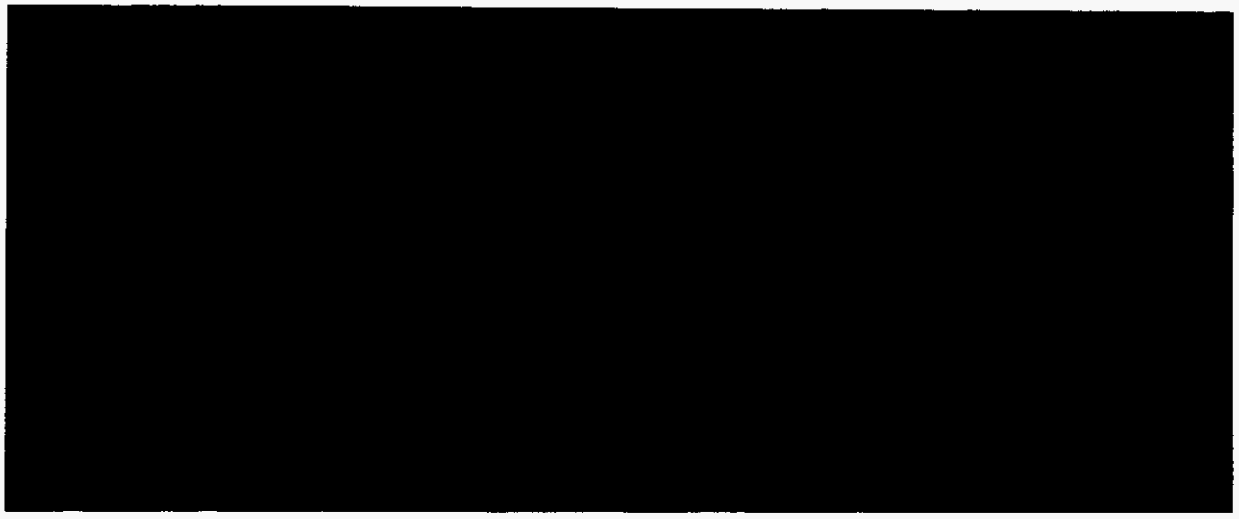
APPROVED COMMODITIES

The approved commodities for this RMP are:

APPENDIX C

APPROVED INSTRUMENTS

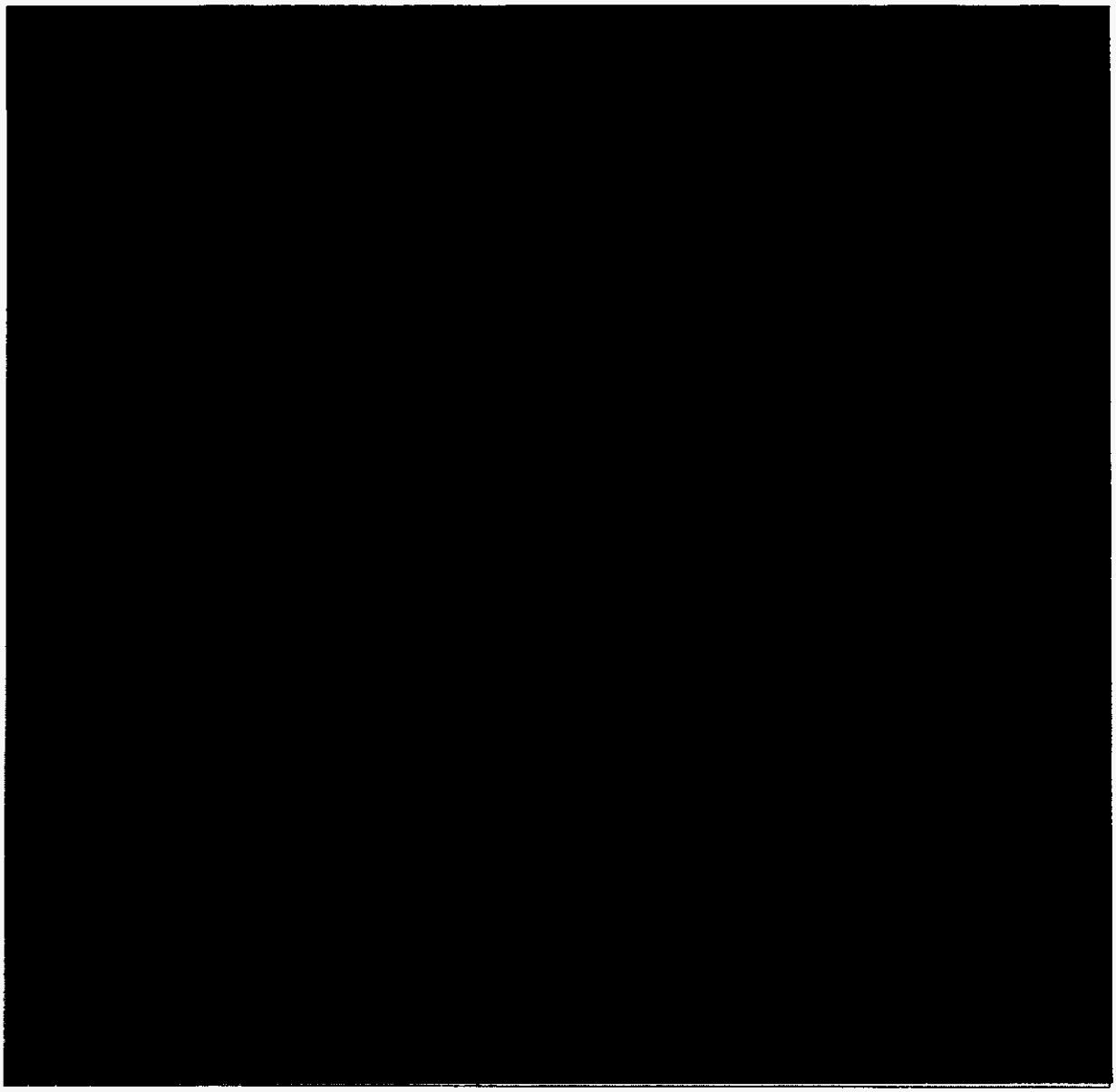
The approved instruments are:



