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GULF POWER
A SOUTHERN COMPANY

REDACTED

August 1, 2013

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

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COMMISSION CLERK

Dear Ms. Cole:

RE: Docket No. 130001-EI

Enclosed is Gulf Power Company's Request for Confidential Classification regarding Gulf's Risk Management Plan dated August 2, 2013.

Sincerely,

Robert L. McGee, Jr.

Robert L. McGee, Jr.
Regulatory and Pricing Manager

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Enclosures

cc: Beggs & Lane
Jeffrey A. Stone, Esq.

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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.:	130001-EI
	Date filed:	August 2, 2013

REQUEST FOR CONFIDENTIAL CLASSIFICATION

GULF POWER COMPANY ["Gulf Power", "Gulf", or the "Company"], by and through its undersigned attorneys 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:

1. Portions of Gulf Power's Risk Management Plan for Fuel Procurement are entitled to confidential classification pursuant to section 366.093(3)(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 customers. The Risk Management Plan for Fuel Procurement contains, in a single resource, detailed information about Gulf's fuel procurement strategy, including technology selection criteria, 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 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, to this attorney's knowledge, has not been otherwise publicly disclosed.

3. The Commission granted confidential classification for 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, PSC-06-0636-CFO-EI, PSC-09-0284-CFO-EI, PSC-10-0189-CFO-EI, and PSC-12-0452-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 1st day of August, 2013.

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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.: 130001-EI
Date filed: August 2, 2013

REQUEST FOR CONFIDENTIAL CLASSIFICATION

Exhibit "A"

Provided to the Commission Clerk

under separate cover as confidential information.

Exhibit "B"

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

Plants Crist and Smith is barge served and plant Scholz is rail served. The following table is a summary of the Gulf coal suppliers and corresponding tonnages (in 1000's) by plant.

Plant	Supplier	2013	2014	2015	2016	2017
Crist & Smith	American	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
	Foresight	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
	Argus	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
	Alpha	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
	Total	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Scholz	No suppliers	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Total Gulf Program		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

In the following charts, the projected requirements for years 2014 and 2015 are from the July 2013 DEPS burn file and the projected requirements for years 2016 through 2017 are from the 2013 Official Budget June Update. The chart below illustrates the projected burn and commitments of coal for Crist and Smith through 2017.

[redacted]

Source: July DEPS (2013-2014)
2013 Energy Budget June Update (2015-2017)

Gulf Power has made the decision to retire the units at Plant Scholz effective April 2015. Scholz will continue to use coal on its stockpile as a generation fuel source until that time. As a result, this strategy will not address future coal needs at Scholz.

Daniel is classified as a New Source Performance Standard (NSPS) plant requiring the use of 1.2 pounds SO_2/MMBtu or less. Gulf owns 50 percent of units 1 and 2 at Daniel, which is rail served. The following table is a summary of the Daniel coal suppliers and corresponding tonnages (in 1000's).

Plant	Supplier	2013	2014	2015	2016	2017
Daniel	Twentymile	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
	Total	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Total Daniel Program		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

[redacted] The following chart illustrates Gulf's 50 percent ownership in projected burn and commitments of coal for Daniel through 2017.

[redacted]

Source: July DEPS (2013-2014)
2013 Energy Budget June Update (2015-2017)

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.

Since 2000, Southern Company's natural gas generating capacity has increased by approximately [redacted] to its current size of approximately [redacted] of natural gas generating capacity. This increase in natural gas capacity within the Southern Company system, in conjunction with the recent increased [redacted]

[redacted]

[redacted]

[redacted]

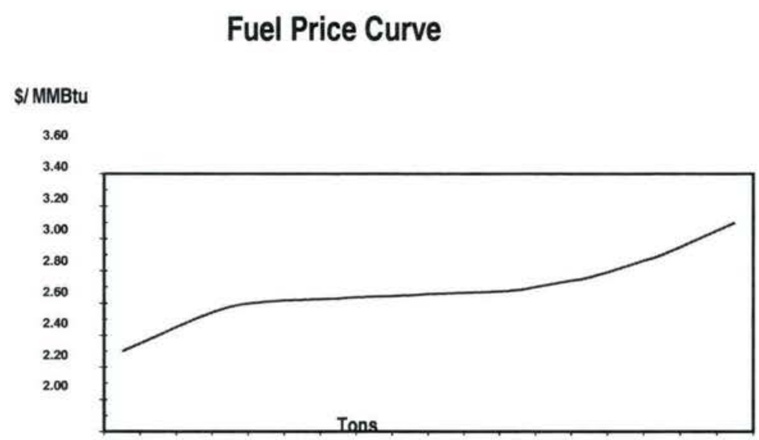
Pricing Risk and Strategy

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 agreements and spot coal purchases that provide pricing at or below market at any given point in time.

