TEN YEAR SITE PLAN

1997 - 2006

FOR ELECTRIC GENERATING FACILITIES
AND
ASSOCIATED TRANSMISSION LINES

APRIL, 1997

GULF POWER

A SOUTHERN COMPANY

160186-OPC-POD-144-957

GULF POWER COMPANY
TEN YEAR SITE PLAN

FOR ELECTRIC GENERATING FACILITIES
AND
ASSOCIATED TRANSMISSION LINES

Submitted To The
State Of Florida
Public Service Commission
Division of Electric and Gas

APRIL 1, 1997

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GULF POWER COMPANY

TEN-YEAR SITE PLAN
Executive Summary

The Gulf Power Company 1997 Ten-Year Site Plan (TYSP) is filed with the Florida Public Service Commission (FPSC) in accordance with the requirements of Chapter 186.801, Florida Statues as revised by the Legislature in 1995. That revision replaced the Florida Department of Community Affairs with the FPSC as the responsible agency for the TYSP's. The FPSC is currently in the process of promulgating new rules that will govern the future filings of Ten-Year Site Plans. Gulf Power Company has chosen to file its 1997 Plan in accordance with the majority of the requirements of the new proposed rules. This will allow the Commission staff and the utilities an opportunity to experience the new filling requirements prior to their taking effect. This might very well lead to some minor revisions before the rules are finalized and go into effect.

The 1997 TYSP contains documentation of assumptions, load forecast, fuel forecasts, the planning processes, existing resources, and future capacity needs and resources. The planning process for Gulf is very embedded in the Southern electric system Integrated Resource Planning (IRP) process, as the Company participates along with the other Southern companies, Alabama Power, Georgia Power, Mississippi Power, and Savannah Electric Power. Gulf Power Company shares in the benefits gained from planning a large system such as Southern, without the costs of a large planning staff of its own.

The capacity resource needs of the plan are driven by the demand forecast which already includes the projected demand-side measures embedded into it prior to entering the generation mix process. The generation mix process uses PROVIEW to screen the available technologies in order to produce a listing of preferred capacity resource plans from which to select the best, most cost-effective plan for the system. The resulting system resources needs are appropriately allocated among the operating companies based on reserve requirements, whereby each company chooses the best way in order to meet its capacity and reliability needs.

Gulf Power Company has determined that the best way in which to meet its capacity obligations over the next ten years is through a combination of power purchases and combustion turbine additions. Gulf plans to use power purchases, exclusively, until the year 2003 when it plans to construct 200 mW of capacity to take the place of a portion of the purchases. The Company plans to build another 200 mW of capacity in the year 2006 that will replace almost all of the remaining power purchases. Gulf's decision to take this approach to meeting its capacity needs is driven by the factors that this plan provides Gulf with the most flexibility and reliability while taking advantage of low cost market energy in the near term.

CHAPTER I

DESCRIPTION OF EXISTING FACILITIES

DESCRIPTION OF EXISTING FACILITIES

Gulf Power Company owns and operates three fossil - fueled generating facilities in Northwest Florida, has a 50% ownership in Mississippi Power Company's Daniel Electric Generating Facility, and has a 25% ownership in Georgia Power Company's Scherer Electric Generating Facility Unit #3. This consists of fourteen fossil steam units and one combustion turbine. Schedule 1 shows 1,107 MW of steam generation is located at the Crist Electric Generating Facility near Pensacola, Florida. The Lansing Smith Electric Generating Facility, near Panama City, Florida includes 356 MW of steam generation and 32 MW (summer rating) of combustion turbine facilities. The Scholz Electric Generating Facility, near Sneeds, Florida consists of 98 MW of steam generation. Including Gulf's ownership interest in Daniel fossil steam units 1 and 2 and Scherer fossil steam unit #3, Gulf has a total net summer generating capability of 2,339 MW and a total net winter generating capability of 2,347 MW as of December 31, 1996.

During 1997, the Daniel generating facility will begin to utilize Powder River Basin low sulfur coal as a primary fuel. One of the impacts will be a reduction in the net capability of both units. For Gulf's portion of these units, the reduction will be 21 MW for unit #1 and 17 MW for unit #2. Thus the total summer net generating capability for Gulf will be 2,301 MW and the total net winter generating capability will be 2,309 MW. This reduction is reflected in the installed capacity in Schedule 7.1 and Schedule 7.2.

The existing Gulf system in Northwest Florida including generating plants, substations, transmission lines and service area is shown on the accompanying system map. Data regarding Gulf's existing generating facilities is presented on Schedule 1.

UTILITY: GULF POWER COMPANY

SCHEDULE 1
EXISTING GENERATING FACILITIES
AS OF DECEMBER 31, 1996

(1) Plant Name	(2) Unit No.	(3) Location	(4) Unit Type	(5) Fuel Pri	(6) Fuel Alt	(7) Fuel Transp Pri	(8) Fuel Transp Alt	(9) Alt. Fuel Days Use	(10) Com'l In-Service Mo/Yr	(11) Exptd Retrmnt Mo/Yr	(12) Gen Max Nameplate KW	(13) Net Capability Summer MW	(14) Net Capability Winter MW
Crist		Escambia County 25/1N/30W									1,229,000	1,106.8	1,106.8
	1		FS	NG	HO	PL	TK	--	1/45	12/11	28,125	25.6	25.6
	2		FS	NG	HO	PL	TK	--	6/49	12/11	28,125	25.1	25.1
	3		FS	NG	HO	PL	TK	--	9/52	12/11	37,500	37.0	37.0
	4		FS	C	NG	WA	PL	3	7/59	12/14	93,750	88.0	88.0
	5		FS	C	NG	WA	PL	3	6/61	12/16	93,750	87.0	87.0
	6		FS	C	NG	WA	PL	--	5/70	12/15	369,750	327.0	327.0
	7		FS	C	NG	WA	PL	1	8/73	12/18	578,000	517.1	517.1
Lansing Smith		Bay County 36/2S/15W									381,850	387.2	395.6
	1		FS	C	--	WA	--	--	6/65	12/15	149,600	162.0	162.0
	2		FS	C	--	WA	--	--	6/67	12/17	190,400	193.6	193.6
	A		CT	LO	--	TK	--	--	5/71	12/06	41,850	31.6	40.0
Scholz		Jackson County 12/3N/7W									98,000	98.1	98.1
	1		FS	C	--	RR	WA	--	3/53	12/11	49,000	49.6	49.6
	2		FS	C	--	RR	WA	--	10/53	12/11	49,000	48.5	48.5
Daniel (A)		Jackson County, MS 42/5S/6W									548,250	536.2	536.2
	1		FS	C	HO	RR	TK	--	9/77	12/22	274,125	268.0	268.0
	2		FS	C	HO	RR	TK	--	6/81	12/26	274,125	268.2	268.2
Scherer (A)	3	Monroe County, GA	FS	C	--	RR	--	--	1/87	12/27	222,750	210.7	210.7
											Total System	2,339.0	2,347.4

SCHEDULE 1

Abbreviations:

Fuel

FS - Fossil Steam
CT - Combustion Turbine
NG - Natural Gas
C - Coal
LO - Light Oil
HO - Heavy Oil

Fuel Transportation

PL - Pipeline
WA - Water
TK - Truck
RR - Railroad

NOTE: (A) Unit capabilities shown represent Gulf's portion of Daniel Units 1 & 2 (50%) and Scherer Unit 3 (25%).

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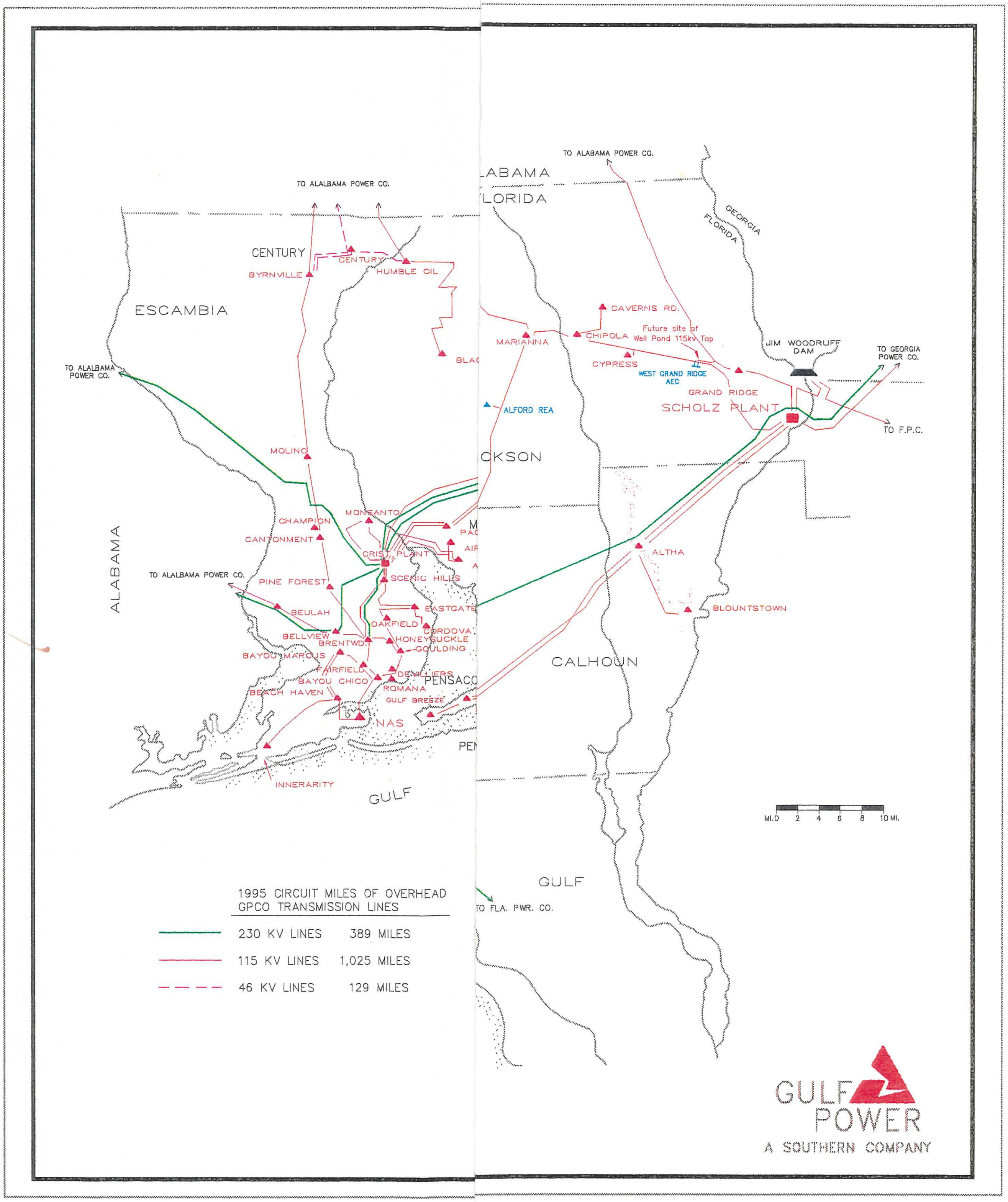
TO ALABAMA POWER CO.
ALABAMA
FLORIDA
TO ALALBAMA POWER CO.
CENTURY
BYRNVILLE
HUMBLE OIL
ESCAMBIA
GEORGIA
FLORIDA
CAVERNS RD.
Future site of Well Pond 115kv Tap
CHIPOLA
MARIANNA
JIM WOODRUFF DAM
TO GEORGIA POWER CO.
CYPRESS
WEST GRAND RIDGE AEC
GRAND RIDGE
SCHOLZ PLANT
TO F.P.C.
TO ALALBAMA POWER CO.
ALFORD REA
MOLINO
CKSON
MONSANTO
CHAMPION
CANTONMENT
CRIST PLANT
ALTHA
ALABAMA
TO ALALBAMA POWER CO.
PINE FOREST
SCENIC HILLS
BEULAH
EASTGATE
BLOUNTSTOWN
OAKFIELD
BELLVIEW
CORDOVA
BRENTWD.
HONEYSUCKLE
GOULDING
BAYOU MARCUS
CALHOUN
FAIRFIELD
DEVILLIERS
BAYOU CHICO
PENSACO
ROMANA
BEACH HAVEN
GULF BREEZE
NAS
INNERARITY
GULF
MI. 0 2 4 6 8 10 MI.
GULF
TO FLA. PWR. CO.
1995 CIRCUIT MILES OF OVERHEAD GPCO TRANSMISSION LINES
230 KV LINES 389 MILES
115 KV LINES 1,025 MILES
46 KV LINES 129 MILES
GULF POWER
A SOUTHERN COMPANY

CHAPTER II

FORECAST OF ELECTRIC POWER DEMAND AND ENERGY CONSUMPTION

FORECASTING DOCUMENTATION

GULF POWER COMPANY

LOAD FORECASTING METHODOLOGY

OVERVIEW

Gulf Power Company views the forecasting effort as a dynamic process requiring ongoing efforts to yield results which allow informed planning and decision-making. The total forecast is an integration of different techniques and methodologies, each applied to the task for which it is best suited. Many of the techniques take advantage of the extensive data made available through the Company's marketing efforts, which are predicated on the philosophy of knowing and understanding the needs, perceptions and motivations of our customers and actively promoting wise and efficient uses of energy which satisfy customer needs. Gulf Power Company has been a pacesetter in the energy efficiency market since the development and implementation of the Good ¢ents Home program in the mid-70's. This program brought customer awareness, understanding and expectations regarding energy eficient construction standards in Northwest Florida to levels unmatched elsewhere. Since that time, the Good ¢ents Home program has seen many enhancements, and has been widely accepted not only by our customers, but by builders, contractors, consumers, and other electric utilities throughout the nation, providing clear evidence that selling efficiency to customers can be done successfully.

The Marketing Services section of the Marketing and Load Management Department is responsible for preparing forecasts of customers, energy and peak demand. A description of the assumptions and methods used in the development of these forecasts follows.