APPENDIX D

AUTHORIZATIONS

Name	Authority
[redacted]	



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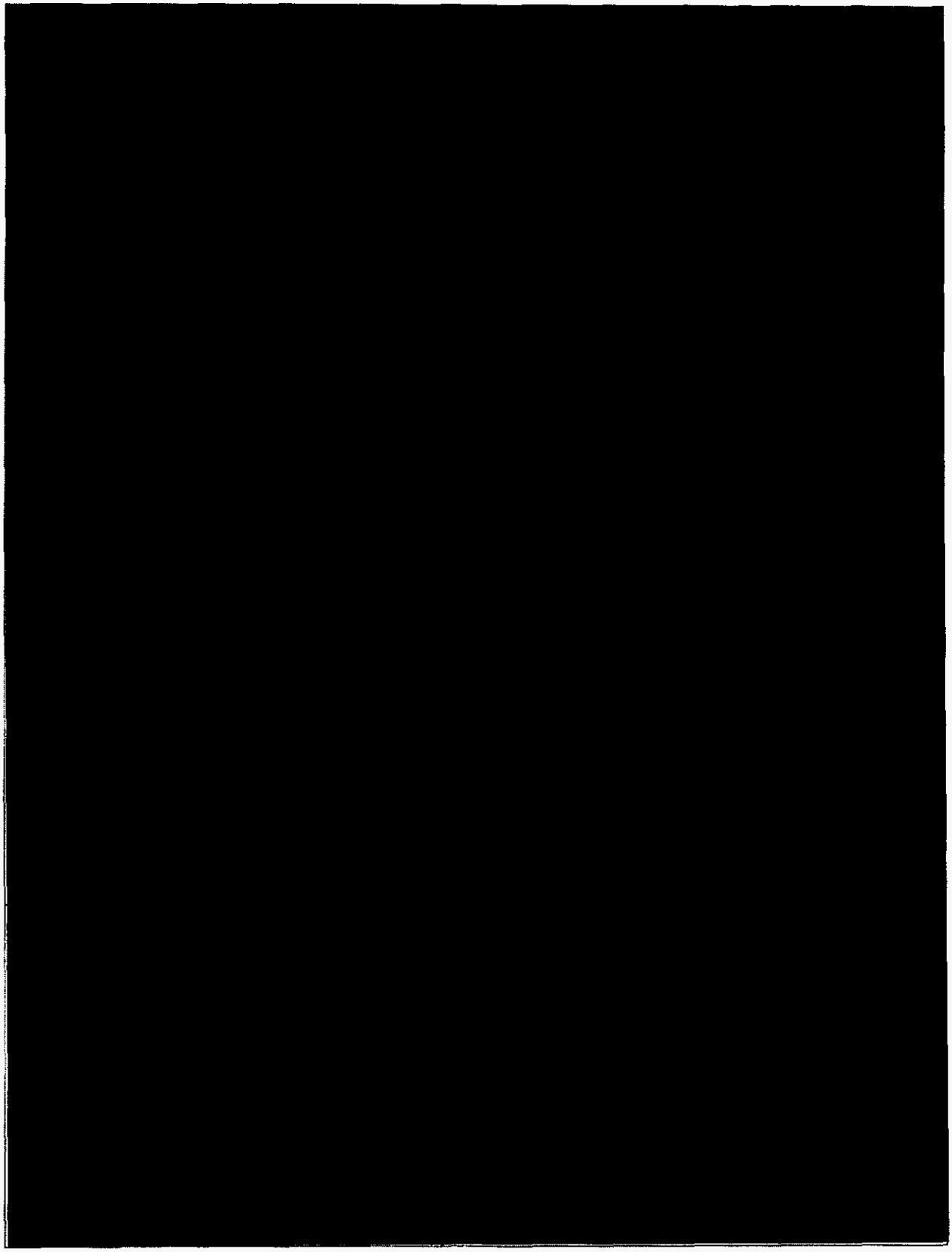
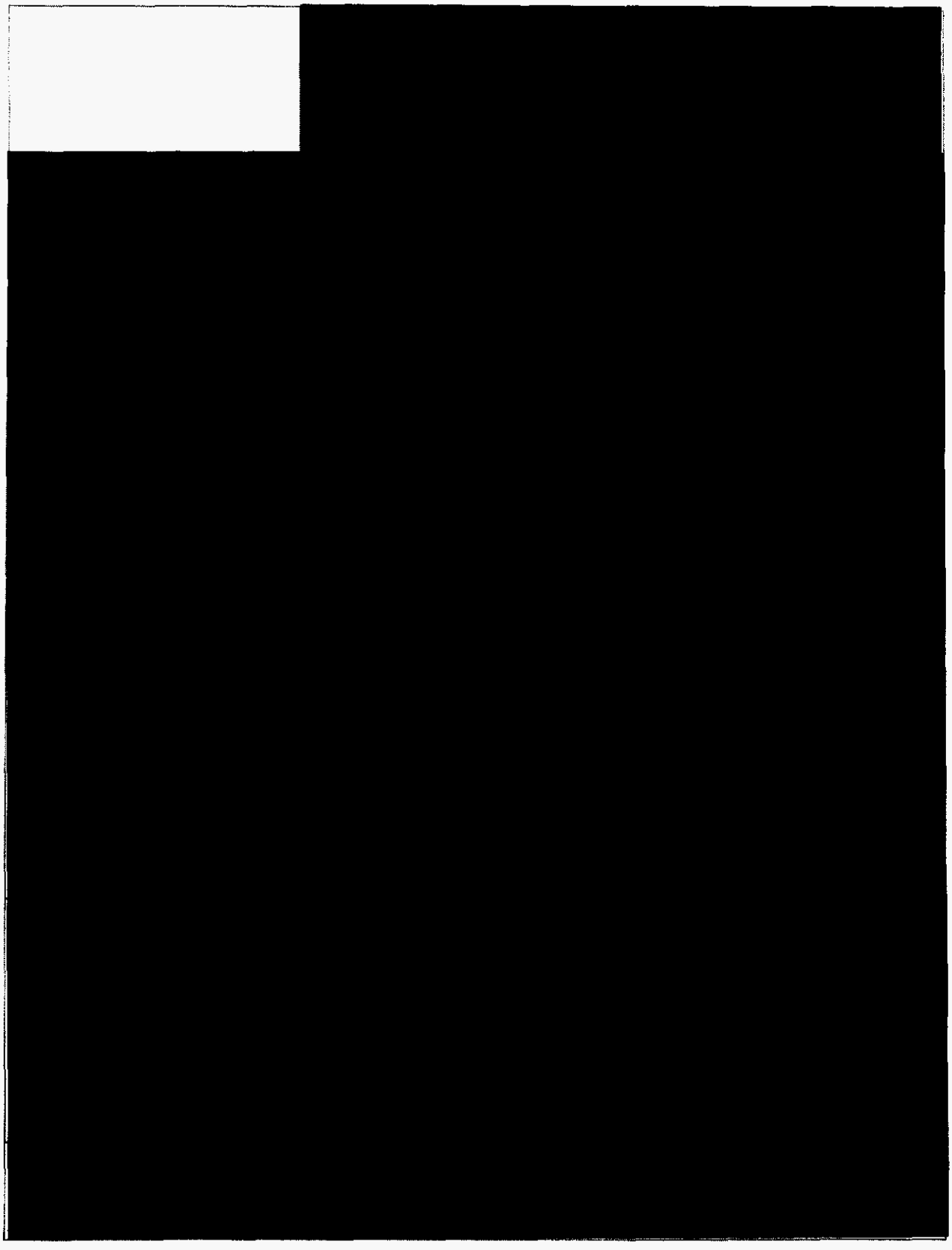
APPENDIX D