[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:



[redacted]

[redacted]

[redacted]

Diversity of Supply Risk and Strategy

There is a risk in relying on one or two large suppliers 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 supply will also keep competition strong among suppliers, which, in turn, will continue to foster competitive market prices.

[redacted]

[redacted]

Reliability Risk and Strategy

While reliability is always a risk, when a supply and demand imbalance occurs in the coal industry, this reliability risk is increased. Continuing business with suppliers who have performed well during times of unreliable supply can help mitigate this risk. In addition to an economic evaluation, technical and financial evaluations of suppliers are also performed as a required part of the coal procurement process.

[redacted]

[redacted]

[redacted]

Environmental Risk and Strategy

When procuring coal for a term longer than 12 months, the potential impact from future changes in environmental laws and regulations, which may render the burning of coal as non-economic to our system, is a significant risk that must be mitigated. When executing new long-term coal supply agreements, environmental language will be included that mitigates the risks associated with current, as well as future, environmental issues. This environmental language will continue to allow the company the maximum flexibility and discretion to modify and/or terminate such agreements based on its sole judgment. Environmental language must state clearly that neither coal nor transportation suppliers have the right to review or question our selected environmental compliance strategy.

[redacted]

[redacted]

Strategic Plan

Crist – Crist burns between 900,000 tons and 1.6 million tons of coal a year. All four units at Plant Crist are scrubbed and the plant must comply with a state SO_2 30 day rolling average emission limit of 886 tons of SO_2. Crist has been burning a blend of higher sulfur Illinois Basin coal and lower sulfur coal from the Central Appalachian region. For plant operational reasons the maximum SO_2 content of the blended coal supply has been set at [redacted]. Crist can also burn Colombian import coals, as well as coals from Colorado, Utah and the Central Appalachian regions[redacted]

Smith – Smith burns between 250,000 and 500,000 tons of coal a year and must comply with the state SO_2 emission limit of 2.1 lbs SO_2/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[redacted]

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 an NSPS plant, Daniel must use "compliance" coal with a maximum of 1.2 lbs SO_2/MMBtu (0.6 lbs Sulfur/MMBtu). Daniel can burn import coal in addition to coal from Colorado and the Central Appalachian regions. [redacted]

[redacted]

Tactical Plan

Crist and Smith

The chart below shows a breakdown of the current Crist and Smith suppliers and volume commitments, including options, through 2017.

[redacted]

Source: July DEPS (2013-2014)
2013 Energy Budget June Update (2015-2017)

Crist and Smith are projected to burn, on average, approximately 1.7 million tons of coal annually between 2013 and 2017. The committed volume for these plants equates to 100 percent of Crist and Smith's collective need in 2013. [redacted] This tactical plan will address Gulf's requirements for 2013 and beyond.

In recent years, Plant Crist has undertaken a plan to blend Illinois Basin coal with other low sulfur bituminous coals such as Colombian, Central Appalachian and Colorado coals in order to take advantage of an increased Btu content and decreased sulfur content of the blended product. This practice of blending Illinois Basin coal with lower sulfur coals is scheduled to continue. Crist and Smith's portfolio currently includes coals from the Central Appalachian region and the Illinois Basin region. These coals are being delivered by rail to the Alabama State Docks (ASD) in Mobile, Ala.

[redacted]

[redacted]

[redacted]

Daniel

The chart below shows a breakdown of the current Daniel suppliers and volume commitments, including options, through 2017.

[redacted]

Source: July DEPS (2013-2014)
2013 Energy Budget June Update (2015-2017)

[redacted]

[redacted] 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 other suppliers could continue seamless deliveries to the plant. Gulf will also continue its policy of testing various import as well as domestic coals.

[redacted]

Both Illinois Basin and Central Appalachian coals can be railed directly to Daniel. 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.

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

Dec. 31, 2014. The agreement has an annual minimum volume requirement [redacted].

CN Agreement CN-517554-AB provides for rail transportation of Illinois Basin coal from Foresight Energy and American Coal Company to the Alabama State Docks through Dec. 31, 2013. [redacted]

Crounse Corporation Agreement (GU12002-B) provides barge transportation for the Argus Energy coal loaded on the Big Sandy River in West Virginia and transported to Mobile, Alabama. The Crounse agreement runs through March 31, 2014.

