

**Susan D. Ritenour**  
Secretary and Treasurer  
and Regulatory Manager

One Energy Place  
Pensacola, Florida 32520-0787

Tel 850.444.6231  
Fax 850.444.6026  
SDRITENO@southernco.com



March 31, 2005

Ms. Blanca S. Bayo, Director  
Division of the Commission Clerk and Administrative Services  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee FL 32399-0870

Dear Ms. Bayo:

RE: Docket No. 050001-EI

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

Sincerely,

*Susan D. Ritenour*

db

Enclosures

cc: Beggs and Lane  
Jeffrey A. Stone, Esquire

DOCUMENT NUMBER-DATE

03200 APR-1 05

FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Fuel and Purchased Power Cost )  
Recovery Clause with Generating )  
Performance Incentive Factor )

Docket No. 050001-EI

Certificate of Service

I HEREBY CERTIFY that a true copy of the foregoing was furnished by hand delivery or the U. S. Mail this 31<sup>st</sup> day of March 2005 on the following:

Robert Vandiver, Esquire  
Patricia Ann Christensen, Esquire  
Office of Public Counsel  
111 W. Madison St., Suite 812  
Tallahassee FL 32399-1400

James McGee, Esquire  
Progress Energy Service Co., LLC  
P. O. Box 14042  
St. Petersburg FL 33733-4042

John T. Butler, Esquire  
Steel, Hector & Davis LLP  
200 S. Biscayne Blvd, Ste 4000  
Miami FL 33131-2398

Norman H. Horton, Jr., Esquire  
Messer, Caparello & Self, P.A.  
P. O. Box 1876  
Tallahassee FL 32302-1876

Jon C. Moyle, Jr., Esquire  
The Perkins House  
118 N. Gadsden Street  
Tallahassee, FL 32301

Gary V. Perko, Esquire  
Hopping Green & Sams, P.A.  
P.O. Box 6526  
Tallahassee, FL 32314

Timothy J. Perry, Esq.  
McWhirter Reeves  
117 S. Gadsden Street  
Tallahassee FL 32301

Lee L. Willis, Esquire  
James D. Beasley, Esquire  
Ausley & McMullen  
P. O. Box 391  
Tallahassee FL 32302

John W. McWhirter, Jr., Esq.  
McWhirter Reeves  
400 N Tampa St Suite 2450  
Tampa FL 33602

Adrienne Vining, Esquire  
FL Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee FL 32399-0863

Robert Scheffel Wright, Esquire  
John Thomas LaVia, III, Esquire  
310 West College Avenue  
Tallahassee, FL 32301



JEFFREY A. STONE

Florida Bar No. 325953

RUSSELL A. BADDERS

Florida Bar No. 0007455

STEVEN R. GRIFFIN

Florida Bar No. 0627569

BEGGS & LANE

P. O. Box 12950

Pensacola FL 32591-2950

(850) 432-2451

Attorneys for Gulf Power Company

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

---

Docket No.: 050001-EI  
Date filed: April 1, 2005

**REQUEST FOR CONFIDENTIAL CLASSIFICATION**

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

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

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

Susan D. Ritenour  
Secretary and Treasurer  
Gulf Power Company  
One Energy Place  
Pensacola, FL 32520-0780

1. Gulf Power's Risk Management Plan for Fuel Procurement is entitled to confidential classification pursuant to §366.093(3)(a), (d) and (e), Florida Statutes, as information, the public disclosure of which would cause irreparable harm to the competitive interests of Gulf Power and the ability of Gulf to enter into contracts on terms favorable to it and its ratepayers. The Risk Management Plan for Fuel Procurement contains, in a single resource,

detailed information about Gulf's fuel procurement strategy for the near term and into the future. Gulf Power and the other market participants for fuel, fuel transportation and fuel storage consider this detailed information to be trade secrets and competitively sensitive. The document discusses how Gulf manages its fuel procurement with specific details regarding Gulf's fuel needs, market position and trends it sees in those markets in which it addresses its fuel needs. In addition, the fuel procurement strategy utilized by Gulf is discussed in detail. Pricing information is also included in this document. Similar information is not made public by other fuel market participants. Making this information public would give these other market participants a competitive advantage over Gulf which would prevent Gulf from procuring its fuel needs in a manner that secures the best price and terms for its customers.


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

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

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

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

Respectfully submitted this 31<sup>st</sup> day of March 2005,



**JEFFREY A. STONE**

Florida Bar No. 325953

**RUSSELL A. BADDERS**

Florida Bar No. 007455

**Beggs & Lane**

P. O. Box 12950

Pensacola, FL 32591

(850) 432-2451

**Attorneys for Gulf Power Company**

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

---

Docket No.: 050001-EI  
Date: April 1, 2005

**REQUEST FOR CONFIDENTIAL CLASSIFICATION**

**EXHIBIT "A"**

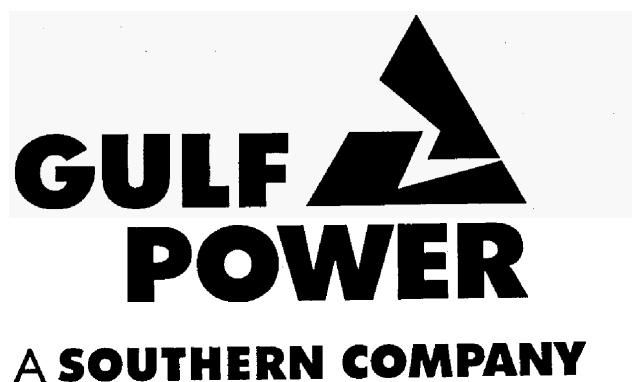
Provided to the Division of Records and Reporting  
under separate cover as confidential information