I. ASSUMPTIONS

A. ECONOMIC OUTLOOK

Gulf's projections assume the U. S. economy will continue to grow from its 1995 growth of 2.1% in real Gross Domestic Product (GDP). The Federal Reserve is expected to maintain its policy of restricting economic growth in order to control inflation. This environment of moderate growth (1996-2.1%, 1997-2.8%, 1998-2.9%) with inflation below 3% is expected to encourage business investment. Current labor force projections indicate that growth in the work force is slowing down, and business investment will be key to achieve the productivity gains necessary to offset the slowing work force.

B. TERRITORIAL

Gulf's forecast assumes that service area population growth will continue to exceed that of the nation and will slightly lead the rate of growth for the state of Florida. Additionally, Gulf's projections incorporate electric price assumptions derived from the 1996 Gulf Power Official Long-Range Forecast. Natural gas prices are derived from the 1997 Southern Company Services (SCS) Fuel Panel. The following tables provide a summary of the assumptions associated with Gulf's forecast:

TABLE 1

ECONOMIC SUMMARY
(1996-2001)

	Base Case Forecast
GDP Growth	2.1 - 2.4%
Real Interest Rate	4.1 - 2.7%
Inflation	1.9 - 2.5%

TABLE 2

AREA DEMOGRAPHIC SUMMARY
(1996-2001)

	Base Case Forecast
Population Gain	94,125
Net Migration	16,117
Average Annual Population Growth	1.9%
Average Annual Labor Force Growth	2.9%
Share of Population Served	81.7%

II. CUSTOMER FORECAST

A. RESIDENTIAL CUSTOMER FORECAST

The immediate short-term forecast (0-2 years) of customers is based primarily on projections prepared by district personnel. The districts remain abreast of local market and economic conditions within their service territories through direct contact with economic development agencies, developers, builders, lending institutions and other key contacts. The immediate short-term forecasts prepared by the districts, which are developed through various forecasting methods, are analyzed for consistency and the incorporation of major construction projects and business developments is reviewed. The end result is a near-term forecast of residential customers by type of dwelling.

For the remaining forecast horizon (3-25 years), the Gulf Economic Model, a competition-based econometric model, is used in the development of residential customer projections. Projections of births, deaths, and population by age groups are determined by past and projected trends. Migration is determined by economic growth relative to surrounding areas.

The forecast of residential customers is an outcome of the final section of the migration/demographic element of the model. The number of residential customers Gulf expects to serve is calculated by multiplying the total number of households located in the eight counties in which Gulf provides service by the percentage of customers in these eight counties for which Gulf currently provides service.

The number of households referred to above is computed by applying a household formation trend to the previously mentioned population by age group, and then by summing the number of households in each of five adult age categories. As indicated, there is a relationship between households, or residential customers, and the age structure of the population of the area, as well as household formation trends. The household formation trend is the product of initial year household formation rates in the Gulf service area and projected U.S. trends in household formation.

B. COMMERCIAL CUSTOMER FORECAST

The immediate short-term forecast (0-2 years) of commercial customers, as in the residential sector, is prepared by the districts. A review of the assumptions, techniques and results for each district is undertaken, with special attention given to the incorporation of major commercial development projects.

Beyond the immediate short-term period, commercial customers are forecast as a function of residential customers, reflecting the growth of commercial services to meet the needs of new residents. Implicit in the commercial customer forecast is the relationship between growth in total real disposable income and growth in the commercial sector.

III. ENERGY SALES FORECAST

A. RESIDENTIAL SALES FORECAST

The residential energy sales forecast is prepared using the Residential End-Use Energy Planning System (REEPS), a model developed for the Electric Power Research Institute (EPRI) by Cambridge Systematics, Incorporated, under Project RP1211-2. The REEPS model integrates elements of both econometric and engineering end-use approaches to energy forecasting. Market penetrations and energy consumption rates for major appliance end-uses are treated explicitly. REEPS produces forecasts of appliance installations, operating efficiencies and utilization patterns for space heating, water heating, air conditioning and cooking, as well as other major end-uses. Each of these decisions is responsive to energy prices and demand-side initiatives, as well as household/dwelling characteristics and geographical variables.

The major behavioral responses in the simulation model have been estimated statistically from an analysis of household survey data. Surveys provide the data source required to identify the responsiveness of household energy decisions to prices and other variables.

The REEPS model forecasts energy decisions for a large number of different population segments. These segments represent households with different demographic and dwelling characteristics. Together, the population segments reflect the full distribution of characteristics in the customer population. The total service area forecast of residential energy decisions is represented as the sum of the choices of various segments. This approach enhances evaluation of the distributional impacts of various demand-side initiatives.

For each of the major end-uses, REEPS forecasts equipment purchases, efficiency and utilization choices. The model distinguishes among appliance installations in new housing, retrofit installations and purchases of portable units. Within the simulation, the probability of installing a given appliance in a new dwelling depends on the operating and performance characteristics of the competing alternatives, as well as household and dwelling features. The installation probabilities for certain end-use categories are highly interdependent.

The functional form of the appliance installation models is the multinomial logit or its generalization, the nested logit. The parameters of these models quantify the sensitivity of appliance installation choices to costs and other characteristics. The magnitudes of these parameters have been estimated statistically from household survey data.

Appliance operating efficiency and utilization rates are simulated in the REEPS model as interdependent decisions. Efficiency choice is dependent on operating cost at the planned utilization rate, while actual utilization depends on operating cost given the appliance efficiency. Appliance and building standards affect efficiency directly by mandating higher levels than those otherwise expected.

The sensitivity of efficiency and utilization decisions to costs, climate, household and dwelling size, and income has been estimated from historical survey data. Energy prices, income, and household and dwelling size significantly affect space conditioning and residual energy use. Household and dwelling size also influence water heating usage. Climate significantly impacts space heating and air conditioning.

Major appliance base year unit energy consumption (UEC) estimates are based on data delevloped by Regional Economic Research, Inc. (RER), the current EPRI contractor, from metered appliance data or conditioned energy demand regression analysis. The latter is a technique employed in the absence of metered observations of individual appliance usage, and involves the disaggregation of total household demand for electricity into appliance specific demand functions. All of the weather sensitive UEC estimates were adjusted for Gulf Power's weather conditions.

The residential sales forecast reflects the continued impacts of Gulf Power's Good ¢ents Home program and efficiency improvements undertaken by customers as a result of ¢entsable Energy Check audits and the Gulf Express Loan program, as well as conversions to higher efficient outdoor lighting. The residential sales forecast also reflects the anticipated incremental impacts of Gulf's DSM plan, approved in April, 1995, designed to meet the Commission-approved demand and energy reduction goals established in October,1994. Additional information on the residential conservation programs and program features are provided in the <u>Conservation</u> section.

B. COMMERCIAL SALES FORECAST

COMMEND, a commercial end-use model developed by the Georgia Institute of Technology through EPRI Project RP1216-06, serves as the basis for the major portion of Gulf's commercial energy sales forecast.

The COMMEND model is an extension of the capital-stock approach used in most econometric studies. This approach views the demand for energy as a product of three factors. The first of these factors is the physical stock of energy-using capital, the second factor is base year energy use, and the third is a utilization factor representing utilization of equipment relative to the base year.

Changes in equipment utilization are modeled using short-run econometric fuel price elasticities. Fuel choice is forecast with a life-cycle cost/behavioral microsimulation submodel, and changes in equipment efficiency are determined using engineering and cost information for space heating, cooling and ventilation equipment and econometric elasticity estimates for the other end-uses (lighting, water heating, ventilation, cooking, refrigeration, and others).

Three characteristics of COMMEND distinguish it from traditional modeling approaches. First, the reliance on engineering relationships to determine future heating and cooling efficiency provides a sounder basis for forecasting long-run changes in space heating and cooling energy requirements than a pure econometric approach can supply. Second, the simulation model uses a variety of engineering data on the energy-using characteristics of commercial buildings. Third, COMMEND provides estimates of energy use detailed by end-use, fuel type and building type.

DRI McGraw Hill's annual building data and Gulf's most recent Commercial Market Survey provided much of the input data required for the COMMEND model. The model produces forecasts of energy use for the end-uses mentioned above, within each of the following business categories:

1. Food Stores
2. Offices
3. Retail and Personal Services
4. Public Utilities
5. Automotive Services
6. Restaurants
7. Elementary/Secondary Schools
8. Colleges/Trade Schools
9. Hospitals/Health Services
10. Hotels/Motels
11. Religious Organizations
12. Miscellaneous

The commercial sales forecast reflects the continued impacts of Gulf Power's Commercial Good ¢ents building program and efficiency improvements undertaken by customers as a result of Commercial Energy Audits and Technical Assistance Audits, as well as conversions to higher efficient outdoor lighting. The commercial sales forecast also reflects the anticipated incremental impacts of Gulf's DSM plan, approved in April, 1995, designed to meet the Commission-approved demand and energy reduction goals established in October,1994. Additional information on the Commercial Conservation programs and program features are provided in the Conservation section.

C. INDUSTRIAL SALES FORECAST

The short-term industrial energy sales forecast is developed using a combination of on-site surveys of major industrial customers, trending techniques, and multiple regression analysis. Forty-seven of Gulf's largest industrial customers are interviewed to identify load changes due to equipment addition, replacement or changes in operating characteristics.

The short-term forecast of monthly sales to these major industrial customers is a synthesis of the detailed survey information and historical monthly load factor trends. The forecast of short-term sales to the remaining smaller industrial customers is developed using multiple regression analysis.

The long-term forecast of industrial energy sales is based on econometric models of the chemical, pulp and paper, other manufacturing, and non-manufacturing sectors. The industrial forecast is further refined by accounting for expected self generation installations, and a supplemental energy rate. The industrial sales forecast also reflects the anticipated incremental impacts of Gulf's DSM plan, approved in April, 1995, designed to meet the Commission-approved demand and energy reduction goals established in October,1994. Additional information on the conservation programs and program features are provided in the Conservation section.

D. STREET LIGHTING SALES FORECAST

The forecast of monthly energy sales to street lighting customers is based on projections of the number of fixtures in service, for each of the following fixture types:

HIGH PRESSURE SODIUM	MERCURY VAPOR
5,400 Lumen	3,200 Lumen
8,800 Lumen	7,000 Lumen
20,000 Lumen	9,400 Lumen
25,000 Lumen	17,000 Lumen
46,000 Lumen	48,000 Lumen

The projected number of fixtures by fixture type are developed from analyses of recent historical fixture data to discern the patterns of fixture additions and deletions. The estimated monthly kilowatt-hour consumption for each fixture type is multiplied by the projected number of fixtures in service to produce total monthly sales for a given type of fixture. This methodology allows Gulf to explicitly evaluate the impacts of lighting programs, such as mercury vapor to high pressure sodium conversions.

E. WHOLESALE ENERGY FORECAST

The short-term forecast of energy sales to wholesale customers is based on interviews with these customers, as well as recent historical data. A forecast of total monthly energy requirements at each wholesale delivery point is produced.

The long-term forecast is based on estimates of annual growth rates for each delivery point, according to future growth potential.

F. COMPANY USE & INTERDEPARTMENTAL ENERGY

The near-term annual forecast for Company and Interdepartmental energy usage was based on recent historical values, with appropriate adjustments to reflect short-term increases in energy requirements for anticipated new Company facilities. The forecasted Company usage was then projected through the year 2006, at the same growth rate each year as the growth in residential customers. The monthly spreads were derived using historical relationships between monthly and annual energy usage.

IV. PEAK DEMAND FORECAST

The peak demand forecast is prepared using the Hourly Electric Load Model (HELM), developed by ICF, Incorporated, for EPRI under Project RP1955-1. The model forecasts hourly electrical loads over the long-term.

Load shape forecasts have always provided an important input to traditional system planning functions. Forecasts of the pattern of demand have acquired an added importance due to structural changes in the demand for electricity and increased utility involvement in influencing load patterns for the mutual benefit of the utility and its customers.

HELM represents an approach designed to better capture changes in the underlying structure of electricity consumption. Rapid increases in energy prices during the 1970's and early 1980's brought about changes in the efficiency of energy-using equipment. Additionally, sociodemographic and microeconomic developments have changed the composition of electricity consumption, including changes in fuel shares, housing mix, household age and size, construction features, mix of commercial services, and mix of industrial products.

In addition to these naturally occurring structural changes, utilities have become increasingly active in offering customers options which result in modified consumption patterns. An important input to the design of such demand-side programs is an assessment of their likely impact on utility system loads.

HELM has been designed to forecast electric utility load shapes and to analyze the impacts of factors such as alternative weather conditions, customer mix changes, fuel share changes, and demand-side programs. The structural detail of HELM provides forecasts of hourly class and system load curves by weighting and aggregating load shapes for individual end-use components.

Model inputs include energy forecasts and load shape data for the user-specified end-uses. Inputs are also required to reflect new technologies, rate structures and other demand-side programs. Model outputs include hourly system and class load curves, load duration curves, monthly system and class peaks, load factors and energy requirements by season and rating period.

The methodology embedded in HELM may be referred to as a "bottom-up" approach. Class and system load shapes are calculated by aggregating the load shapes of component end-uses. The system demand for electricity in hour i is modeled as the sum of demands by each end-use in hour i:

$$L_i = \sum_{R=1}^{N_R} L_{R,i} + \sum_{C=1}^{N_C} L_{C,i} + \sum_{I=1}^{N_I} L_{I,i} + Misc_i$$

Where: L_i = system demand for electricity in hour i;

N_R = number of residential end-use loads;

N_C = number of commercial end-use loads;

N_I = number of industrial end-use loads;

$L_{R,i}$ = demand for electricity by residential end-use R in hour i;

$L_{C,i}$ = demand for electricity by commercial end-use C in hour i;

$L_{I,i}$ = demand for electricity by industrial end-use I in hour i;

$Misc_i$ = other demands (wholesale, street lighting, losses, company use) in hour i.

V. CONSERVATION PROGRAMS

As previously mentioned, Gulf's forecast of energy sales and peak demand reflect the continued impacts of our conservation programs. The following provides a listing of the conservation programs and program features in effect and estimates of reductions in peak demand and net energy for load reflected in the forecast as a result of these programs. These reductions also reflect the anticipated impacts of the new programs submitted in Gulf's Demand Side Management plan filed February 22, 1995 (Docket No. 941172-EI) as approved by the FPSC. These programs have been designed to meet the incremental impacts of the Commission-approved demand and energy reduction DSM goals established in October,1994.