AUTHORIZATIONS (continued)

Energy Marketing

Name	Authority
[redacted]	





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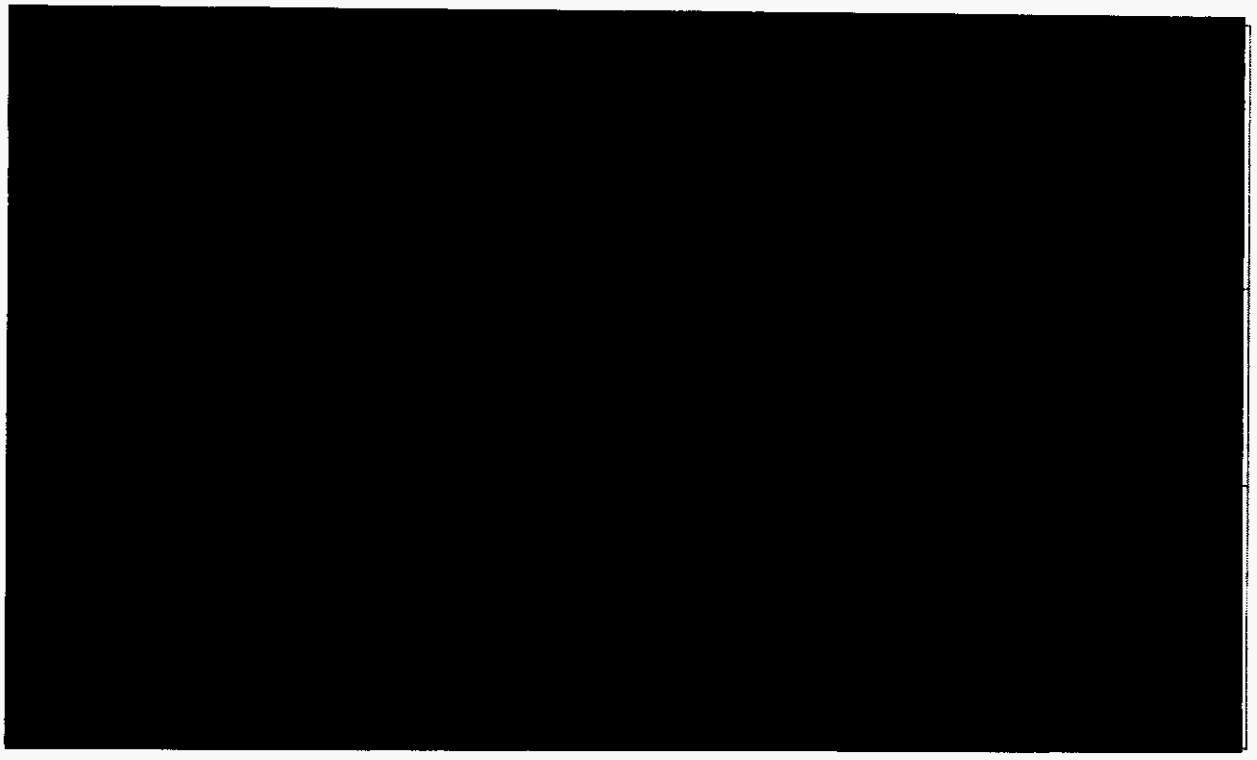
APPENDIX D