Fuel movement to Crist and Smith from Mobile, Alabama is primarily by a single barge carrier, Marquette Transportation Company, LLC (Marquette). The Marquette agreement (SC09006-T) provides for transportation of coal to both plants from the Alabama State Docks and Mobile Bay and River area. The Marquette agreement expires Dec. 31, 2014.

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 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, 2014. This agreement specifies that [redacted] of all deliveries must move on the CSXT railroad, with an annual maximum [redacted]

Coal deliveries to Scholz will cease at the end of 2014 and the plant will consume inventory prior to the plant's retirement in April 2015.

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 rail 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. 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 interchanged 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.

UP agreement UP-55105 provides for rail transportation of Colorado coal to Memphis in conjunction with CN-523746-AA for final delivery to Daniel through Dec. 31, 2013. The agreement has an annual minimum volume requirement of [redacted] and a maximum [redacted] of coal that can be shipped.

BNSF agreement BNSF-12677 provides for rail transportation of PRB coal to Memphis, TN where BNSF interchanges with CN to deliver the PRB coal to Daniel. The BNSF agreement expires Dec. 31, 2014 [redacted]

CN/MSE agreement CN-523746-AA provides for rail transportation of PRB and Colorado coal from Memphis, TN to Daniel. The CN/MSE agreement expires Dec. 31, 2013. [redacted]

Budget

During the next 10 years, Gulf is budgeted to transport approximately 2-3 million tons of coal per year. There is a decrease in transportation costs from 2013 to 2015 that is directly tied to the loss of burn during this period.

From 2014 to 2021, the majority of the uncommitted coal requirements are projected to be met by purchasing a [redacted] blend of Illinois Basin coal and Central Appalachian coal. The increase in transportation costs are directly related to the increase of the volume of coal to be transported and changes related to the forecast for rail rates. Actual coal purchases may be different than current projections based on economic evaluations.

The chart below shows the forecasted coal volume and transportation costs for Gulf's coal-fueled plants.

[redacted]

2013 (Jan - May) Actual Tons
2013 Energy Budget - June Update

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 addresses these areas and identifies tactical plans to manage them.

Tactical Plan

Plants Crist and Smith

NS agreement NS-9679 provides for rail transportation of Central Appalachian coal to the Alabama State Docks through Dec. 31, 2014. [redacted]

CN Agreement CN-517554-AB provides for rail transportation of Illinois Basin coal to the Alabama State Docks through Dec. 31, 2013[redacted]

Crounse Corporation Agreement (GU12002-B) provides barge transportation for Central Appalachian coal loaded on the Big Sandy River in West Virginia and transported to Mobile, Alabama for final movement to Plant Smith by Marquette Transportation Company, LLC (Marquette). The Crounse agreement runs through December 31, 2013. [redacted]

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

[redacted]

[redacted]

Plant Scholz

Scholz has an agreement with the CSXT railroad (CSXT-C-83791) that expires Dec. 31, 2014.

Plant Daniel

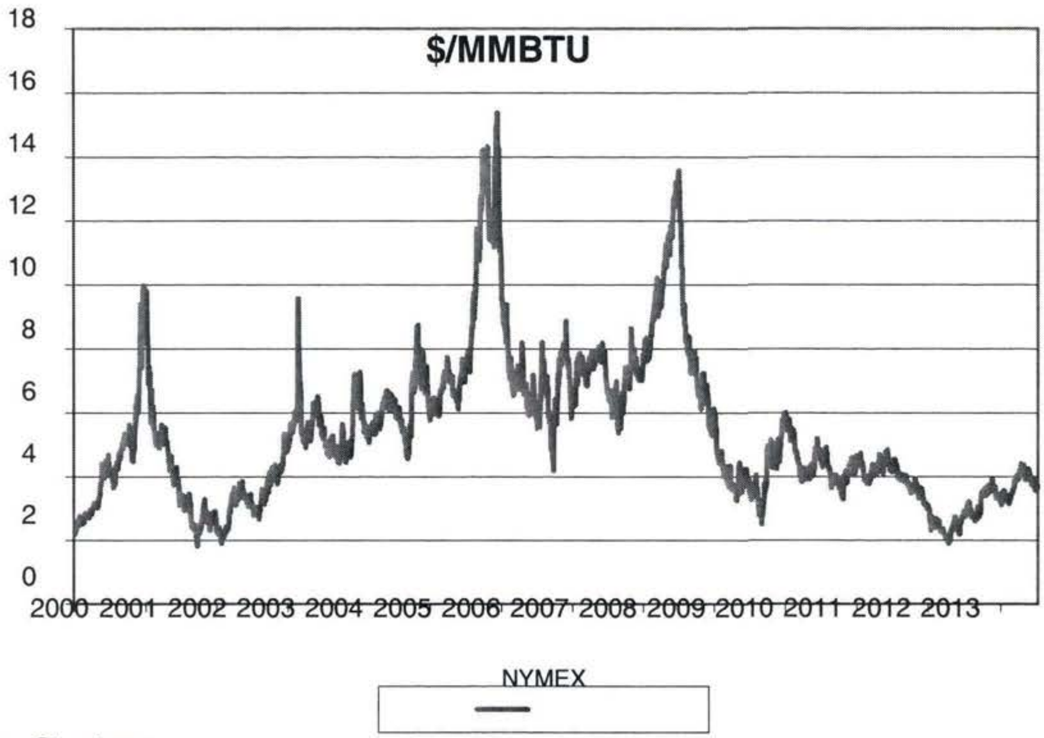
UP agreement UP-55105 provides for rail transportation of Colorado coal to Memphis in conjunction with CN-523746-AA for final delivery to Daniel through Dec. 31, 2013. [redacted].