A. RESIDENTIAL CONSERVATION

In the residential sector, Gulf's Good ¢ents New Home program is designed to make cost effective increases in the efficiencies of the new home construction market. This is being achieved by placing greater requirements on cooling and water heating equipment efficiencies, proper HVAC sizing, increased insulation levels in walls, ceilings, and floors, and tighter restrictions on glass area and infiltration reduction practices. In addition, Gulf monitors proper quality installation of all the above energy features.

Gulf's Good ¢ents Improved Home program is designed to make cost effective increases in efficiencies in the existing home market by requiring improvements in the insulation levels in walls, ceilings, and floors, and increased efficiency requirements on heating and cooling systems, air distribution system leakage, and water heating systems.

Further conservation benefits are achieved in the existing home market with Gulf's Residential Energy Audit program which is designed to provide existing residential customers with cost-effective energy conserving recommendations and options that increase comfort and reduce energy operating costs. The goal of this program is to upgrade the customer's home to the Good ¢ents Improved Home standard by providing specific whole house recommendations, a list of qualified companies who provide installation services, and information on "low-interest" financing available through the Gulf Express Loan program.

In Concert With The Environment® is an environmental and energy awareness program that is being implemented in the 8th and 9th grade science classes in Gulf

Power Company's service area. The program shows students how everyday energy use impacts the environment and how using energy wisely increases environmental quality. *In Concert With The Environment®* is brought to students who are already making decisions which impact our country's energy supply and the environment. Wise energy use today can best be achieved by linking environmental benefits to wise energy-use activities and by educating both present and future consumers on how to live "in concert with the environment". The program encourages participation by all household members through a take-home Energy Survey, Energy Survey Results, and student educational handbook and is considered an extension of Gulf's Residential Audit Program.

The Duct Leakage Repair Program provides Gulf Power Company's residential customers a means to identify house air duct leakage and recommend repairs that can reduce customer energy usage and kW demand. Potential program participants are identified through the Residential Energy Audit Program as well as through educational and promotional activities. After identification of the leakage sites and quantities, the customer are given a written summary of the test findings and the potential for savings, along with a list of approved repair contractors. The program also provides duct leakage testing on new construction duct systems to ensure maximum efficiency and comfort in these new homes. This testing is available to the Builder, HVAC contractor, or homeowner. This program builds upon the Residential Energy Audit process by revealing additional energy efficiency and comfort measures available to the customer.

The Good ¢ents Environmental Home Program provides Gulf Power Company's residential customers with guidance concerning energy and environmental efficiency in new construction. The program promotes energy-efficient and environmentally sensitive home construction techniques by evaluating over 500 components in six categories of design and construction practices. The Good ¢ents Environmental Home consists of energy and environmental components. The energy components evaluate the building envelope and mechanical systems of the home with respect to energy efficiency. The environmental components of the program include measures which also evaluate thermal energy loss, alternative energy sources, embodied energy and design strategies that affect energy usage in the home.

The Residential Geothermal Heat Pump Program reduces the demand and energy requirements of new and existing residential customers through the promotion and installation of advanced and emerging geothermal systems. Geothermal heat pumps also provide significant benefits to participating customers in the form of reduced operating costs and increased comfort levels, and are superior to other available heating and cooling technologies with respect to source efficiency and environmental impacts. Gulf Power's Geothermal Heat Pump program is designed to overcome existing market barriers, specifically, lack of consumer awareness, knowledge and acceptance of this technology. The program additionally promotes efficiency levels well above current market conditions.

The Advanced Energy Management (AEM) Program provides Gulf Power's customers with a means of conveniently and automatically controlling and monitoring their energy purchases in response to prices that vary during the day and by season in relation to the Company's cost of producing or purchasing energy. The AEM System allows the customer to control more precisely the amount of electricity purchased for heating, cooling, water heating, and other selected loads; to purchase electric energy on a variable spot price rate; and to monitor at any time, and as often as desired, the use of electricity and its cost in dollars, both for the billing period to date and on a forecast basis to the end of the period. The various components of the AEM System installed in the customer's home, as well as the components installed at Gulf Power, provide constant communication between customer and utility. The combination of the AEM System and Gulf's innovative variable rate concept will provide consumers with the opportunity to modify their usage of electricity in order to purchase energy at prices that are somewhat lower to significantly lower than standard rates a majority of the time. Further, the communication capabilities of the AEM System allow Gulf to send a critical price signal to the customer's premises during extreme peak load conditions. The signal results in a reduction attributable to predetermined thermostat and relay settings chosen by the individual participating customer. The customer's pre-programmed instructions regarding their desired comfort levels adjust electricity use for heating, cooling, water heating and other appliances automatically. Therefore, the customer's control of their electric bill is accomplished by allowing them to choose different comfort levels at different price levels in accordance with their individual lifestyles.

Additional conservation benefits are realized in the residential sector through Gulf's Outdoor Lighting program by conversion of existing, less efficient mercury vapor outdoor lighting to higher efficient high pressure sodium lighting.

B. COMMERCIAL/INDUSTRIAL CONSERVATION

In the commercial sector, Gulf's Good ¢ents Building program is designed to make cost effective increases in efficiencies in both new and existing commercial buildings with requirements resulting in energy conserving investments that address the thermal efficiency of the building envelope, interior lighting, heating and cooling equipment efficiency, and solar glass area. Additional recommendations are made, where applicable, on energy conserving options that include thermal storage, heat recovery systems, water heating heat pumps, solar applications, energy management systems, and high efficiency outdoor lighting.

The Commercial Energy Audit (EA) and Technical Assistance Audit (TAA) programs are designed to provide commercial customers with assistance in identifying cost effective energy conservation opportunities and introduce them to various technologies which will lead to improvements in the energy efficiency level of their business. The program is designed with enough flexibility to allow for a simple walk through analysis (EA) or a detailed economic evaluation of potential energy improvements through a more in-depth audit process (TAA) which includes equipment energy usage monitoring, computer energy modeling, life cycle equipment cost analysis, and feasibility studies.

Gulf's Real Time Pricing pilot program is designed to take advantage of customer price response to achieve peak demand reductions. Initial participation was limited to a maximum of 12 customers with actual demand of 2,000 KW or higher for this pilot program, as is reflected in this site plan. Subsequent to the preparation of this forecast Gulf received approval to increase the participation level to a maximum of 24 customers, and any changes associated with this increase will be reflected in future forecast revisions. Customer participation will be voluntary. Due to the nature of the pricing arrangement included in this program, there are some practical limitations to customers' ability to participate. These limitations include the ability to purchase energy under a pricing plan which includes price variation and unknown future prices; the transaction costs associated with receiving, evaluating, and acting on prices received on a daily basis; customer risk management policy; and other technical/economic factors. The RTP Pilot program is expected to play a major role in affording Gulf Power the opportunity to be successful in meeting its conservation objectives. Information gained through this program will be used to determine whether or not a permanent RTP program should be implemented, and to design such a permanent program.

C. STREET LIGHTING CONVERSION

Gulf's Street Lighting program is designed to achieve additional conservation benefits by conversion of existing less efficient mercury vapor street and roadway lighting to higher efficient high pressure sodium lighting.

D. CONSERVATION RESULTS SUMMARY

The following tables provide direct estimates of the energy savings (reductions in peak demand and net energy for load) realized by Gulf's conservation programs. These reductions are verified through on-going monitoring in place on Gulf's major conservation programs and reflect estimates of conservation undertaken by customers as a result of Gulf Power Company's involvement. The conservation without Gulf's involvement has contributed to further unquantifiable reductions in demand and net energy for load. These unquantifiable additional reductions are captured in the time series regressions in our demand and energy forecasts.

HISTORICAL
TOTAL CONSERVATION PROGRAMS
CUMULATIVE ANNUAL REDUCTIONS
AT GENERATOR

	SUMMER PEAK (KW)	WINTER PEAK (KW)	NET ENERGY FOR LOAD (KWH)
1995	217,339	252,608	448,515,507
1996	232,029	260,671	431,275,239

1997 BUDGET FORECAST
TOTAL CONSERVATION PROGRAMS
INCREMENTAL ANNUAL REDUCTIONS
AT GENERATOR

	SUMMER PEAK (KW)	WINTER PEAK (KW)	NET ENERGY FOR LOAD (KWH)
1996	14,690	8,063	(17,240,267)
1997	6,834	8,958	94,277,198
1998	27,299	42,288	26,469,956
1999	23,296	30,371	23,522,598
2000	23,926	31,716	25,720,361
2001	25,083	35,340	27,329,793
2002	25,819	36,749	29,049,276
2003	27,759	39,690	30,799,318
2004	27,473	40,351	31,673,414
2005	4,697	3,232	8,571,746
2006	4,765	3,323	8,671,742

1997 BUDGET FORECAST
TOTAL CONSERVATION PROGRAMS
CUMULATIVE ANNUAL REDUCTIONS
AT GENERATOR

	SUMMER PEAK (KW)	WINTER PEAK (KW)	NET ENERGY FOR LOAD (KWH)
1997	238,863	269,629	525,552,437
1998	266,162	311,917	552,022,394
1999	289,458	342,288	575,544,992
2000	313,384	374,005	601,265,353
2001	338,467	409,345	628,595,145
2002	364,286	446,094	657,644,422
2003	392,045	485,784	688,443,740
2004	419,518	526,135	720,117,154
2005	424,215	529,368	728,688,900
2006	428,979	532,690	737,360,642

HISTORICAL
TOTAL RESIDENTIAL CONSERVATION PROGRAMS
CUMULATIVE ANNUAL REDUCTIONS
AT GENERATOR

	SUMMER PEAK (KW)	WINTER PEAK (KW)	NET ENERGY FOR LOAD (KWH)
1995	95,711	150,391	253,141,582
1996	100,255	157,352	262,822,867

1997 BUDGET FORECAST
TOTAL RESIDENTIAL CONSERVATION PROGRAMS
INCREMENTAL ANNUAL REDUCTIONS
AT GENERATOR

	SUMMER PEAK (KW)	WINTER PEAK (KW)	NET ENERGY FOR LOAD (KWH)
1996	4,544	6,961	9,681,285
1997	10,601	7,098	13,159,404
1998	24,872	40,577	19,736,518
1999	21,432	29,379	18,185,007
2000	21,800	30,376	19,730,803
2001	22,934	33,971	21,303,367
2002	23,638	35,339	22,913,459
2003	25,629	38,345	24,799,512
2004	25,340	39,002	25,740,399
2005	3,415	3,010	4,800,521
2006	3,483	3,100	4,901,434

1997 BUDGET FORECAST
TOTAL RESIDENTIAL CONSERVATION PROGRAMS
CUMULATIVE ANNUAL REDUCTIONS
AT GENERATOR

	SUMMER PEAK (KW)	WINTER PEAK (KW)	NET ENERGY FOR LOAD (KWH)
1997	110,856	164,450	275,982,271
1998	135,728	205,027	295,718,789
1999	157,160	234,406	313,903,796
2000	178,959	264,782	333,634,599
2001	201,893	298,752	354,937,967
2002	225,531	334,091	377,851,425
2003	251,160	372,436	402,650,937
2004	276,500	411,438	428,391,336
2005	279,915	414,448	433,191,857
2006	283,398	417,548	438,093,291

HISTORICAL
TOTAL COMMERCIAL/INDUSTRIAL DSM PROGRAMS
CUMULATIVE ANNUAL REDUCTIONS
AT GENERATOR

	SUMMER PEAK (KW)	WINTER PEAK (KW)	NET ENERGY FOR LOAD (KWH)
1995	121,629	102,217	185,403,756
1996	131,774	103,319	158,035,656

1997 BUDGET FORECAST
TOTAL COMMERCIAL/INDUSTRIAL DSM PROGRAMS
INCREMENTAL ANNUAL REDUCTIONS
AT GENERATOR

	SUMMER PEAK (KW)	WINTER PEAK (KW)	NET ENERGY FOR LOAD (KWH)
1996	10,145	1,102	(27,368,100)
1997	(3,767)	1,860	80,878,997
1998	2,427	1,711	6,515,565
1999	1,864	993	5,132,565
2000	2,127	1,341	5,793,565
2001	2,149	1,370	5,848,565
2002	2,181	1,411	5,926,565
2003	2,130	1,345	5,801,565
2004	2,133	1,349	5,809,565
2005	1,282	223	3,669,565
2006	1,282	223	3,669,565

1997 BUDGET FORECAST
TOTAL COMMERCIAL/INDUSTRIAL DSM PROGRAMS
CUMULATIVE ANNUAL REDUCTIONS
AT GENERATOR

	SUMMER PEAK (KW)	WINTER PEAK (KW)	NET ENERGY FOR LOAD (KWH)
1997	128,007	105,179	238,914,653
1998	130,434	106,890	245,430,218
1999	132,298	107,882	250,562,783
2000	134,425	109,223	256,356,348
2001	136,574	110,593	262,204,914
2002	138,755	112,003	268,131,479
2003	140,885	113,348	273,933,044
2004	143,018	114,697	279,742,609
2005	144,299	114,920	283,412,174
2006	145,581	115,142	287,081,739

HISTORICAL
TOTAL OTHER DSM PROGRAMS
CUMULATIVE ANNUAL REDUCTIONS
AT GENERATOR

	SUMMER PEAK (KW)	WINTER PEAK (KW)	NET ENERGY FOR LOAD (KWH)
1995	0	0	9,970,168
1996	0	0	10,416,716

1997 BUDGET FORECAST
TOTAL OTHER DSM PROGRAMS
INCREMENTAL ANNUAL REDUCTIONS
AT GENERATOR

	SUMMER PEAK (KW)	WINTER PEAK (KW)	NET ENERGY FOR LOAD (KWH)
1996	0	0	446,548
1997	0	0	238,797
1998	0	0	217,873
1999	0	0	205,026
2000	0	0	195,992
2001	0	0	177,860
2002	0	0	209,252
2003	0	0	198,241
2004	0	0	123,450
2005	0	0	101,660
2006	0	0	100,743