AUTHORIZATIONS (continued)

SCS Fuel Services

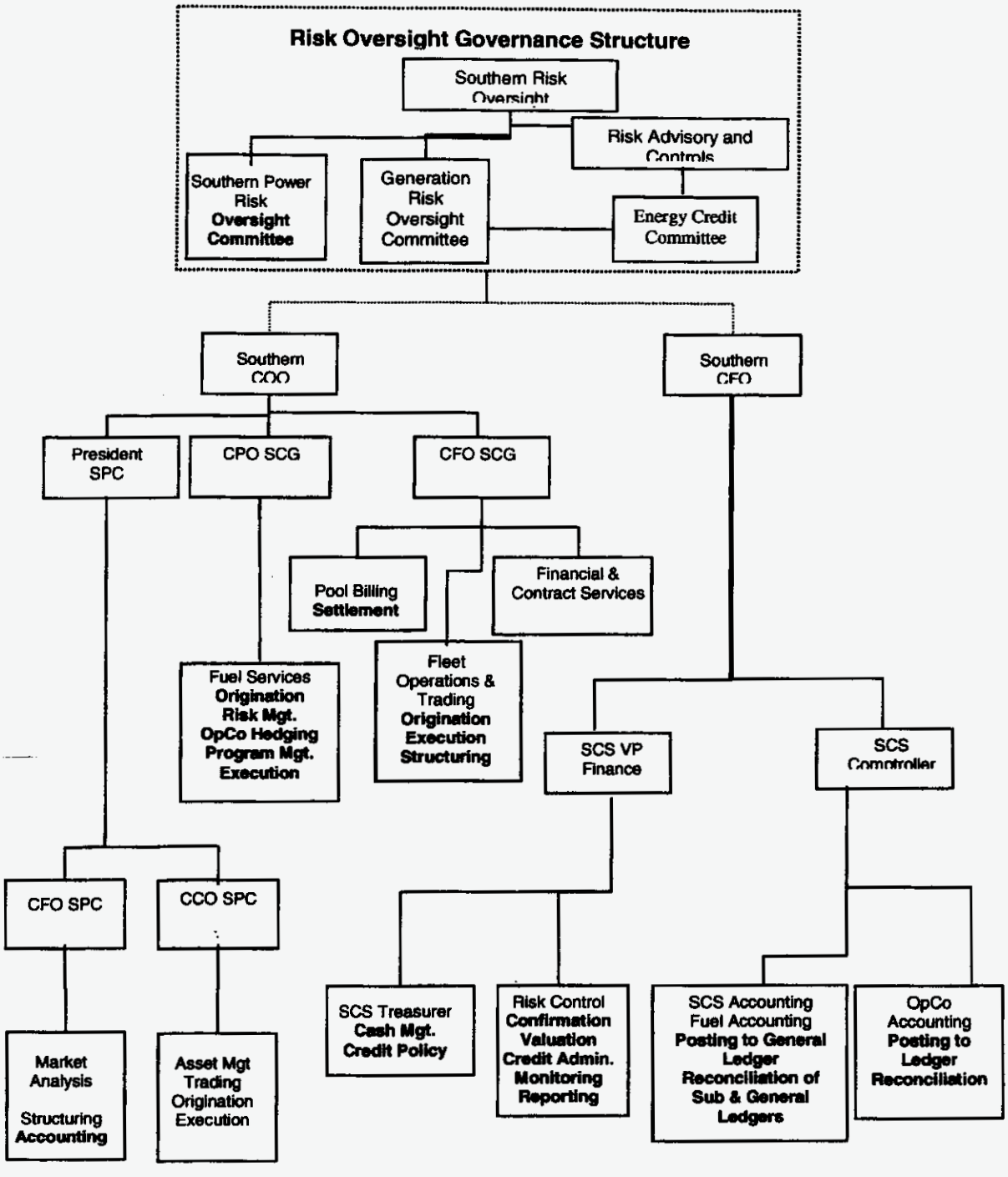
Name	Authority
[redacted]	



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.


Risk Oversight Governance Structure
Southern Risk Oversight
Risk Advisory and Controls
Southern Power Risk Oversight Committee
Generation Risk Oversight Committee
Energy Credit Committee
Southern COO
Southern CFO
President SPC
CPO SCG
CFO SCG
Pool Billing Settlement
Financial & Contract Services
Fuel Services Origination Risk Mgt. OpCo Hedging Program Mgt. Execution
Fleet Operations & Trading Origination Execution Structuring
SCS VP Finance
SCS Controller
CFO SPC
CCO SPC
SCS Treasurer Cash Mgt. Credit Policy
Risk Control Confirmation Valuation Credit Admin. Monitoring Reporting
SCS Accounting Fuel Accounting Posting to General Ledger Reconciliation of Sub & General Ledgers
OpCo Accounting Posting to Ledger Reconciliation
Market Analysis Structuring Accounting
Asset Mgt Trading Origination Execution