**EXHIBIT "B"**

# **GULF POWER COMPANY**

**Risk Management Plan  
For  
Fuel Procurement  
Docket No. 050001-EI**

**Date of Filing: April 1, 2005**





**INDEX**

| <b><u>SECTION</u></b> |                                                            | <b><u>PAGES</u></b> |
|-----------------------|------------------------------------------------------------|---------------------|
| 1                     | GULF POWER COAL PROCUREMENT STRATEGY                       | 1 - 20              |
| 2                     | GULF POWER PRIOR YEAR COAL PROCUREMENT PERFORMANCE         | 21 - 26             |
| 3                     | GULF POWER COAL TRANSPORTATION STRATEGY                    | 27 - 33             |
| 4                     | GULF POWER NATURAL GAS PROCUREMENT STRATEGY                | 34 - 35             |
| 5                     | GULF POWER OIL PROCUREMENT STRATEGY                        | 36                  |
| 6                     | PRIOR YEAR GAS & OIL PROCUREMENT PERFORMANCE               | 37 - 39             |
| 7                     | SCS RISK RISK MANAGEMENT POLICY                            | 40 – 42             |
| 8                     | SOUTHERN COMPANY GENERATION (SCGEN) RISK MANAGEMENT POLICY | 43 – 71             |
| 9                     | SCS RISK OVERSIGHT ORGANIZATIONAL CHART                    | 72                  |

**GULF POWER COMPANY  
LONG-TERM COAL PROCUREMENT STRATEGY  
AND TACTICAL PLAN  
MARCH 2005**

**Introduction**

Gulf Power Company reliably serves over 400,000 customers. In year 2004, Gulf Power generated over 15 billion KWH's with over \$367 million in fuel expense. Coal represented over 84% of Gulf Power's generation sources. Gulf Power Company operates three coal-fired plants (Crist, Smith, and Scholz) with a combined nameplate capacity of 1,355 Mw and projected annual coal consumption of 4 million tons. Gulf co-owns two coal fired plants; Daniel which is operated by Mississippi Power and Scherer which is operated by Georgia Power. The combined nameplate capacity of Gulf's ownership of Daniel and Scherer is 705 MW with a projected annual coal consumption of 2 million tons. The procurement of this coal is critical to the success of Gulf Power Company.

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

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

**Fuel Program Overview**



### **Procurement Strategy**

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

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

**Risk Management Plan for Coal Procurement  
Performance from Prior Year**

**OBJECTIVE:** For coal purchased under long term or spot contracts during the immediately preceding year (2004), Gulf will provide in the “risk management and GPIF” segment of the second true-up testimony (due April 1, 2005 and the first business day of each April thereafter) a numerical comparison of the price paid for each subcategory of coal to the best market indicator(s) for that coal at the time the utility entered the contract for the coal. Such market indicator(s) may include market indexes, averages, and/or bid prices. Gulf will describe the methodology behind each comparison. Gulf will explain the reason(s) for any significant difference between the price it paid and the market price for such coal.

[REDACTED]

[REDACTED]

## **GULF POWER COMPANY COAL TRANSPORTATION STRATEGY**

### **Introduction**

Gulf Power Company (Gulf) operates three coal-fueled plants with a combined nameplate capacity of 1,355 MW and with annual coal consumption projected at over 3.8 million tons per year. Coal represents over 80% of Gulf Power's generation fuel sources. The reliable transportation of this fuel to its generating plants is critical to the success of Gulf Power Company.

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

The following is provided in order to develop Gulf's coal transportation strategy: 1) a review of the current coal transportation program including current agreements, available mode of transportation, and budget, 2) a transportation strategy that identifies and addresses specific risks and risk mitigation strategies, and 3) a tactical plan detailing specific actions required in order to achieve the strategy.

### **Coal Transportation Procurement Strategy**

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

## **RISKS AND RISK MITIGATION STRATEGIES**

### **Reliability Risk and Strategy**

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

The goal will be to avoid disconnect between agreements. It is not desirable to have transportation agreements in place that extend beyond coal agreements in most cases. With the competitive electricity markets and changing environmental laws and regulations, such disconnects could expose you to liquidated damages should coal sources change dramatically or plant retirements occur earlier than projected.