BNSF agreement BNSF-12677 provides for rail transportation of PRB coal to Memphis, TN where BNSF interchanges with CN to deliver the PRB coal to Daniel. The BNSF agreement expires Dec. 31, 2014.

CN/MSE agreement CN-523746-AA provides for rail transportation of PRB and Colorado coal from Memphis, TN to Daniel. The CN/MSE agreement expires Dec. 31, 2013. [redacted] 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	Lower Target Hedge %	Upper Target Hedge %
Prompt Year (2014)	[redacted]	[redacted]
Year 2 (2015)	[redacted]	[redacted]
Year 3 (2016)	[redacted]	[redacted]
Year 4 (2017)	[redacted]	[redacted]
Year 5 (2018)	[redacted]	[redacted]

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

Although SCS will target the levels shown in the table above, SCS may accelerate or decelerate the plan accordingly based on market conditions. 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 units being 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". [redacted]

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 [redacted] 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.

Gulf Power's 2014 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

I. Introduction

In August 1997, the Southern Company Risk Oversight Committee ("SROC") 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 (Alabama Power Company, Georgia Power Company, Gulf Power Company, and Mississippi Power Company), and Southern Power Company ("SPC") 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 SROC approved risk management guidelines in August 1997. As part of this evolution, the SROC was reconstituted, and a Generation Risk Oversight Committee was formed. These groups, along with the Risk Advisory and Controls Committee, replaced the Energy Risk Management Board and assumed its responsibilities.

Effective November 19, 2007, as a result of the Separation Protocol, certain functions for SPC were separated from the Operating Companies and certain communications between them was restricted. It was decided that SPC 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 SPC risk monitoring. The Generation Risk Oversight Committee will continue to monitor the consolidated energy trading risks, including SPC 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 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]

[redacted]

[redacted]

III. Business Objectives

The Approved Business Objectives for the trading activities performed by Authorized Individuals are defined in Appendix A.

IV. 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. SCS Risk Control must be consulted before the execution of any Approved Risk Management Instruments that have not been previously used. SCS Risk Control must ensure that the requirements set forth in this RMP can be followed with respect to those instruments.

V. Authorizations

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

VI. Segregation of Duties

[redacted]

[redacted]

[redacted]

Appendix E shows the organizational separation of function required by 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]

Settlement: The function of settlement includes the following responsibilities:

[redacted]

[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]

[redacted]

[redacted]

[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.
Notifications	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 SCS Risk Control 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]

XIV. Accounting and Tax

[redacted]

[redacted]

XV. Legal

[redacted]

XVI. Monitoring and Reporting

SCS Risk Control 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]

[redacted]

XX. Independent Review

[redacted]

XXI. Policy Amendments

[redacted]

[redacted]

[redacted]

XXII. Terminology

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

APPENDIX A
APPROVED BUSINESS OBJECTIVES

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 SPC Trading and Asset Management activities are the following:

[redacted]

In addition to the primary objectives, SPC Trading & Asset Management 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 (including, but not limited to the IIC and Separation Protocol):

[redacted]

All SPC Secondary Strategies must be approved by the SPC Chief Financial Officer and the SPC Chief Commercial Officer.