APPENDIX F

MARKET RISK MEASUREMENT

Approved Commodities	Value at Risk Method
[redacted]	

Parametric VaR Methodology

Formula Components

Component	Symbol	Comments
Value at Risk	VaR	See Equation Below
Position	PSN	Given in Agreed Measurement Units
Daily Standard Deviation of Price Change	ΔP	Given in $/Agreed Measurement Units
Holding Period – Business Days	HP	Taken From Parameters Table Shown Below
Confidence Interval Multiplier	CI	For Example: CI = 1.65 for 95-% Confidence Interval

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

Equation

Parameters

Commodity	Holding Period (HP)	Multiplier (CI)
[redacted]		

APPENDIX F

STRESS TESTING METHODOLOGY

The purpose of stress testing is to generate percentage price changes for the forward curve that answer this question:

> If an extreme event occurs, what can we expect to happen to prices and the portfolio value?

The stress test is designed to capture the expected value of an extreme event as defined by an extreme value distribution. To differentiate, there is a downward and an upward stress test.

Specifically, the expected downward stress is calculated as

$$E[\Delta p/p \mid \Delta p/p < \Theta] = \int_{-\infty}^{\Theta} f(x)xdx$$

and the expected upward stress is calculated as

$$E[\Delta p/p \mid \Delta p/p > \Theta] = \int_{\Theta}^{+\infty} f(x)xdx$$

where theta is the threshold that defines classification as an extreme event, f(x) is an extreme value distribution fitted to a specific contract, and x is a percentage price change.

[redacted]

Ad Hoc Stress Testing

Ad hoc stress testing will be performed as appropriate based on price scenarios determined using alternative methods including, but not limited to, the following:

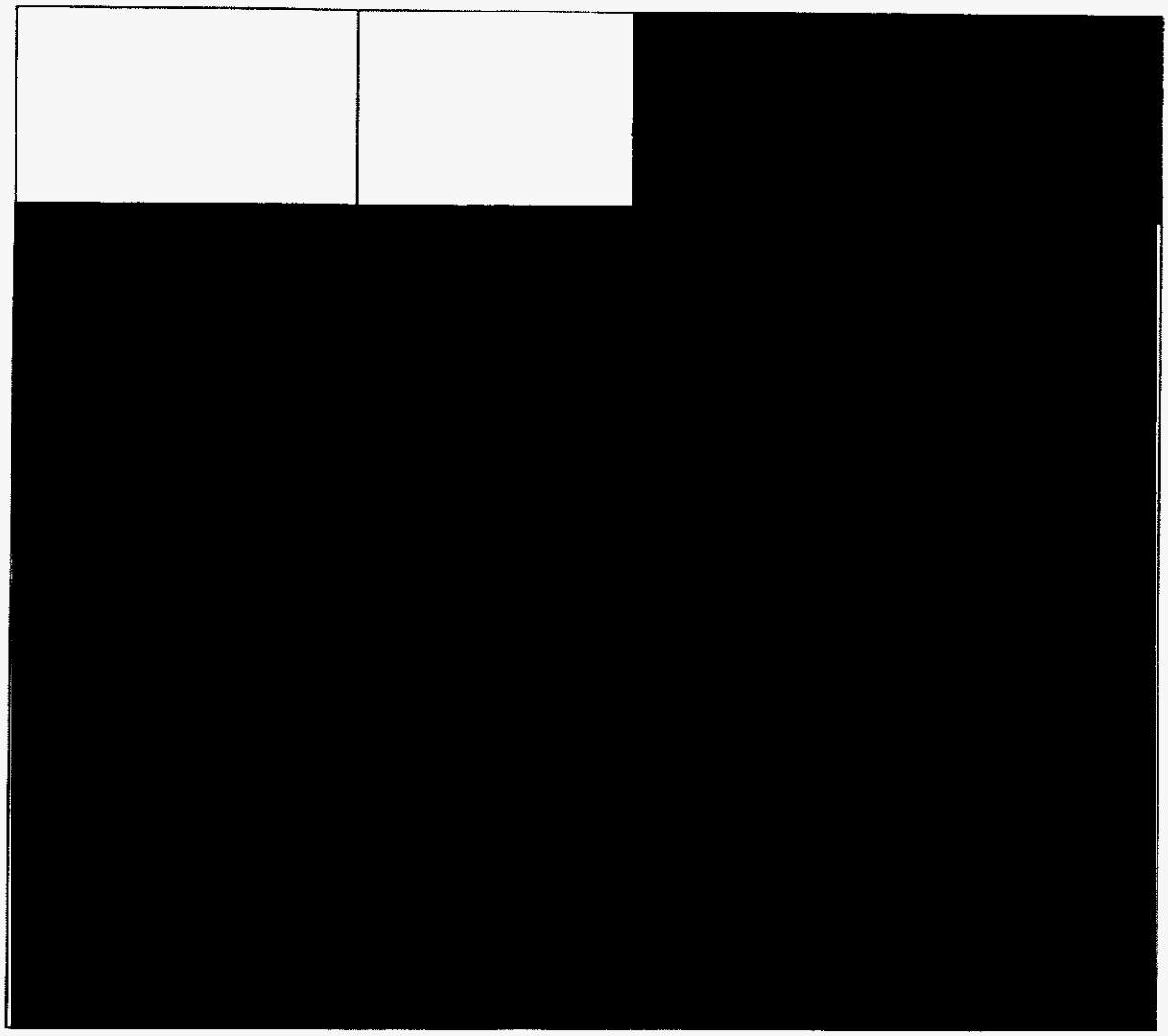
- specific historical scenarios;
- rating agency defined price changes;

analysis of out-of-the money option trading; and subjectively determined price changes.