1997 BUDGET FORECAST
TOTAL OTHER DSM PROGRAMS
CUMULATIVE ANNUAL REDUCTIONS
AT GENERATOR

	SUMMER PEAK (KW)	WINTER PEAK (KW)	NET ENERGY FOR LOAD (KWH)
1997	0	0	10,655,514
1998	0	0	10,873,386
1999	0	0	11,078,413
2000	0	0	11,274,405
2001	0	0	11,452,265
2002	0	0	11,661,518
2003	0	0	11,859,759
2004	0	0	11,983,209
2005	0	0	12,084,869
2006	0	0	12,185,612

HISTORICAL
TOTAL EXISTING DSM PROGRAMS
CUMULATIVE ANNUAL REDUCTIONS
AT GENERATOR

	SUMMER PEAK (KW)	WINTER PEAK (KW)	NET ENERGY FOR LOAD (KWH)
1995	200,296	250,703	487,478,499
1996	205,366	256,571	500,334,646

1997 BUDGET FORECAST
TOTAL EXISTING DSM PROGRAMS
INCREMENTAL ANNUAL REDUCTIONS
AT GENERATOR

	SUMMER PEAK (KW)	WINTER PEAK (KW)	NET ENERGY FOR LOAD (KWH)
1996	5,070	5,868	12,856,147
1997	5,265	3,990	9,556,791
1998	5,159	3,848	9,376,956
1999	5,064	3,721	9,222,598
2000	5,106	3,778	9,277,361
2001	5,061	3,717	9,190,793
2002	4,935	3,549	9,034,276
2003	4,794	3,362	8,813,318
2004	4,711	3,251	8,614,414
2005	4,697	3,232	8,571,746
2006	4,765	3,323	8,671,742

1997 BUDGET FORECAST
TOTAL EXISTING DSM PROGRAMS
CUMULATIVE ANNUAL REDUCTIONS
AT GENERATOR

	SUMMER PEAK (KW)	WINTER PEAK (KW)	NET ENERGY FOR LOAD (KWH)
1997	210,631	260,561	509,891,437
1998	215,790	264,409	519,268,394
1999	220,854	268,130	528,490,992
2000	225,960	271,909	537,768,353
2001	231,021	275,626	546,959,145
2002	235,956	279,175	555,993,422
2003	240,750	282,537	564,806,740
2004	245,461	285,788	573,421,154
2005	250,158	289,021	581,992,900
2006	254,922	292,343	590,664,642

HISTORICAL
RESIDENTIAL EXISTING DSM PROGRAMS
CUMULATIVE ANNUAL REDUCTIONS
AT GENERATOR

	SUMMER PEAK (KW)	WINTER PEAK (KW)	NET ENERGY FOR LOAD (KWH)
1995	94,864	149,356	252,399,635
1996	98,661	155,003	261,165,842

1997 BUDGET FORECAST
RESIDENTIAL EXISTING DSM PROGRAMS
INCREMENTAL ANNUAL REDUCTIONS
AT GENERATOR

	SUMMER PEAK (KW)	WINTER PEAK (KW)	NET ENERGY FOR LOAD (KWH)
1996	3,797	5,647	8,766,208
1997	3,983	3,767	5,648,429
1998	3,877	3,625	5,489,518
1999	3,782	3,499	5,348,007
2000	3,825	3,556	5,411,803
2001	3,779	3,495	5,343,367
2002	3,653	3,327	5,155,459
2003	3,512	3,139	4,945,512
2004	3,429	3,028	4,821,399
2005	3,415	3,010	4,800,521
2006	3,483	3,100	4,901,434

1997 BUDGET FORECAST
RESIDENTIAL EXISTING DSM PROGRAMS
CUMULATIVE ANNUAL REDUCTIONS
AT GENERATOR

	SUMMER PEAK (KW)	WINTER PEAK (KW)	NET ENERGY FOR LOAD (KWH)
1997	102,644	158,770	266,814,271
1998	106,521	162,395	272,303,789
1999	110,303	165,894	277,651,796
2000	114,127	169,450	283,063,599
2001	117,906	172,944	288,406,967
2002	121,559	176,271	293,562,425
2003	125,071	179,410	298,507,937
2004	128,500	182,438	303,329,336
2005	131,915	185,448	308,129,857
2006	135,398	188,548	313,031,291

HISTORICAL
COMMERCIAL/INDUSTRIAL EXISTING DSM PROGRAMS
CUMULATIVE ANNUAL REDUCTIONS
AT GENERATOR

	SUMMER PEAK (KW)	WINTER PEAK (KW)	NET ENERGY FOR LOAD (KWH)
1995	105,432	101,347	225,108,696
1996	106,705	101,568	228,752,088

1997 BUDGET FORECAST
COMMERCIAL/INDUSTRIAL EXISTING DSM PROGRAMS
INCREMENTAL ANNUAL REDUCTIONS
AT GENERATOR

	SUMMER PEAK (KW)	WINTER PEAK (KW)	NET ENERGY FOR LOAD (KWH)
1996	1,273	221	3,643,392
1997	1,282	223	3,669,565
1998	1,282	223	3,669,565
1999	1,282	223	3,669,565
2000	1,282	223	3,669,565
2001	1,282	223	3,669,565
2002	1,282	223	3,669,565
2003	1,282	223	3,669,565
2004	1,282	223	3,669,565
2005	1,282	223	3,669,565
2006	1,282	223	3,669,565

1997 BUDGET FORECAST
COMMERCIAL/INDUSTRIAL EXISTING DSM PROGRAMS
CUMULATIVE ANNUAL REDUCTIONS
AT GENERATOR

	SUMMER PEAK (KW)	WINTER PEAK (KW)	NET ENERGY FOR LOAD (KWH)
1997	107,987	101,791	232,421,653
1998	109,269	102,014	236,091,218
1999	110,551	102,236	239,760,783
2000	111,833	102,459	243,430,348
2001	113,115	102,682	247,099,914
2002	114,397	102,904	250,769,479
2003	115,679	103,127	254,439,044
2004	116,961	103,350	258,108,609
2005	118,242	103,573	261,778,174
2006	119,524	103,795	265,447,739

HISTORICAL
OTHER EXISTING DSM PROGRAMS
CUMULATIVE ANNUAL REDUCTIONS
AT GENERATOR

	SUMMER PEAK (KW)	WINTER PEAK (KW)	NET ENERGY FOR LOAD (KWH)
1995	0	0	9,970,168
1996	0	0	10,416,716

1997 BUDGET FORECAST
OTHER EXISTING DSM PROGRAMS
INCREMENTAL ANNUAL REDUCTIONS
AT GENERATOR

	SUMMER PEAK (KW)	WINTER PEAK (KW)	NET ENERGY FOR LOAD (KWH)
1996	0	0	446,548
1997	0	0	238,797
1998	0	0	217,873
1999	0	0	205,026
2000	0	0	195,992
2001	0	0	177,860
2002	0	0	209,252
2003	0	0	198,241
2004	0	0	123,450
2005	0	0	101,660
2006	0	0	100,743

1997 BUDGET FORECAST
OTHER EXISTING DSM PROGRAMS
CUMULATIVE ANNUAL REDUCTIONS
AT GENERATOR

	SUMMER PEAK (KW)	WINTER PEAK (KW)	NET ENERGY FOR LOAD (KWH)
1997	0	0	10,655,514
1998	0	0	10,873,386
1999	0	0	11,078,413
2000	0	0	11,274,405
2001	0	0	11,452,265
2002	0	0	11,661,518
2003	0	0	11,859,759
2004	0	0	11,983,209
2005	0	0	12,084,869
2006	0	0	12,185,612

HISTORICAL
TOTAL NEW DSM PROGRAMS
CUMULATIVE ANNUAL REDUCTIONS
AT GENERATOR

	SUMMER PEAK (KW)	WINTER PEAK (KW)	NET ENERGY FOR LOAD (KWH)
1995	17,043	1,904	(38,962,992)
1996	26,663	4,100	(69,059,407)

1997 BUDGET FORECAST
TOTAL NEW DSM PROGRAMS
INCREMENTAL ANNUAL REDUCTIONS
AT GENERATOR

	SUMMER PEAK (KW)	WINTER PEAK (KW)	NET ENERGY FOR LOAD (KWH)
1996	9,620	2,196	(30,096,415)
1997	1,569	4,968	84,720,407
1998	22,140	38,440	17,093,000
1999	18,232	26,650	14,300,000
2000	18,820	27,938	16,443,000
2001	20,022	31,623	18,139,000
2002	20,884	33,200	20,015,000
2003	22,965	36,328	21,986,000
2004	22,762	37,100	23,059,000
2005	0	0	0
2006	0	0	0

1997 BUDGET FORECAST
TOTAL NEW DSM PROGRAMS
CUMULATIVE ANNUAL REDUCTIONS
AT GENERATOR

	SUMMER PEAK (KW)	WINTER PEAK (KW)	NET ENERGY FOR LOAD (KWH)
1997	28,232	9,068	15,661,000
1998	50,372	47,508	32,754,000
1999	68,604	74,158	47,054,000
2000	87,424	102,096	63,497,000
2001	107,446	133,719	81,636,000
2002	128,330	166,919	101,651,000
2003	151,295	203,247	123,637,000
2004	174,057	240,347	146,696,000
2005	174,057	240,347	146,696,000
2006	174,057	240,347	146,696,000

HISTORICAL
RESIDENTIAL NEW DSM PROGRAMS
CUMULATIVE ANNUAL REDUCTIONS
AT GENERATOR

	SUMMER PEAK (KW)	WINTER PEAK (KW)	NET ENERGY FOR LOAD (KWH)
1995	847	1,035	741,948
1996	1,594	2,349	1,657,025

1997 BUDGET FORECAST
RESIDENTIAL NEW DSM PROGRAMS
INCREMENTAL ANNUAL REDUCTIONS
AT GENERATOR

	SUMMER PEAK (KW)	WINTER PEAK (KW)	NET ENERGY FOR LOAD (KWH)
1996	747	1,314	915,077
1997	6,618	3,331	7,510,975
1998	20,995	36,952	14,247,000
1999	17,650	25,880	12,837,000
2000	17,975	26,820	14,319,000
2001	19,155	30,476	15,960,000
2002	19,985	32,012	17,758,000
2003	22,117	35,206	19,854,000
2004	21,911	35,974	20,919,000
2005	0	0	0
2006	0	0	0

1997 BUDGET FORECAST
RESIDENTIAL NEW DSM PROGRAMS
CUMULATIVE ANNUAL REDUCTIONS
AT GENERATOR

	SUMMER PEAK (KW)	WINTER PEAK (KW)	NET ENERGY FOR LOAD (KWH)
1997	8,212	5,680	9,168,000
1998	29,207	42,632	23,415,000
1999	46,857	68,512	36,252,000
2000	64,832	95,332	50,571,000
2001	83,987	125,808	66,531,000
2002	103,972	157,820	84,289,000
2003	126,089	193,026	104,143,000
2004	148,000	229,000	125,062,000
2005	148,000	229,000	125,062,000
2006	148,000	229,000	125,062,000

HISTORICAL
COMMERCIAL/INDUSTRIAL NEW DSM PROGRAMS
CUMULATIVE ANNUAL REDUCTIONS
AT GENERATOR

	SUMMER PEAK (KW)	WINTER PEAK (KW)	NET ENERGY FOR LOAD (KWH)
1995	16,196	869	(39,704,940)
1996	25,069	1,751	(70,716,432)

1997 BUDGET FORECAST
COMMERCIAL/INDUSTRIAL NEW DSM PROGRAMS
INCREMENTAL ANNUAL REDUCTIONS
AT GENERATOR

	SUMMER PEAK (KW)	WINTER PEAK (KW)	NET ENERGY FOR LOAD (KWH)
1996	8,873	882	(31,011,492)
1997	(5,049)	1,637	77,209,432
1998	1,145	1,488	2,846,000
1999	582	770	1,463,000
2000	845	1,118	2,124,000
2001	867	1,147	2,179,000
2002	899	1,188	2,257,000
2003	848	1,122	2,132,000
2004	851	1,126	2,140,000
2005	0	0	0
2006	0	0	0

1997 BUDGET FORECAST
COMMERCIAL/INDUSTRIAL NEW DSM PROGRAMS
CUMULATIVE ANNUAL REDUCTIONS
AT GENERATOR

	SUMMER PEAK (KW)	WINTER PEAK (KW)	NET ENERGY FOR LOAD (KWH)
1997	20,020	3,388	6,493,000
1998	21,165	4,876	9,339,000
1999	21,747	5,646	10,802,000
2000	22,592	6,764	12,926,000
2001	23,459	7,911	15,105,000
2002	24,358	9,099	17,362,000
2003	25,206	10,221	19,494,000
2004	26,057	11,347	21,634,000
2005	26,057	11,347	21,634,000
2006	26,057	11,347	21,634,000

HISTORICAL
OTHER NEW DSM PROGRAMS
CUMULATIVE ANNUAL REDUCTIONS
AT GENERATOR

	SUMMER PEAK (KW)	WINTER PEAK (KW)	NET ENERGY FOR LOAD (KWH)
1995	0	0	0
1996	0	0	0

1997 BUDGET FORECAST
OTHER NEW DSM PROGRAMS
INCREMENTAL ANNUAL REDUCTIONS
AT GENERATOR

	SUMMER PEAK (KW)	WINTER PEAK (KW)	NET ENERGY FOR LOAD (KWH)
1996	0	0	0
1997	0	0	0
1998	0	0	0
1999	0	0	0
2000	0	0	0
2001	0	0	0
2002	0	0	0
2003	0	0	0
2004	0	0	0
2005	0	0	0
2006	0	0	0

1997 BUDGET FORECAST
OTHER NEW DSM PROGRAMS
CUMULATIVE ANNUAL REDUCTIONS
AT GENERATOR

	SUMMER PEAK (KW)	WINTER PEAK (KW)	NET ENERGY FOR LOAD (KWH)
1997	0	0	0
1998	0	0	0
1999	0	0	0
2000	0	0	0
2001	0	0	0
2002	0	0	0
2003	0	0	0
2004	0	0	0
2005	0	0	0
2006	0	0	0

VI. SMALL POWER PRODUCTION / RENEWABLE ENERGY

The current forecasts also consider Gulf's active position in the promotion of renewable energy resources. Following is a list of the cumulative small power producer capability anticipated in the base case forecast. This includes both waste-to-energy projects and other renewable fuel projects.