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 or SPC Trading & Asset Management.

Environmental Products Management Function

The primary objectives of the Environmental Products Management Function are to:

[redacted]

Secondary activities of the Environmental Products Management Function are restricted to positions intended to hedge secondary power positions, and which have been requested by Fleet Operations and Trading or SPC Trading & Asset Management.

Coal Fulfillment Function

The primary objectives of the Coal Fulfillment Function are to:

[redacted]

[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 or SPC Trading & Asset Management.

APPENDIX B
APPROVED COMMODITIES

The approved commodities for this RMP are:

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

APPENDIX C
APPROVED INSTRUMENTS

The approved instruments are:

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

APPENDIX D
AUTHORIZATIONS

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

APPENDIX D
AUTHORIZATIONS (continued)
Energy Marketing

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

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

APPENDIX D
AUTHORIZATIONS (continued)
SCS Fuel Services

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

APPENDIX F
MARKET RISK MEASUREMENT

Approved Commodities	Value at Risk Method
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]

Parametric VaR Methodology

Formula Components

Component	Symbol	Comments
Value at Risk	VaR	See Equation Below
Position	PSN	Given in Applicable Measurement Units
Daily Standard Deviation of Price Change	ΔP	Given in $/Applicable 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

Equation

$$VaR = PSN * \Delta P * \text{Square Root of } HP * CI$$

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

$E[\Delta p/p \mid \Delta p/p < \Theta]$ = the Integral of $f(x)xdx$ from negative infinity to Θ

and the expected upward stress is calculated as

$E[\Delta p/p \mid \Delta p/p > \Theta]$ = the Integral of $f(x)xdx$ from Θ to infinity

where Θ 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]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]

<u>Ad Hoc Stress Testing</u>

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

APPENDIX G
NOTIFICATION LEVELS

Position Classification	Income Change	Notify
[redacted]	[redacted] [redacted]	[redacted]
[redacted]	[redacted] [redacted]	[redacted]

APPENDIX G
NOTIFICATION LEVELS

Position Classification	Value-at-Risk	Notify
[redacted]	[redacted]	[redacted] [redacted] [redacted] [redacted] [redacted] [redacted] [redacted]

<u>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.</u>

APPENDIX G
NOTIFICATION LEVELS

Position Classification	Income Change	Notify
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]

Position Classification	Income Change	Notify
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]

Position Classification	Value-at-Risk	Notify
[redacted]	[redacted]	[redacted]

APPENDIX H
MARKET RISK LIMITS

Net Open Position Limits

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

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.

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

APPENDIX J
ACCOUNTING AND TAX

[redacted]

[redacted]

[redacted]

[redacted]

Exhibit "C": Line-by-Line/Field-by-Field Justification

Line(s)/Field(s)[1]	Justification
Page 4 of 75 Line 15 (Table)	The information delineated in Exhibit "C" is entitled to confidential classification pursuant to §366.093(3)(d) and (e), Florida Statutes. The basis for this information being designated as confidential is more fully set forth in paragraph 1.
Page 5 of 75 Line 1 (Graph) Line 12 (Table)	
Page 6 of 75 Lines 1-4 Line 7 (Graph)	
Page 8 of 75 Lines 2 and 3 Lines 5 through 14 Lines 16 through 25 Lines 27 and 28	
Page 9 of 75 Lines 1 through 16	
Page 10 of 75 Lines 1 through 10 Lines 26 through 28	
Page 11 of 75 Lines 1 and 2 Lines 4 through 11 Lines 21 through 28	

[1] Page number references correspond with the page numbers printed in the bottom center of each page.

Page 12 of 75 Lines 1 through 5 Lines 15 through 24 Lines 26 through 28	The information delineated in Exhibit "C" is entitled to confidential classification pursuant to §366.093(3)(d) and (e), Florida Statutes. The basis for this information being designated as confidential is more fully set forth in paragraph 1.
Page 13 of 75 Lines 1 and 2 Lines 18 through 28	
Page 14 of 75 Lines 1 through 3 Line 14 Lines 16 and 17 Lines 24 and 25	
Page 15 of 75 Lines 6 through 19	
Page 16 of 75 Line 1 (Graph) Lines 6 through 9	
Page 17 of 75 Lines 5 through 13 Lines 15 through 18 Lines 20 through 25	
Page 18 of 75 Line 5 (Graph) Lines 7 through 13 Lines 15 through 17	
Page 19 of 75 Lines 7 through 11 Line 20 Lines 22 through 28	