APPENDIX G

NOTIFICATION LEVELS

Position Classification	Income Change	Notify
[redacted]		



APPENDIX G

NOTIFICATION LEVELS

Position Classification	Income Change	Notify
[redacted]		

APPENDIX G

NOTIFICATION LEVELS

Position Classification	Value-at-Risk	Notify
[redacted]		

NOTE: Recipients of notification events will only receive detailed information pertinent to their business needs, and any correspondence will be in compliance with the Separation Protocol.

APPENDIX G

NOTIFICATION LEVELS

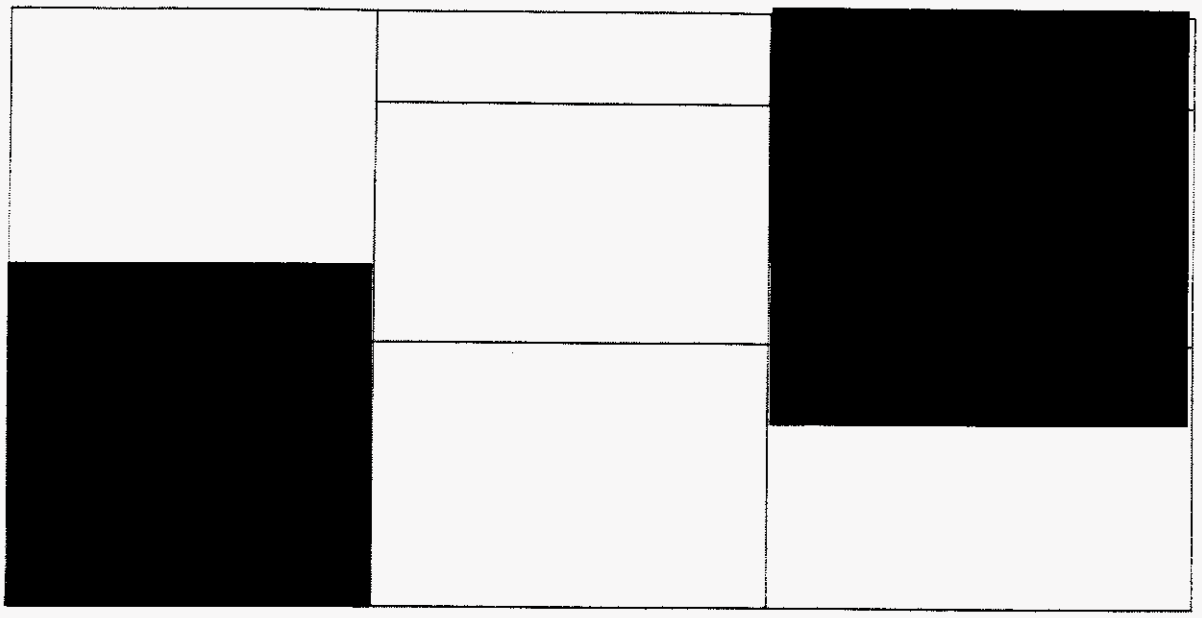
Position Classification	Income Change	Notify
[redacted]		

Position Classification	Value-at-Risk	Notify
[redacted]		

APPENDIX H

MARKET RISK LIMITS

Net Open Position Limits



NOTE: Although the value-at-risk limit applies to positions marked to market through income, VaR is calculated and monitored for all positions, and there are notification requirements as defined in Appendix G.

If such open position limits are exceeded, Risk Control will calculate and equitably allocate the responsibilities to bring the positions back into compliance.

APPENDIX I

INCUMBENT LISTING; AUTHORIZED INDIVIDUALS

Incumbent Listing

Name	Title
David Ratcliffe	Chairman, President, and Chief Executive Officer Southern Company
Paul Bowers	Chief Financial Officer, Southern Company Chairman, Southern Risk Oversight Committee Chairman, Risk Advisory and Controls Committee
Tom Fanning	Chief Operating Officer, Southern Company
Scott Teel	Chief Financial Officer, Southern Company Generation
Jerry Stewart	Chief Production Officer, Southern Company Generation
Wayne Moore	Chairman, Generation Risk Oversight Committee
Ron Hinson	Senior Vice President, Comptroller, and Chief Accounting Officer of SC
Ronnie Bates	President, Southern Power Company
Norrie McKenzie	Chief Commercial Officer, Southern Power Company
Mike Southern	Chief Financial Officer, Southern Power Company Chairman, Southern Power Risk Oversight Committee
Jeff Wallace	Vice President, Fuel Services
Charley Long	Vice President, Fleet Operations and Trading
Jon Haygood	Manager, Risk Control
Mike Bush	Manager, Energy Trading
Joe Styslinger	Manager, Southern Power Trading & Asset Management
Rob Hardman	Coal Services Director
Carl Haga	Gas Services Director
Roy Hiller	Gas Operations Manager

Southern Company Risk Oversight Committee

Name	Title
Paul Bowers (Chairman)	CFO & CRO, Southern Company
David Ratcliffe	Chairman, President, and CEO, Southern Company
Alan Martin	EVP, President & CEO, SCS
Tom Fanning	EVP & COO, SCS
Charles McCrary	EVP, Southern Company & President & CEO, APC
Mike Garrett	EVP, Southern Company & President & CEO, GPC
Ed Holland	EVP, General Counsel, and Corporate Secretary, Southern Company
Ronnie Labrato	EVP, Finance & Treasurer – non-voting member
Mark Lantrip	VP, Finance & Treasurer – non-voting member