Additionally, Gulf initiated implementation of a "Green Pricing" pilot program, *Solar for Schools,* to obtain funding for the installation of solar technologies in participating school facilities combined with energy conservation education of students. Initial solicitation began in September, 1996 and has resulted in participation of over 500 customers contributing $4,228 through February, 1997. A prototype installation at a local middle school has been completed and the experience gained at this site will be used to design future Solar for Schools installations.

Small Power Producers

Net Capability

Year	MW
1996	30
1997	30
1998	30
1999	30
2000	30
2001	30
2002	30
2003	30
2004	30
2005	11
2006	11

District heating and cooling plants are an older fundamental application of large central station heating and cooling equipment for service to multiple premises in close proximity.

These systems are typically located in college or school settings as well as some military bases and industrial plants.

Within Gulf's service area there exists a number of these systems which were appropriate or seemed appropriate at the time of their installation. Current day considerations for energy pricing, operating and maintenance expenses have resulted in many of these systems becoming uneconomical and decommissioned. Future installations of district heating and cooling plants of any consequence hinge primarily upon the opportunity for optimum application of this technology. The very dispersed construction of low rise buildings which are characteristic of the building demographics in Gulf Power's service area yield no significant opportunities for district heating and cooling that are economically viable on the planning horizon.

GULF POWER COMPANY

Schedule 2.1
History and Forecast of Energy Consumption and
Number of Customers by Customer Class

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
		Rural and Residential				Commercial		
Year	Population *	Members per Household	GWH	Average No. of Customers	Average KWH Consumption Per Customer	GWH	Average No. of Customers	Average KWH Consumption Per Customer
1987	555,180	2.32	3,055	239,362	12,763	1,986	31,821	62,422
1988	560,633	2.29	3,155	244,859	12,883	2,089	32,757	63,760
1989	571,892	2.29	3,294	250,038	13,173	2,169	33,500	64,761
1990	580,397	2.27	3,361	255,129	13,173	2,218	33,957	65,305
1991	591,677	2.28	3,455	259,395	13,320	2,273	34,372	66,120
1992	607,578	2.29	3,597	265,374	13,553	2,369	36,009	65,796
1993	619,294	2.28	3,713	271,594	13,671	2,433	38,477	63,242
1994	630,260	2.27	3,752	278,215	13,486	2,549	39,989	63,739
1995	640,922	2.26	4,014	283,717	14,148	2,708	41,007	66,043
1996	652,330	2.27	4,160	287,752	14,457	2,809	42,381	66,271
1997	666,524	2.25	4,144	295,675	14,016	2,785	43,430	64,129
1998	681,570	2.25	4,262	302,563	14,087	2,875	44,611	64,457
1999	695,960	2.25	4,356	308,817	14,105	2,970	45,675	65,028
2000	710,151	2.26	4,432	314,816	14,077	3,034	46,649	65,049
2001	723,624	2.26	4,497	320,664	14,023	3,099	47,584	65,132
2002	734,471	2.25	4,563	326,133	13,990	3,167	48,500	65,294
2003	744,222	2.25	4,640	331,080	14,013	3,241	49,358	65,657
2004	753,380	2.24	4,704	335,626	14,015	3,310	50,136	66,025
2005	762,381	2.24	4,791	340,021	14,090	3,384	50,852	66,553
2006	771,720	2.24	4,904	344,566	14,233	3,477	51,546	67,457

* Historical and projected figures include portions of Escambia, Santa Rosa, Okaloosa, Bay, Walton, Washington, Holmes, and Jackson counties served by Gulf Power Company.

GULF POWER COMPANY

Schedule 2.2
History and Forecast of Energy Consumption and
Number of Customers by Customer Class

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Industrial				Street &	Other Sales	Total Sales
		Average No. of	Average KWH Consumption	Railroads and Railways	Highway Lighting	to Public Authorities	to Ultimate Consumers
Year	GWH	Customers	Per Customer	GWH	GWH	GWH	GWH
1987	1,840	204	9,019,271	0	14	0	6,896
1988	1,968	206	9,553,842	0	15	0	7,226
1989	2,095	229	9,147,029	0	16	0	7,574
1990	2,178	247	8,817,297	0	17	0	7,774
1991	2,117	260	8,143,878	0	16	0	7,861
1992	2,179	262	8,318,456	0	16	0	8,161
1993	2,030	268	7,574,388	0	16	0	8,192
1994	1,847	280	6,596,837	0	16	0	8,164
1995	1,795	276	6,502,731	0	16	0	8,534
1996	1,808	281	6,434,470	0	17	0	8,794
1997	1,939	296	6,550,099	0	17	0	8,885
1998	1,975	302	6,541,082	0	17	0	9,131
1999	1,986	303	6,553,667	0	18	0	9,329
2000	2,005	306	6,550,921	0	18	0	9,489
2001	2,015	309	6,521,993	0	18	0	9,630
2002	2,027	312	6,498,075	0	19	0	9,775
2003	2,045	315	6,490,812	0	19	0	9,944
2004	2,060	318	6,477,766	0	19	0	10,093
2005	2,076	321	6,465,888	0	20	0	10,270
2006	2,095	324	6,466,392	0	20	0	10,496

GULF POWER COMPANY

Schedule 2.3

History and Forecast of Energy Consumption and Number of Customers by Customer Class

(1)	(2)	(3)	(4)	(5)	(6)
Year	Sales for Resale GWH	Utility Use & Losses GWH	Net Energy for Load GWH	Other Customers (Average No.)	Total No. of Customers
1987	328	499	7,723	62	271,449
1988	283	507	8,016	59	277,881
1989	276	528	8,378	63	283,830
1990	294	545	8,612	68	289,400
1991	296	547	8,704	68	294,095
1992	299	389	8,849	74	301,719
1993	317	565	9,074	79	310,419
1994	316	487	8,967	93	318,578
1995	336	582	9,452	119	325,119
1996	347	521	9,662	157	330,571
1997	354	607	9,847	205	339,606
1998	364	625	10,119	222	347,697
1999	374	640	10,343	222	355,016
2000	380	652	10,521	222	361,992
2001	387	663	10,680	222	368,778
2002	394	674	10,844	222	375,166
2003	401	687	11,032	222	380,974
2004	409	699	11,201	222	386,302
2005	416	711	11,398	222	391,415
2006	423	727	11,646	222	396,657

Note: Sales for Resale and Net Energy for Load include contracted energy allocated to certain customers by Southeastern Power Administration (SEPA).

GULF POWER COMPANY

Schedule 3.1
History and Forecast of Summer Peak Demand - MW
Base Case

(1) Year	(2) Total	(3) Wholesale	(4) Retail	(5) Interruptible	(6) Residential Load Management	(7) Residential Conservation	(8) Comm/Ind Load Management	(9) Comm/Ind Conservation	(10) Net Firm Demand
1987	1,753	73	1,681	0	0	72	0	57	1,624
1988	1,766	55	1,711	0	0	76	0	69	1,620
1989	1,858	60	1,799	0	0	79	0	81	1,698
1990	1,954	69	1,885	0	0	81	0	87	1,785
1991	1,923	64	1,860	0	0	83	0	92	1,748
1992	2,018	71	1,947	0	0	86	0	97	1,836
1993	2,096	76	2,021	0	0	88	0	102	1,906
1994	1,999	72	1,927	0	0	92	0	104	1,803
1995	2,265	82	2,183	0	0	96	0	122	2,048
1996	2,201	79	2,122	0	0	100	0	132	1,969
1997	2,270	74	2,196	0	0	111	0	128	2,031
1998	2,333	81	2,252	0	0	136	0	130	2,067
1999	2,391	83	2,308	0	0	157	0	132	2,102
2000	2,435	84	2,351	0	0	179	0	134	2,122
2001	2,475	86	2,390	0	0	202	0	137	2,137
2002	2,518	87	2,431	0	0	226	0	139	2,154
2003	2,567	89	2,478	0	0	251	0	141	2,175
2004	2,613	90	2,522	0	0	277	0	143	2,193
2005	2,658	92	2,566	0	0	280	0	144	2,234
2006	2,719	93	2,626	0	0	283	0	146	2,290

NOTE: Wholesale and total columns include contracted capacity and energy allocated to certain resale customers by Southeastern Power Administration (SEPA).

GULF POWER COMPANY

Schedule 3.2
History and Forecast of Winter Peak Demand - MW
Base Case

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Year	Total	Wholesale	Retail	Interruptible	Residential Load Management	Residential Conservation	Comm/Ind Load Management	Comm/Ind Conservation	Net Firm Demand
86-87	1,522	57	1,465	0	0	95	0	66	1,360
87-88	1,589	60	1,530	0	0	106	0	81	1,402
88-89	1,762	56	1,706	0	0	113	0	95	1,554
89-90	2,038	57	1,980	0	0	120	0	97	1,821
90-91	1,649	50	1,600	0	0	126	0	98	1,425
91-92	1,772	60	1,712	0	0	132	0	99	1,541
92-93	1,820	61	1,759	0	0	140	0	100	1,579
93-94	2,055	72	1,983	0	0	145	0	101	1,809
94-95	1,993	71	1,922	0	0	150	0	102	1,740
95-96	2,405	82	2,323	0	0	157	0	103	2,144
96-97	2,221	59	2,161	0	0	164	0	105	1,951
97-98	2,269	61	2,208	0	0	205	0	107	1,957
98-99	2,314	63	2,251	0	0	234	0	108	1,972
99-00	2,350	64	2,286	0	0	265	0	109	1,976
00-01	2,381	65	2,316	0	0	299	0	111	1,972
01-02	2,415	67	2,348	0	0	334	0	112	1,969
02-03	2,454	68	2,386	0	0	372	0	113	1,968
03-04	2,488	69	2,419	0	0	411	0	115	1,962
04-05	2,524	70	2,453	0	0	414	0	115	1,994
05-06	2,573	72	2,501	0	0	418	0	115	2,040

NOTE: Wholesale and total columns include contracted capacity and energy allocated to certain resale customers by Southeastern Power Administration (SEPA).

GULF POWER COMPANY

Schedule 3.3
History and Forecast of Annual Net Energy for Load - GWH
Base Case

(1) Year	(2) Total	(3) Residential Conservation	(4) Comm/Ind Conservation	(5) Retail	(6) Wholesale	(7) Utility Use & Losses	(8) Net Energy for Load	(9) Load Factor %
1987	8,039	200	116	6,896	328	499	7,723	54.3%
1988	8,366	210	141	7,226	283	507	8,016	56.3%
1989	8,758	215	165	7,574	276	528	8,378	56.3%
1990	9,012	221	180	7,774	294	545	8,612	55.1%
1991	9,121	226	191	7,861	296	547	8,704	56.8%
1992	9,281	230	202	8,161	299	389	8,849	54.9%
1993	9,525	235	216	8,192	317	565	9,074	54.3%
1994	9,428	239	222	8,164	316	487	8,967	56.8%
1995	9,882	244	185	8,534	336	582	9,452	52.7%
1996	10,093	273	158	8,794	347	521	9,662	55.9%
1997	10,372	287	239	8,885	354	607	9,847	55.3%
1998	10,672	307	245	9,131	364	625	10,119	55.9%
1999	10,918	325	251	9,329	374	640	10,343	56.2%
2000	11,122	345	256	9,489	380	652	10,521	56.4%
2001	11,308	366	262	9,630	387	663	10,680	57.0%
2002	11,501	390	268	9,775	394	674	10,844	57.5%
2003	11,721	415	274	9,944	401	687	11,032	57.9%
2004	11,921	440	280	10,093	409	699	11,201	58.1%
2005	12,126	445	283	10,270	416	711	11,398	58.2%
2006	12,384	450	287	10,496	423	727	11,646	58.1%

NOTE: Wholesale and total columns include contracted capacity and energy allocated to certain resale customers by Southeastern Power Administration (SEPA).

GULF POWER COMPANY

Schedule 4

Previous Year Actual and Two Year Forecast of Retail Peak Demand and Net Energy for Load by Month

(1)	(2)	(3)	(4)	(5)	(6)	(7)
	1996 Actual		1997 Forecast		1998 Forecast	
	Peak Demand	NEL	Peak Demand	NEL	Peak Demand	NEL
Month	MW	GWH	MW	GWH	MW	GWH
January	1,898	787	1,951	830	1,957	845
February	2,144	720	1,680	666	1,709	686
March	1,748	741	1,557	725	1,588	747
April	1,173	634	1,318	664	1,349	682
May	1,867	861	1,678	817	1,719	842
June	1,963	920	1,968	978	2,006	1,004
July	1,969	1,037	2,024	1,033	2,067	1,064
August	1,872	984	2,031	1,069	2,031	1,078
September	1,768	873	1,875	885	1,937	920
October	1,382	706	1,486	727	1,527	749
November	1,382	659	1,348	657	1,379	677
December	1,939	740	1,708	794	1,752	825

NOTE: Includes contracted capacity and energy allocated to certain Resale customers by Southeastern Power Administration (SEPA).