Page 20 of 75 Lines 1 through 4 Lines 6 through 9 Lines 11 through 19 Lines 21 through 28	The information delineated in Exhibit "C" is entitled to confidential classification pursuant to §366.093(3)(d) and (e), Florida Statutes. The basis for this information being designated as confidential is more fully set forth in paragraph 1.
Page 22 of 75 Line 2 Lines 6 and 7	
Page 23 of 75 Lines 2 through 4	
Page 24 of 75 Line 1 Lines 6 and 7 Lines 11 and 12 Line 23	
Page 25 of 75 Line 4 (Graph)	
Page 26 of 75 Line 7 Lines 10 through 13 Lines 20 and 21	
Page 27 of 75 Lines 1 through 5 Lines 7 through 13 Lines 24 and 25	
Page 28 of 75 Lines 7 through 11	
Page 30 of 75 Lines 1 through 10	

Page 31 of 75 Lines 7 and 8 Line 10 Line 14	The information delineated in Exhibit "C" is entitled to confidential classification pursuant to §366.093(3)(d) and (e), Florida Statutes. The basis for this information being designated as confidential is more fully set forth in paragraph 1.

Page 32 of 75
Lines 1 (Table)
Lines 12 through 15
Lines 18 through 23

Page 33 of 75
Line 4 and 5
Line 7

Page 40 of 75
Lines 33 through 36
Lines 38 through 42
Lines 44 and 45

Page 41 of 75
Lines 11 through 14
Lines 16 through 19
Lines 37 and 38
Lines 40 through 44

Page 42 of 75
Lines 2 through 4
Lines 12 through 20
Lines 26 through 39
Lines 43 through 46

Page 43 of 75
Lines 1
Lines 12 through 16
Lines 21 through 23
Lines 25 and 26
Lines 28 through 30
Lines 32 through 35

Page 44 of 75 Lines 6 through 12 Lines 16 through 18 Lines 20 through 33	The information delineated in Exhibit "C" is entitled to confidential classification pursuant to §366.093(3)(d) and (e), Florida Statutes. The basis for this information being designated as confidential is more fully set forth in paragraph 1.
Page 45 of 75 Lines 3 through 7 Lines 12 through 14 Lines 16 through 21 Lines 23 through 33 Lines 35 through 38 Lines 43 through 46	
Page 46 of 75 Lines 1 through 4 Lines 9 through 15 Lines 21 through 23 Lines 31 through 34 Lines 39 and 40 Lines 45 and 46	
Page 47 of 75 Lines 1 through 5 Lines 7 through 11 Lines 16 through 21 Lines 26 through 30 Lines 32 through 35 Lines 37 through 41	
Page 48 of 75 Lines 9 through 13 Lines 19 through 22 Lines 29 through 31 Lines 38 through 45	

Page 49 of 75 Lines 8 through 15 Lines 25 through 33 Lines 43 through 47	The information delineated in Exhibit "C" is entitled to confidential classification pursuant to §366.093(3)(d) and (e), Florida Statutes. The basis for this information being designated as confidential is more fully set forth in paragraph 1.
Page 50 of 75 Lines 1 and 2	
Page 51 of 75 Line 7 Line 9 Line 11 Line 13 Line 15 Line 17 Line 19 Line 21 Line 23	
Page 52 of 75 Line 7 Line 9 Line 11 Line 13 Line 15	
Page 53 of 75 (Table)	
Page 54 of 75 (Table)	
Page 55 of 75 (Table)	
Page 56 of 75 (Table)	

Page 58 of 75 Line 3 (Table) Line 11 (Table)	The information delineated in Exhibit "C" is entitled to confidential classification pursuant to §366.093(3)(d) and (e), Florida Statutes. The basis for this information being designated as confidential is more fully set forth in paragraph 1.
Page 59 of 75 Line 22 (Table)	
Page 60 of 75 Line 5 (Table)	
Page 61 of 75 Line 3 (Table)	
Page 62 of 75 Line 4 (Table)	
Page 63 of 75 Line 4 (Table) Lines 7 (Table) Line 9 (Table)	
Page 64 of 75 Line 5 (Table)	
Page 70 of 75 Lines 4 through 16 Lines 18 through 20 Lines 22 through 27 Lines 29 through 33	

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: **Fuel and Purchased Power Cost Recovery Clause with Generating Performance Incentive Factor**))) Docket No.: **130001-EI**

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing was furnished by overnight mail this 1st day of August, 2013 to the following:

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