APPENDIX I

INCUMBENT LISTING; AUTHORIZED INDIVIDUALS

Southern Company Risk Advisory & Controls Committee

Name	Title
Paul Bowers (Chairman)	CFO & CRO, Southern Company
Art Beattie	CFO, APC
Ronnie Labrato	CFO, GPC
Phil Raymond	CFO, Gulf Power Company
Francis Turnage	CFO, MPC
Scott Teel	CFO, SCG
Mike Southern	CFO, SPC
Mike Harreld	CFO, SoCo Transmission
Ron Hinson	Comptroller, CAO, & SVP, SCS
Mark Lantrip	VP Finance & Treasurer, SCS
Melissa Caen	VP & Associate General Council, SCS

Southern Company Generation Risk Oversight Committee

Name	Title
Wayne Moore (Chairman)	Regulatory Affairs & Energy Policy Director, SCS
Ed Day	EVP of E&CS, SCG
Jerry Stewart	Chief Production Officer, SCG
Dan McCrary	Legal Counsel, Balch & Bingham

Scott Teel	CFO, SCG
Todd Perkins	Enterprise Risk Management Director
Myrk Harkins	Internal Auditing Director

Southern Power Risk Oversight Committee

Name	Title
Mike Southern (Chairman	CFO, SPC
Wayne Moore	Regulatory Affairs & Energy Policy Director, SCS
Norrie McKenzie	Chief Commercial Officer, SPC
Todd Perkins	Enterprise Risk Management Director
Susan Comensky	Compliance & Corporate Affairs Director, SPC

APPENDIX I

INCUMBENT LISTING; AUTHORIZED INDIVIDUALS

Southern Company Generation Energy Credit Committee

Name	Title
Earl Long (Chairman)	Assistant Treasurer, SCS
Jeff Wallace	VP, Fuel Services
Charley Long	VP, Fleet Operations & Trading, SCG
Todd Perkins	Enterprise Risk Management Director

Fleet Operations & Trading Management Team

Name	Title
Scott Teel	Chief Financial Officer, SCG
Charley Long	VP, Fleet Operations & Trading, SCG
Brian Fuller	Manager, Energy Trading
Greg Darnell	Fleet Operations Manager

SCS Fuel Services Management Team

Name	Title
Jerry Stewart	Chief Production Officer, SCG
Jeff Wallace	VP, Fuel Services
Rob Hardman	Coal Services Director
Carl Haga	Gas Services Director

APPENDIX I

INCUMBENT LISTING; AUTHORIZED INDIVIDUALS (continued)

Authorized Individuals

		Approved Commodities								
		Electricity		Natural Gas			Coal	Oil	Allow-ances	RECs
Title	Name	Energy	Trans.	Gas	Trans-port	Storage				
Southern Company Generation										
Energy Term Trading Mgr.	Bill Norton	X	X	(2)			(2)	(2)	(2)	(2)
Term Trader	David Hansen	X	X	(2)			(2)	(2)	(2)	(2)
Term Trader	Tony Ankar	X	X	(2)			(2)	(2)	(2)	(2)
Term Trader	Stephen Stepkoski	X	X	(2)			(2)	(2)	(2)	(2)
Term Trader	Matt Ansley	X	X							
Trading Operations Mgr.	Corey Sellers	(1)	(1)							
Hourly Trading Mgr.	Steve Lowe	X	X							
Energy Coordinator	Bill Brown	X	X							
Energy Coordinator	Todd Curl	X	X							
Energy Coordinator	Frank Harris	X	X							
Energy Coordinator	Larry Savage	X	X							

Energy Coordinator	Karen Howland	X	X							
Energy Coordinator	Jimmy Walker	X	X							
Energy Coordinator	Shannon Gunnells	X	X							
Energy Coordinator	Michael Turberville	X	X							
Scheduler	Matt Bauman	(1)	X							
Scheduler	Stacey Pruitt	(1)	X							
Scheduler	Blair Ellington	(1)	X							
Trading Analyst	Jarrett Tate	(1)	(1)							
Trading Analyst	Martha Russell	(1)	(1)							
Trading Analyst	Susan Olive	(1)	(1)							

Notes:

(1) Authority to make changes to transactions including entering transactions related to loss adjustments and full/partial requirements customers.

(2) Authority to direct a transaction.

APPENDIX I

INCUMBENT LISTING; AUTHORIZED INDIVIDUALS (continued)

Authorized Individuals

		Approved Commodities							
		Electricity		Natural Gas			Coal	Oil	Allow-ances	RECs
Title	Name	Energy	Trans.	Gas	Trans-port	Storage				
SCS Fuel Services										
Gas Services, Director	Carl Haga			X	X	X				
Gas Operations Mgr.	Roy Hiller			X	X	X				
NG Buyer - Physical	Karen Gandy				X	X				
NG Buyer - Physical	Vicki Gaston			X	X	X				
NG Buyer - Physical	Debora Honeycutt			X	X	X				
NG Buyer - Financial	Paul Hughes			X						
NG Buyer - Financial	Tonya Gary			X	X	X				
NG Buyer - Financial	Beth Santoro			X						
NG Scheduler	Cherie McDaniel			X	X	X				
NG Scheduler	John Benefield			X	X	X				
NG Scheduler	Tisha Dale				X	X				
NG Scheduler	Russ Hall				X	X				
NG Scheduler	Billie Williams				X	X				

NG Buyer - Physical; NG Buyer - Financial	Carol Thomasson			X	X	X		
Coal & Transport Procure Manager	Debra Rouse						X	
Manager - Emissions	Ashley Robinett							X	X