Utility: Gulf Power Company

Schedule 5
Fuel Requirements

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	Fuel Requirements		Units	Actual 1995	Actual 1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
(1)	Nuclear		Trillion BTU	None	None	None	None	None	None	None	None	None	None	None	None
(2)	Coal		1000 TON	4,654	4,889	4,795	5,077	5,281	4,853	4,842	5,051	5,020	5,039	5,341	4,882
(3)	Residual	Total	1000 BBL	0	0	0	0	0	0	0	0	0	0	0	0
(4)		Steam	1000 BBL	0	0	0	0	0	0	0	0	0	0	0	0
(5)		CC	1000 BBL	None	None	None	None	None	None	None	None	None	None	None	None
(6)		CT	1000 BBL	None	None	None	None	None	None	None	None	None	None	None	None
(7)		Diesel	1000 BBL	None	None	None	None	None	None	None	None	None	None	None	None
(8)	Distillate	Total	1000 BBL	29	29	42	37	35	37	34	36	32	30	31	31
(9)		Steam	1000 BBL	21	20	40	35	32	36	32	34	30	28	29	30
(10)		CC	1000 BBL	None	None	None	None	None	None	None	None	None	None	None	None
(11)		CT	1000 BBL	8	9	2	2	3	1	2	2	2	2	2	1
(12)		Diesel	1000 BBL	None	None	None	None	None	None	None	None	None	None	None	None
(13)	Natural Gas	Total	1000 MCF	889	1,099	552	829	847	890	770	984	5,020	6,719	5,804	8,931
(14)		Steam	1000 MCF	889	1,099	552	829	847	890	770	984	1,132	1,229	1,143	1,157
(15)		CC	1000 MCF	None	None	None	None	None	None	None	None	None	None	None	None
(16)		CT	1000 MCF	None	None	None	None	None	None	None	None	3,888	5,490	4,661	7,774
(17)	Other		Trillion BTU	None	None	None	None	None	None	None	None	None	None	None	None

Utility: Gulf Power Company

Schedule 6.1
Energy Sources

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	Energy Sources		Units	Actual 1995	Actual 1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
(1)	Annual Firm Interchange		GWH	(590)	(633)	(302)	(632)	(797)	402	560	272	57	17	(238)	728
(2)	Nuclear		GWH	None	None	None	None	None	None	None	None	None	None	None	None
(3)	Coal		GWH	9,782	10,153	10,051	10,633	11,020	9,991	10,004	10,442	10,499	10,561	11,103	10,113
(4)	Residual	Total	GWH	0	0	0	0	0	0	0	0	0	0	0	0
(5)		Steam	GWH	0	0	0	0	0	0	0	0	0	0	0	0
(6)		CC	GWH	None	None	None	None	None	None	None	None	None	None	None	None
(7)		CT	GWH	None	None	None	None	None	None	None	None	None	None	None	None
(8)		Diesel	GWH	None	None	None	None	None	None	None	None	None	None	None	None
(9)	Distillate	Total	GWH	3	3	1	1	1	1	1	1	1	1	1	1
(10)		Steam	GWH	None	None	None	None	None	None	None	None	None	None	None	None
(11)		CC	GWH	None	None	None	None	None	None	None	None	None	None	None	None
(12)		CT	GWH	3	3	1	1	1	1	1	1	1	1	1	1
(13)		Diesel	GWH	None	None	None	None	None	None	None	None	None	None	None	None
(14)	Natural Gas	Total	GWH	43	57	23	40	40	41	33	46	390	534	459	732
(15)		Steam	GWH	43	57	23	40	40	41	33	46	52	57	54	56
(16)		CC	GWH	None	None	None	None	None	None	None	None	None	None	None	None
(17)		CT	GWH	None	None	None	None	None	None	None	None	338	477	405	676
(18)	NUGs		GWH	214	82	74	77	79	86	82	83	85	88	73	72
(19)	Net Energy for Load		GWH	9,452	9,662	9,847	10,119	10,343	10,521	10,680	10,844	11,032	11,201	11,398	11,646

NOTE: Includes contracted energy allocated to certain resale customers by Southeastern Power Administration (SEPA), energy generated and sold under existing power sales contracts, and energy from projected short term firm purchases.

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Utility: Gulf Power Company

Schedule 6.2
Energy Sources

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	Energy Sources		Units	Actual 1995	Actual 1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
(1)	Annual Firm Interchange		%	(6.24)	(6.55)	(3.07)	(6.25)	(7.71)	3.82	5.24	2.51	0.52	0.15	(2.09)	6.25
(2)	Nuclear		%	None	None	None	None	None	None	None	None	None	None	None	None
(3)	Coal		%	103.49	105.08	102.07	105.08	106.55	94.96	93.67	96.29	95.17	94.29	97.41	86.84
(4)	Residual	Total	%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(5)		Steam	%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(6)		CC	%	None	None	None	None	None	None	None	None	None	None	None	None
(7)		CT	%	None	None	None	None	None	None	None	None	None	None	None	None
(8)		Diesel	%	None	None	None	None	None	None	None	None	None	None	None	None
(9)	Distillate	Total	%	0.03	0.03	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
(10)		Steam	%	None	None	None	None	None	None	None	None	None	None	None	None
(11)		CC	%	None	None	None	None	None	None	None	None	None	None	None	None
(12)		CT	%	0.03	0.03	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
(13)		Diesel	%	None	None	None	None	None	None	None	None	None	None	None	None
(14)	Natural Gas	Total	%	0.45	0.59	0.23	0.40	0.39	0.39	0.31	0.42	3.54	4.77	4.03	6.29
(15)		Steam	%	0.45	0.59	0.23	0.40	0.39	0.39	0.31	0.42	0.47	0.51	0.47	0.48
(16)		CC	%	None	None	None	None	None	None	None	None	None	None	None	None
(17)		CT	%	None	None	None	None	None	None	None	None	3.06	4.26	3.55	5.80
(18)	NUGs		%	2.26	0.85	0.75	0.76	0.76	0.82	0.77	0.77	0.77	0.79	0.64	0.62
(19)	Net Energy for Load		%	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

CHAPTER III

PLANNING ASSUMPTIONS AND PROCESSES

THE INTEGRATED RESOURCE PLANNING PROCESS

Gulf Power Company's Integrated Resource Planning (IRP) process begins with a team of experts from within and outside the Southern electric system that meet to discuss current and historical economic trends and conditions as well as future expected economic conditions and most probable occurrences which would impact the Southern electric system's business over the next twenty to twenty-five years. This economic panel will then decide what the various escalation and inflation rates will be for the various components that impact the financial condition of the Company. This group is the source for the assumptions surrounding general inflation and escalation regarding fuel, construction costs, labor rates and variable O&M.

In addition to this activity, there are a number of activities which are conducted in parallel with one another in the IRP process. These activities include the energy and demand forecasting, fuel price forecasting, technology screening analysis and evaluation, technology engineering cost estimation modeling, and miscellaneous issues and assumptions determinations. In addition to the changes of these assumptions, utilities have become increasingly active in offering customers options which result in modified consumption patterns. An important input to the design of such demand-side programs is an assessment of their likely impact on utility system loads.

As mentioned earlier, Gulf's forecast of energy sales and peak demand reflect the continued impacts of our conservation programs. Furthermore, an update of demand-side measure cost and benefits is conducted in order to perform cost-effectiveness evaluations against the selected supply-side technologies in the integration process.

A number of existing generating units on the Southern electric system are also evaluated with respect to their currently planned retirement dates as well as the economics and appropriateness of possible repowering over the planning horizon. The repowering evaluation is particularly important as a possible competing technology with the other unit addition technologies. The evaluations are extremely important in order to maximize the benefit of existing investment from both a capital and an operating and maintenance expense basis.

Additionally, an analysis of the market for power purchases is performed in order to determine the cost-effectiveness in comparison to the available supply-side and demand-side options. Power purchases are looked at from both a near-term and long-term basis as a possible means of meeting the system's demand requirements. It is important to remember that power purchases can be procured from utility sources as well as non-utility generators.

It is important to note, once again, that up to this point the supply side of the integrated resource planning process is focusing on the Southern electric system as a whole which has as its planning criterion a 15% target reserve margin. This reserve margin is the optimum economic point where the system can meet its energy and demand requirements taking into account load forecast error, abnormal weather conditions, and unit-forced outage conditions. It also takes into account the cost of adding additional generation balanced with the societal cost of not serving all the energy requirements of the customer.

Once the necessary assumptions are determined, the technologies are screened to the most acceptable candidates, and the necessary planning inputs are defined, the generation mix analysis is initiated. The supply-side technology candidates are input into PROVIEW, the generation mix model, in specific MW block sizes for selection over the planning horizon for the entire Southern electric system. The main optimization tool used in the mix analysis is the PROVIEW model. Although this model uses many data inputs and assumptions in the process of optimizing system generation additions, the key assumptions are: load forecast, DSOs, candidate units, reserve margin, cost of capital, and escalation rates.

PROVIEW uses a dynamic programming technique to develop the optimum resource mix. This technique allows PROVIEW to evaluate in every year each combination of generation additions that satisfy the reserve margin constraint. For each combination, annual system operating costs are simulated and are added to the construction costs required to build that particular combination of resource additions. A least cost resource addition schedule is developed by evaluating each year sequentially. In summary, a least cost resource plan is developed only after reviewing many construction options.

PROVIEW produces a number of different combinations over the planning horizon which evaluates both the capital cost components for unit additions as well as the operating and maintenance cost of existing and future supply option additions. The program produces a report which ranks all of the different combinations with respect to the total net present value cost (objective function) over the entire twenty year planning horizon. The leading combinations from the program are then evaluated for reasonableness and validity. Once again, it is important to note that supply option additions out of the PROVIEW program are for the entire Southern electric system and are reflective of the various technology candidates selected.

After the Southern electric system results are verified, each individual operating company's specific needs over the planning horizon are evaluated. Each company is involved in recommending the type and timing of its unit additions. When all companies are satisfied with their capacity additions, and the sum matches the system need, the system base supply-side plan is complete. The results of this allocation is an individual operating company supply plan as it would fit within the Southern electric system planning criteria.

Once the individual operating company supply plan is determined, it is necessary to evaluate demand-side options as a cost-effective alternative to the supply plan. After the incorporation of the cost effective demand-side impacts, a final integrated resource plan for the individual operating companies is produced.

Finally, a sanity check of the plan as well as a financial analysis of the impact of the plan is performed. The plan is analyzed for changes in load forecast as well as fuel price variations, as sensitivities, in order to asses the impact on the system's cost. Once the plan has proven to be robust and financially feasible, it is presented for approval to the Southern electric system Operating Committee.

In summary, the Southern electric system's integrated resource planning process involves a significant amount of manpower and computer resources in order to produce truly least-cost, integrated demand-side and supply-side resource plan. During the entire process, we are continually looking at a broad range of alternatives in order to meet the system's projected demand and energy requirements. The result of the Southern electric system's integrated resource planning process is an integrated plan which can meet the needs of our customers in a cost-effective and reliable manner.

The Integrated Resource Planning process is a very manpower and time consuming activity. Some time back the Southern electric sytem decided that it would only perform a full-blown IRP on every third year with what are called "updates" for the interim years. These updated plans merely take the changes in the demand and energy forecast and any major changes to other assumptions and remixes to assure the companies that the IRP is still valid. Likewise, most sensitivities are suspended for the update plans in an effort to conserve manpower and costs. The main reason we have chosen to perform updates rather than put forth the effort to do a full-blown IRP is that we have not observed things to be changing such in recent years to make a significant difference from year to year. Also, since we are either pursuing purchases or constructing combustion turbines which have short lead times, the Company has valuable flexibility and can react quickly to any major changes should they arrive. The last full-blown plan was in 1995 and Gulf and the other Southern Companies are now in the process of gathering the necessary data and assumptions for the next IRP that will become effective just prior to the beginning of 1998.

OVERVIEW OF SUPPLY SIDE ASSUMPTIONS

We anticipate productivity improvements to remain stable throughout 2020 at a rate of 2% -5% due to competitive pressures in the marketplace. New technological innovations will serve to stabilize these improvements after 2005. Increased company consolidating activities will tend to create a positive effect on supply. After 2005, the market is forecast to be dominated by major players who will create sufficient competition among themselves. There will be excess capacity present in the market until 2005. Thereafter, capacity will be nearly balanced with some need for new capacity in latter years. Foreign supply will tend to have downward pressures on the US and Alabama markets in early years, as new production lags world demand. Equilibrium in the foreign supply markets is not expected until 2005-2020.

Environmental regulations are projected to have little impact on supply markets until after 2005. Labor issues also pose little danger as the unions are predicted to remain weak causing stability of labor throughout the time period. Transportation is predicted to show improvements in all sectors as railroads become more efficient and productive due to greater competition from the west (possibilities of open access) and the barge markets are predicted to have infrastructure improvements as it cycles at equilibrium in latter years.

OVERVIEW OF DEMAND SIDE ASSUMPTIONS

As the allowance market continues to respond to Phase II regulations, premiums will continue to be attributed to compliance coals throughout time. Changes to environmental regulations will continue to drive the demand market as purchasers struggle to find the optimum balance between environmental costs and competitive pricing. Natural gas will gain a more active role as an alternative fuel as much of the new capacity will come from that market in earlier years.

As both load growth and the US economy continue to grow and expand throughout the time period, the likelihood of utility deregulation improves significantly. In the 2005-2020 period, the assumption of deregulated markets promotes increased utilization. With these three factors working together, the US is predicted to increase growth as a swing supplier through 2020. Since uncertainty plays a significant role in forecasting, real price changes will remain constant in latter years.

FUEL PRICE FORECAST PROCESS

Each year, the Southern Company develops a fuel price forecast, for coal, oil, and natural gas, which extends through the Company's planning horizon. The 1997 fuel price forecast was developed by a fuel panel consisting of fuel procurement managers at each of the five operating companies, with input from Southern Company Services fuel staff and outside consultants. In June of 1996, a Fossil Fuel Price Workshop was held with representatives from recognized leaders in energy related economic forecasting and transportation related industries. Presenters included representatives from Resource Data International, J. D. Energy Inc., Hill and Associates, Texaco, Data Resource International, Fieldston Company, and Criton Company.

The fuel panel used the information presented by the outside experts, as well as information from and experience of Fuel Procurement personnel, to develop a set of assumptions about the future supply and demand factors that drive fuel and transportation related prices. Assumptions regarding coal pricing, coal transportation, gas pricing, and oil pricing are utilized, along with the then current market pricing of these commodities, to produce a "spot market" forecast for each type of fuel.