		Approved Commodities								
		Electricity		Natural Gas			Coal	Oil	Allow-ances	RECs
Title	Name	Energy	Trans.	Gas	Trans-port	Storage				
Southern Power										
Manager - Trading & Asset Management	Joe Styslinger	X		(2)			(2)	(2)	(2)	(2)
Asset Manager	Tracy Ellis	X		(2)			(2)	(2)	(2)	(2)
Project Manager	Kenneth Wills	X		(2)			(2)	(2)	(2)	(2)
Term Trader	Scott Morales	X		(2)			(2)	(2)	(2)	(2)
Term Trader	John Spratley	X		(2)			(2)	(2)	(2)	(2)

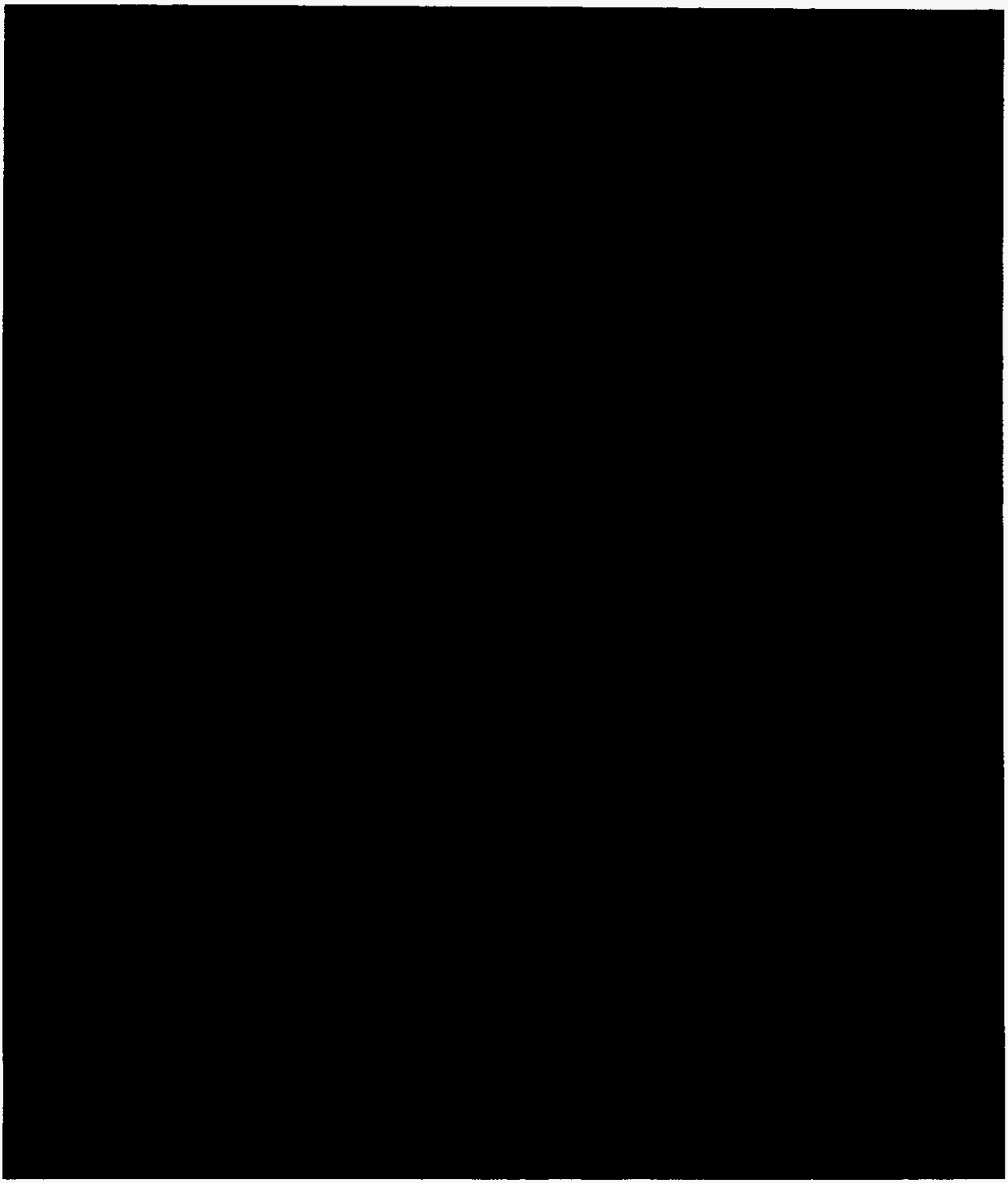
Notes:

(1) Authority to make changes to transactions including entering transactions related to loss adjustments and full/partial requirements customers.

(2) Authority to direct a transaction.

APPENDIX J

ACCOUNTING AND TAX



APPENDIX K

EMPLOYEE ACKNOWLEDGMENT

I have been provided a copy of the Southern Company Energy Trading 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 on 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 right to emit chemical compounds such as sulfur dioxide usually traded in the over-the-counter markets via brokers with one allowance being equal to one ton 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 SCG 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 H. Such levels are expressed in dollars that establish boundaries for maximum value at risk due to changes in market prices.
Daily Portfolio Value	The net present value on a MTM basis of yet to be performed transactions from all approved portfolios.
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.
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.
Hedging Strategy	A trading strategy intended to reduce risk.
Liquid Market	A market characterized by wide bid/offer spreads, lack of transparency, and large movements in price after any sizable deal.
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.
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	Southern Company Generation 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 details of all transactions are 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