High and low fuel pricing scenarios were discussed by the outside consultants and the fuel procurement representatives during the Fossil Fuel Price Workshop. Each representative presented their "base case" forecast and assumptions. A question period allowed for opposing views and debates on forecasts. Subsequent presentations by the Southern Company Fuel Procurement group referenced the outside consultant forecasts and any major assumption differences. Both internal and external forecasts and assumptions were then consolidated to derive the fuel panel's "base case" forecast. Actual computer modeling of a high and/or low fuel price forecast scenario was not executed. Sensitivities to gas pricing forecasts were based on seasonal supply and demand assumptions. For the 1997 "base" fuel forecast, it was assumed that a normal winter will be experienced in any given year and that fluctuations in gas pricing would be related to seasonal supply and demand and any related pipeline curtailments. As a result, a "summer" gas price, a "winter" gas price, and a "winter" high gas price were developed and used in the base case model. The "winter high" gas price was assumed to be approximately equal to the price of fuel oil for the months of December through March of each year.

SOUTHERN ELECTRIC SYSTEM'S FORECAST OF LONG RANGE COAL PRICES (1996-2020)

The following discussion will explain the methodology and assumptions used to create the 1996 coal price forecast.

Types of Coal

There are numerous types of coal purchased or considered for purchase by the Southern Electric System. Due to price differentials within these coal types, the coal pricing forecast must associate similar coal types based on sulfur content and Btu levels. Our 1996 forecast includes only 12 types of coal classifications, which is 3 less than the 1995 Forecast. The other three classifications were excluded primarily due to wider sulfur ranges and the absence of usage of some coal types in the system. The new categories are as follows:

Coal Type	Sulfur %	# SO2/MMBTU	BTU/#
1. Central Appalachia	<= 0.75 (0.75)	<= 1.20	12,500
2. Central Appalachia	0.75 -1.80 (1.0)	1.25 - 3.00	12,000
3. Illinois Basin	1.30 - 1.60 (1.5)	2.17 - 2.67	12,000
4. Illinois Basin	2.40 - 3.50 (2.5)	4.14 - 6.03	11,700
5. Illinois Basin	2.40 - 4.00 (3.0)	4.44 - 7.41	10,800
6. Alabama	<= 0.72 (0.70)	<= 1.20	12,000
7. Alabama	0.72 - 1.40 (1.0)	1.20 - 2.33	12,000
8. Alabama	1.40 - 2.50 (2.0)	2.37 - 4.24	11,800
9. Power River Basin	<= 0.5 (0.4)	<= 1.09	9,200
10. Power River Basin	<= 0.5 (0.4)	<= 1.16	8,600
11. Western	<= 0.7 (0.5)	<= 1.19	11,800
12. Foreign	0.75 - 1.20 (1.0)	1.25 - 2.00	12,000

Price disparity occurs among the coal types, as well as within the various coal types. These differentials are a result of contract vs. spot basis coal, in addition to whether the coal is loaded on railcars, barges, ships, or trucks. Since there are so many combinations, a benchmark coal price is established for each region. All other coal prices are a derivative of this benchmark.

SOUTHERN ELECTRIC SYSTEM'S FORECAST OF LONG RANGE NATURAL GAS PRICES

This section serves to explain and describe the methodology and factors used to develop the 1996 Natural Gas Price Forecast for the Southern electric system. After receiving pertinent market information from various producers, suppliers, and consultants, we have formulated opinions on a variety of topics.

Natural Gas Transportation

Natural gas transportation capacity for new SES gas-fired electric generation is limited without pipeline expansion. During the summer of 1995, Southern Natural Gas Company's (SNG) system, between Jefferson County and Savannah, Georgia, operated at 99% of capacity. Other SNG pipeline segments in Georgia were relatively full as well. These developments suggest that available capacity to handle new gas-fired generation in Georgia on SNG is severely limited.

For planning purposes, the budget assumes that approximately 1,000MW of gas-fired peakers could be constructed along SNG's southern mainline without the need for expansion. Similarly, the budget assumes the same amount of peakers along Transco's mainline. After the initial 2,000MW of expansion, both SNG and Transco will need to expand.

Since SNG's and Transco's pipeline capacity is fully committed, we must assume that pipelines must be expanded for baseload gas-fired generators. Both companies have indicated that expansion is possible and that rates would be similar to current firm transportation rates. The companies would require at least a ten year firm transportation contract to be executed before expanding their facilities. Firm transportation rates have been included for the system's CC units.

Koch Pipeline Company is the principle interstate pipeline that serves Mississippi, Alabama, and Gulf Power Companies. The average transportation rate on Koch is $.22 per MMBTU. Although there is sufficient existing capacity available for some new Gas-fired generation located along the Gulf coast near Mobile, pipeline expansion will be necessary for any further additions. The cost of expanding the gulf coast pipeline will be covered through the payment of firm transportation rates.

Storage Availability and Trends in the Market

During the winter month, U.S. natural gas demand can reach 100 Bcf per day, Unfortunately, the current maximum natural gas supplied through imports and domestic production volumes peaks at 56 to 60 Bcf per day. In order to offset this capacity shortage, storage delivery is necessary.

Since U.S. natural gas demand in the summertime is significantly less, only about 42 to 45 Bcf per day, large end users and local distribution companies, such as Alagasco, buy extra volumes to fill huge underground gas storage fields. Typically, the markets purchase from 10 to 12 Bcf per day to fill storage during the summer months. This activity results in average gas demand reaching usage levels of 52 to 57 Bcf per day. This allows producers to operate wells at 90-95% of capacity year round.

There are indicators that between the time period 1999 and 2005, gas supply in the SES region will improve substantially. Major producers and interstate pipelines have proposed wide-scale expansion of pipelines in the Louisiana, Mississippi, and Alabama offshore areas. Suppliers forecast that 2 Bcf per day will be delivered to the market by 1999. Another 5 Bcf per day should be available by the year 2005. Additionally, Canadian producers and pipelines have announced their plans to increase gas imports by 2 Bcf per day by 2000. These developments suggest that by 2005, U.S. gas supplies (specifically the SES region) should increase 15-16% above current levels. This translates into sufficient gas being available for all new gas-fired electric generation. It also means that average annual gas prices should drop in the 1998 to 2000 time period.

Natural Gas Price Forecast

In order to gain a thorough understanding of the natural gas price forecast, it is necessary to provide background information on the market developments. In addition, cold and warm winter pricing patterns will be discussed.

The Natural gas price forecast for wellhead natural gas, reflects a "relaxed" view of the scarce resource theory. Past views by consultants and the U.S. Department of Energy (DOE) have suggested that natural gas resources were rapidly declining and that reserves would be more difficult and costly to find. However, new technological innovations have resulted in a paradigm shift in the "scarce resource" theory. The new consensus believes that gas resources are considered sufficient enough to meet the growing demand with moderate nominal dollar increases in price during the planning period 1997-2020.

Dramatic improvements in producer's ability to find and develop natural gas reserves has prompted suppliers to have a bullish outlook on future markets. In the past two years, success rates in drilling offshore exploration wells have improved from 25% to 90% for most producers. In addition, new completion techniques such as horizontal drilling have increased production per well substantially. Lastly, new production methods are allowing producers to drill in very deep water at a lower cost. The result, as discussed earlier, will be a flood of new cheaper gas volumes in the near future.

Cold vs. Warm Winter Pricing

During abnormally cold winters, gas storage is depleted. This results is higher summer demand and prices for gas because storage has to be replenished. This occurrence was evident the summer of 1996, as we experienced cold winter weather. During January, February, and March of 1996, monthly gas deliveries into SNG averaged $2.86 per MMBTU. Daily spot prices reached in the $10 per MMBTU range during this time. Since storage levels were so low, demand for storage refill gas increased summer prices to around $2.39 per MMBTU.

In years where warmer than normal winters are experienced, gas prices tend to be lower. An example of this event would be the winter of 1995, where prices averaged only $1.47 per MMBTU. This is about $1.40 per MMBTU lower than in 1996. The lower winter demand resulted in lower summer demand, as storage was still relatively full. Consequently, 1995 summer gas prices averaged $1.49 per MMBTU, which was $.90 per MMBTU cheaper than in 1996.

SOUTHERN ELECTRIC SYSTEM'S FORECAST OF LONG RANGE OIL PRICES (1996 - 2020)

This section has been devised to explain the methodology and major factors that were used to develop the 1996 Crude Oil and Fuel Oil price forecast for the Southern Electric System. The Oil Price Forecast will be discussed first, followed by an analysis on future oil availability and trends in the market.

Oil Price Forecast

SES develops a forecast for crude oil and uses it as a benchmark for determining the price forecasts of No. 2 fuel oil and No. 6 residual oil. The crude oil forecast represents the U.S. average annual refiner acquisition cost or RAC price. RAC has been chosen to model because it has historically proven to be a reliable indicator of refined crude oil (downstream) products.

Seasonal variation of prices paid for fuel or residual oil have not been factored into the SES forecast. This can be attributed to the fact that historically, SES purchase practices have avoided most seasonal variations. After collecting and analyzing pertinent data, the following relationships have been drawn between crude oil and other downstream products purchased by the Southern Electric System:

No. 2 Fuel Oil	=	115% of RAC
No. 6 LS Residual Oil	=	80% of RAC
No. 6 HS Residual Oil	=	70% of RAC

These prices are F.O.B. Gulf Coast Waterborne or Pipeline except for Savannah and Plant McManus which are F.O.B. Atlanta Coast Waterborne.

The 1996 budget suggests that prices will be in the area of $18 per barrel. Due to political developments in the Middle-East, short term oil prices could be as low as $12 per barrel, or as high as $25(+) per barrel. In any event, there is definitely potential for tremendous price volatility in the future oil market.

Availability and Trends

Due to great technological advancements in all aspects of oil exploration and production, sufficient oil quantities will be available to SES. Expansion and capacity increases are anticipated in all three major global economies. There are no major resource constraints predicted and capacity is expected to slightly exceed demand in the short run. Although

OPEC is projected to loose some short-term manipulation of prices, the later projections suggests that they will have an increasing role as their reserve bases become a future market driver.

Despite assumed short term downward price pressures, there are two assumptions that could nullify this effect. The reasons are as follows: 1) Members of OPEC will have a strong future influence on prices and 2) Increased consumption in China and Southern Asia could cause demand to rise, thereby causing upward price pressures. The "Wild-card" in the future world oil market is the political turmoil present in Iraq. If Iraq re-enters the marketplace, crude oil prices will weaken substantially. Unfortunately, there is no way to accurately predict the probability of this event occurring.

If no significant political developments occur, oil prices should have slight real price declines in 1997 of 1.0%, due to early capacity increases. As demand increases, prices will tend to inflate about 1.0% through 1999.

Real prices are predicted to fluctuate from -0.5% to 0.5% through 2005 as the market continues to adjust towards equilibrium. Stability can be seen through 2010 as the market has been driven to equilibrium. Gradual increases from 1.0% to 2.0% are expected through 2012, as OPEC begins to play a more significant role in the world crude oil market. This effect slows to .5% through 2014, as further technological innovations and process improvements erode some of the upward price pressures.

After 2014, OPEC's dominance is once again apparent as real oil prices increase 2.0% through 2020.

TRANSMISSION PLANNING PROCESS

The transmission system is not planned in conjunction with the Integrated Resource Planning Process, but it is studied, nonetheless, for reliability purposes. Commonly, a transmission system is viewed as a medium used to transport electric power from its generation source to the point of its consumption under a number of system conditions, known as contingencies.

The system is studied under different contingencies for various load levels to insure that the system can operate adequately without exceeding conductor thermal and system voltage limits.

When the study reveals a problem with the transmission system that warrants the consideration of correcting to restore its reliability, a number of possible solutions are identified. These solutions and their costs are evaluated to determine which is the most cost-effective. Once it is concluded which solution is chosen to correct the problem, a capital budget expenditure request is prepared for executive approval. It should be noted that not all thermal overloads or voltage limit violations warrant solving due to the magnitude of the problem or the probability of occurrence are insufficient to justify the capital investment of the solution.

The current IRP update calls for Gulf Power Company to make a series of purchased power arrangements over the next five years. Since Gulf has not secured any agreements at this time for any of its purchased power, its source location is unknown. Since the source is unknown, the transmission system cannot be studied in order to determine if there are any constraints associated with any of the possible power sources. It has been and will continue to be Gulf's practice to perform a transmission analysis of all viable purchased power proposals to determine any system constrains and formulate a plan, if any, to most cost-effectively solve the problems prior to proceeding with negotiations for the agreement. Otherwise, the transmission system in its current configuration with all other expected generation and load increases is adequate during the planning horizon and therefore there are no transmission lines that would have to be certified under the Transmission Line Siting Act.

STRATEGIC ISSUES

As mentioned earlier, Gulf's immediate needs for additional supply-side resources will come from purchased power arrangements which will afford the Company a great deal of flexibility and less risk exposure. Strategically, the Company believes that this is superior to investing in new power plants in light of the ever-changing electric utility industry and the eminent move to re-regulation. The flexibility of purchases allows the Company to react quickly to changes that may occur over the next five years without serious negative financial impacts. Gulf fully expects to build new generating capacity in the future to maintain in reliability, however, at this time it is believed to be significantly risky to do so.

Another important strategic advantage for Gulf is its association and planning as a part of the Southern electric system. Being able to draw on the planning services of Southern Company Services to perform the bulk of the planning and to use the pool of resources of the Southern electric system in times that the Company is short of reserves provides Gulf and its customers with many benefits. In addition, Southern's Wholesale Energy section is beginning to secure firm energy at prices that are leading to significant savings to the Southern electric system. This will most assuredly continue well into the future.

ENVIRONMENTAL CONCERNS

As mentioned before, Gulf is looking to power purchases to meet its generating capacity needs until it constructs the next generation addition. Currently this new generator is not scheduled to be in service until the year 2003. This generator is also planned for an existing site, Scholz, and as such would not be considered a virgin site that would need extensive environmental studies leading to obtaining construction and operating permits for this unit.

The next planned generation addition is not scheduled until the year 2006. Gulf has not yet decided where this unit should be sited and has not started searching for property for this site. Therefore, it would be premature for the Company to have begun performing environmental studies in preparation for the siting of the 2006 combustion turbine at this time. It has been and will continue to be Gulf's intent to always comply with all environmental laws and regulations as they apply to the Company's operation.

Gulf' Power's clean air compliance strategy serves as a road map for a least-cost compliance plan. This road map establishes general direction but allows for individual decisions to be made based on specific information available at the time. This approach is an absolute necessity in maintaining the flexibility to match a dynamic environment with the variety of available compliance options.

Gulf Power completed its initial Clean Air Act Amendments (CAAA) strategy in December, 1990 and has produced updates or reviews in subsequent years following this initial strategy. Due to the relatively minor changes in assumptions since the last review and the lack of new information or developments on the regulatory front, this review serves as a confirmation of the general direction of Gulf Power Company's compliance strategy.

The focus of the strategy updates has, to date, centered around compliance with the acid rain requirements while considering other significant clean air requirements, and potential new requirements of the CAA. There is increasing uncertainty associated with future regulatory requirements which could significantly impact both the scope and cost of compliance over the next decade. However, there is insufficient information at this time to warrant incorporating these scenarios into a revised strategy. Gulf Power will continue its involvement in future clean air requirements. These requirements will be incorporated into future strategy updates as appropriate.

Phase I of Title IV of the CAAA became effective for SO2 on January 1, 1995. Fuel procurement and equipment installation efforts to support Gulf Power's Phase I fuel switching strategy are complete. Gulf Power has also completed installation of low-NOx burners on two large coal-fired units to support compliance with Title IV NOx requirements. In addition, Gulf Power brought 4 Phase II units into Phase I as 1995 substitution units. All of these units were affected for SO2 in 1995, and are affected for NOx during 1996 through 1999 and are grandfathered under the Phase I NOx limits during Phase II. These units were again substituted in 1996 making them affected for SO2 during the year.

With respect to Phase II sulfur dioxide compliance, Gulf Power will continue to pursue additional fuel switching coupled with the use of emission allowances banked during Phase I and the acquisition of additional allowances to meet compliance. This 1996 review discovered only minor differences in the fuel selection at several plants during Phase II. The updated strategy recommends that plant Scholz switch to 1.0% sulfur coal during Phase II. The previous strategy showed a Phase II switch to 1.5% sulfur coal.

In addition, potential future regulatory requirements, especially under ozone nonattainment or revised ambient standards, are aimed at further NOx and SO2 reductions. All of this uncertainty reinforces the need for a flexible, robust compliance plan. Accordingly, as decision dates for fuel and equipment purchases approach or as better information becomes available relative to regulatory and economic drivers, the analysis will be updated to determine the most cost-effective decisions while maintaining future flexibility.

AVAILABILITY OF SYSTEM INTERCHANGE

Gulf Power Company coordinates its planning and operation with the other operating companies of the Southern electric System: Alabama Power Company, Georgia Power Company, Mississippi Power Company, and Savannah Electric Power Company. In any Year an Individual operating company may have a temporary surplus or deficit in generating capacity, depending on the relationship of its planned generating capacity to its load and reserve responsibility. Each company buys or sells its temporary deficit or surplus capacity from or to the pool. This is done through the mechanism of an Intercompany Interchange Contract among the companies, which is reviewed and updated annually.

OFF-SYSTEM SALES

Gulf Power Company, along with the other Southern electric operating companies, have negotiated the sales of capacity and energy to several utilities outside the Southern System. The term of the contracts started prior to 1997 and extends into 2010. Gulf's share of the capacity and energy sales is reflected in the reserves on Schedules 7.1 and 7.2 and the energy and fuel use on Schedules 5 and 6.1.

CHAPTER IV

FORECAST
OF
FACILITIES REQUIREMENTS

CAPACITY RESOURCE ALTERNATIVES

Power Purchases

Gulf Power Company recognizes the potential uncertainty that may exist over the next few years in the electric utility industry. Although, the Company has identified capacity needs during this time, Gulf believes that the uncertainty that exist is such that it would be unwise to commit long-term capital investment to meet these needs in the near term. Some of the specific concerns the Company has are in regard to unexpected increases or decreases in demand growth, reduced off system sales, and the effects of open competition.

Gulf has made preliminary inquiries as to the availability of capacity for short-term firm purchases during the next several years. The Company has determined that there appears to be sufficient capacity available to meet its short-term needs at prices that would be competitively attractive when compared to its own cost to construct peaking capacity. Gulf intends to issue a Request For Proposals in the near future in order to secure short-term power to meet its initial need beginning in 1998. By acquiring short-term purchased power, the Company will be provided with flexibility during this period of uncertainty and allowed an opportunity to assess its position before it has to make further capacity need decisions. These purchases are included in Schedules 7.1 and 7.2.

Scholz Site

The Scholz Site consist of 293 acres (total plant site) and is the location of the existing Scholz Electric Generating Facility. It is located south of the town of Sneads along the west side of the Apalachicola river. The site is accessible by railroad and river barge service.

Scholz has been chosen as the likely site for the installation of 200 MW of combustion turbines in 2003. These combustion turbines and associated transmission facilities are to be installed on existing cleared company property immediately adjacent to the existing Scholz plant. These units will be used during peak periods, and the impact of their operation on the surrounding area should be minimal. Another 200 MW of CTs will be installed in 2006, however, the Company has not yet designated a site.

UTILITY: GULF POWER COMPANY

SCHEDULE 7.1

FORECAST OF CAPACITY, DEMAND, AND SCHEDULED MAINTENANCE AT TIME OF SUMMER PEAK (A)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
							RESERVE MARGIN BEFORE MAINTENANCE			RESERVE MARGIN AFTER MAINTENANCE	
YEAR	TOTAL INSTALLED CAPACITY MW	FIRM CAPACITY IMPORT MW (B)	FIRM CAPACITY EXPORT MW	QF MW	TOTAL CAPACITY AVAILABLE MW	FIRM PEAK DEMAND MW	MW	% OF PEAK	SCHEDULED MAINTENANCE MW	MW	% OF PEAK
1997	2301	11	(211)	19	2120	2031	89	4.4%	NONE	89	4.4%
1998	2301	246	(211)	19	2355	2067	288	13.9%		288	13.9%
1999	2301	246	(211)	19	2355	2102	253	12.0%		253	12.0%
2000	2301	296	(211)	19	2405	2122	283	13.3%		283	13.3%
2001	2301	296	(211)	19	2405	2137	268	12.5%		268	12.5%
2002	2301	346	(211)	19	2455	2154	301	14.0%		301	14.0%
2003	2501	161	(211)	19	2470	2175	295	13.6%		295	13.6%
2004	2501	161	(211)	19	2470	2193	277	12.6%		277	12.6%
2005	2501	161	(211)	0	2451	2234	217	9.7%		217	9.7%
2006	2701	111	(211)	0	2601	2290	311	13.6%		311	13.6%

NOTE: (A) CAPACITY ALLOCATIONS AND CHANGES MUST BE MADE BY JUNE 30 TO BE CONSIDERED IN EFFECT AT THE TIME OF THE SUMMER PEAK. ALL VALUES ARE SUMMER NET MW.

(B) INCLUDES CONTRACTED CAPACITY ALLOCATED TO CERTAIN RESALE CUSTOMERS BY THE SOUTHEASTERN POWER ADMINISTRATION (SEPA), AND FIRM PURCHASES.

UTILITY: GULF POWER COMPANY

SCHEDULE 7.2
FORECAST OF CAPACITY, DEMAND, AND SCHEDULED MAINTENANCE AT TIME OF WINTER PEAK (A)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
							RESERVE MARGIN BEFORE MAINTENANCE			RESERVE MARGIN AFTER MAINTENANCE	
YEAR	TOTAL INSTALLED CAPACITY MW	FIRM CAPACITY IMPORT MW (B)	FIRM CAPACITY EXPORT MW	QF MW	TOTAL CAPACITY AVAILABLE MW	FIRM PEAK DEMAND MW	MW	% OF PEAK	SCHEDULED MAINTENANCE MW	MW	% OF PEAK
1996-97	2309	10	(211)	19	2127	1951	176	9.0%	NONE	176	9.0%
1997-98	2309	11	(211)	19	2128	1957	171	8.7%		171	8.7%
1998-99	2309	11	(211)	19	2128	1972	156	7.9%		156	7.9%
1999-00	2309	11	(211)	19	2128	1976	152	7.7%		152	7.7%
2000-01	2309	11	(211)	19	2128	1972	156	7.9%		156	7.9%
2001-02	2309	11	(211)	19	2128	1969	159	8.1%		159	8.1%
2002-03	2309	11	(211)	19	2128	1968	160	8.1%		160	8.1%
2003-04	2509	11	(211)	19	2328	1962	366	18.7%		366	18.7%
2004-05	2509	11	(211)	19	2328	1994	334	16.8%		334	16.8%
2005-06	2509	11	(211)	0	2309	2040	269	13.2%		269	13.2%

NOTE: (A) CAPACITY ALLOCATIONS AND CHANGES MUST BE MADE BY NOVEMBER 30 TO BE CONSIDERED IN EFFECT AT THE TIME OF WINTER PEAK. ALL VALUES ARE WINTER NET MW.

(B) INCLUDES CONTRACTED CAPACITY ALLOCATED TO CERTAIN RESALE CUSTOMERS BY THE SOUTHEASTERN POWER ADMINISTRATION (SEPA).

Utility: Gulf Power Company

Schedule 9
Status Report and Specifications of Proposed Generating Facilities

(1)	Plant Name and Unit Number:	Scholz B
(2)	Capacity	
	a. Summer:	100 MW
	b. Winter:	100 MW
(3)	Technology Type:	Combustion Turbine
(4)	Anticipated Construction Timing	
	a. Field construction start - date:	06/02
	b. Commercial in-service date:	05/03
(5)	Fuel	
	a. Primary fuel:	Natural Gas
	b. Alternate fuel:	Distillate Oil
(6)	Air Pollution Control Strategy:	Steam injection for NOx control
(7)	Cooling Method:	NA
(8)	Total Site Area:	293 acres (total plant site)
(9)	Construction Status:	This facility is planned but not authorized
(10)	Certification Status:	Not applied
(11)	Status with Federal Agencies:	Not applied
(12)	Projected Unit Performance Data	
	Planned Outage Factor (POF):	5.00%
	Forced Outage Factor (FOF):	3.00%
	Equivalent Availability Factor (EAF):	92.20%
	Resulting Capacity Factor (%):	10%
	Average Net Operating Heat Rate (ANOHR):	11,500
(13)	Projected Unit Financial Data	
	Book Life (Years):	40
	Total Installed Cost (In-Service Year $/kW):	291
	Direct Construction Cost ($/kW):	247
	AFUDC Amount ($/kW):	0
	Escalation ($/kW):	44
	Fixed O&M ($/kW - Yr):	2.72
	Variable O&M ($/MWH):	3.25
	K Factor:	1.4716

Utility: Gulf Power Company

Schedule 9
Status Report and Specifications of Proposed Generating Facilities

(1)	Plant Name and Unit Number:	Unlocated A
(2)	Capacity	
	a. Summer:	100 MW
	b. Winter:	100 MW
(3)	Technology Type:	Combustion Turbine
(4)	Anticipated Construction Timing	
	a. Field construction start - date:	06/05
	b. Commercial in-service date:	05/06
(5)	Fuel	
	a. Primary fuel:	Natural Gas
	b. Alternate fuel:	Distillate Oil
(6)	Air Pollution Control Strategy:	Steam injection for NOx control
(7)	Cooling Method:	NA
(8)	Total Site Area:	Unlocated
(9)	Construction Status:	This facility is planned but not authorized
(10)	Certification Status:	Not applied
(11)	Status with Federal Agencies:	Not applied
(12)	Projected Unit Performance Data	
	Planned Outage Factor (POF):	5.00%
	Forced Outage Factor (FOF):	3.00%
	Equivalent Availability Factor (EAF):	92.20%
	Resulting Capacity Factor (%):	10%
	Average Net Operating Heat Rate (ANOHR):	11,500
(13)	Projected Unit Financial Data	
	Book Life (Years):	40
	Total Installed Cost (In-Service Year $/kW):	309
	Direct Construction Cost ($/kW):	247
	AFUDC Amount ($/kW):	0
	Escalation ($/kW):	62
	Fixed O&M ($/kW - Yr):	2.95
	Variable O&M ($/MWH):	3.52
	K Factor:	1.4716

Utility: Gulf Power Company

Schedule 9
Status Report and Specifications of Proposed Generating Facilities

(1)	Plant Name and Unit Number:	Unlocated B
(2)	Capacity	
	a. Summer:	100 MW
	b. Winter:	100 MW
(3)	Technology Type:	Combustion Turbine
(4)	Anticipated Construction Timing	
	a. Field construction start - date:	06/05
	b. Commercial in-service date:	05/06
(5)	Fuel	
	a. Primary fuel:	Natural Gas
	b. Alternate fuel:	Distillate Oil
(6)	Air Pollution Control Strategy:	Steam injection for NOx control
(7)	Cooling Method:	NA
(8)	Total Site Area:	Unlocated
(9)	Construction Status:	This facility is planned but not authorized
(10)	Certification Status:	Not applied
(11)	Status with Federal Agencies:	Not applied
(12)	Projected Unit Performance Data	
	Planned Outage Factor (POF):	5.00%
	Forced Outage Factor (FOF):	3.00%
	Equivalent Availability Factor (EAF):	92.20%
	Resulting Capacity Factor (%):	10%
	Average Net Operating Heat Rate (ANOHR):	11,500
(13)	Projected Unit Financial Data	
	Book Life (Years):	40
	Total Installed Cost (In-Service Year $/kW):	309
	Direct Construction Cost ($/kW):	247
	AFUDC Amount ($/kW):	0
	Escalation ($/kW):	62
	Fixed O&M ($/kW - Yr):	2.95
	Variable O&M ($/MWH):	3.52
	K Factor:	1.4716

Utility: Gulf Power Company

Schedule 10
Status Report and Specifications of Proposed Directly Associated Transmission Lines

(1) Point of Origin and Termination:	Scholz to Smith - Thomasville 230 KV loop
(2) Number of Lines:	2
(3) Right-of-Way:	Length: on company property Width:
(4) Line Length:	0.3 miles each
(5) Voltage:	230 KV
(6) Anticipated Construction Timing:	In-Service January, 2003
(7) Anticipated Capital Investment:	$2,817,000
(8) Substations:	None
(9) Participation with Other Utilities:	None

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