Reliability of service can be greatly enhanced through communication between all parties in the coal supply chain. Communication between Gulf's coal operating personnel and each plant, SCS Fuel Service Department, and the various carriers is vital in maintaining reliable and efficient operations. Effective and timely communication of transportation plans, orders, problems, and maintenance are critical to ensure reliable service. As we begin to add scrubbers to the Southern system and the movement of limestone into the plants is necessary, this need for emphasis on communication will only grow. The logistical picture will be complicated as the deliveries of coal and limestone, and the removal of gypsum (by-product of scrubber technology) will have to be coordinated at plants that have scrubbers. A firm scrubber schedule has not been put in place to this point, but evaluations and discussions concerning the coordination of these logistical movements have begun and will continue. It is important to develop and maintain relationships with the carriers for timely response and cooperation.

# Gulf Power's Natural Gas Procurement Strategy

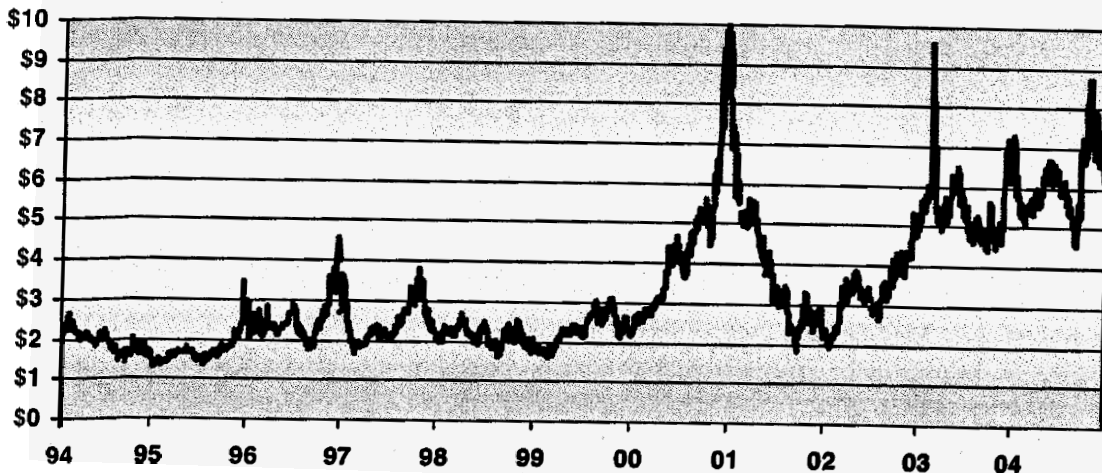
## Gas Program Overview

Natural Gas is used as the primary fuel at Crist units 2 & 3, for boiler lighter fuel at Crist units 4-7, and as the primary fuel at the Smith 3 combined-cycle unit. In the past, natural gas represented a relatively small portion of Gulf's overall fuel budget. With the addition of the Smith 3 combined-cycle unit in 2002, natural gas became a more significant portion of Gulf's overall fuel budget.

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



**Historical Natural Gas Prices - NYMEX**





## Gulf Power's Oil Procurement Strategy

### Oil Program Overview

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

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

**OBJECTIVE:** Provide a numerical comparison of the price paid for each fuel type (natural gas and oil) in 2004 as reflected in the December 2004, Schedule A-3 to the market price for natural gas during this period.

As described in Gulf's Risk Management Plan for Fuel Procurement filed in Docket No. 040001-EI on April 1, 2004, SCS Fuel Services as agent for Gulf will purchase natural gas and oil at prices that are indexed to the published market price for each commodity at the time of shipment. In 2004 firm quantities of natural gas were purchased either on long term or spot gas supply contracts or on the daily spot market as needed to meet burn requirements. Oil is purchased under spot contracts for each generating plant that are full quantity requirement agreements.



---

<sup>1</sup> This quantity includes gas retained by pipelines as fuel reimbursement, and excludes storage injections and withdrawals.

## Gulf Power Company Risk Management Policy

### I. Introduction

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

### II. Objectives

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

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

### III. Guidelines

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

The Southern Company Derivatives Policy states:

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

## Gulf Power Company Risk Management Policy

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

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

**"RESOLVED,** That The Southern Company System Policy on Use of Derivatives (the "Policy") as presented to the meeting is hereby approved; and

**RESOLVED FURTHER,** That the Officers are hereby authorized to effect derivative transactions that comply with the policy, including swaps, caps, collars, floors, swap options, futures, forward and options, relating to energy and associated commodities, weather, interest rates, currencies, and contracts and other arrangements for fuel supplies; and

**RESOLVED FURTHER,** That in connection with the foregoing, the officers are hereby authorized to take any and all actions and to execute, deliver and perform on behalf of the Company any and all agreements and other instruments as they consider necessary, appropriate or advisable, each such agreement or other instrument to be in such form as the officers executing the same shall approve, the execution thereof to constitute conclusive evidence of such approval."

#### IV. Process

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

Once authorization has been received, Southern Company Services Fuel Services, agent for Gulf Power Company, will conduct all hedging

## **Gulf Power Company Risk Management Policy**

transactions in accordance with the Southern Company Generation Risk Management Policy.

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

Southern Company Generation (SCGen)  
Risk Management Policy

CONFIDENTIAL  
FOR COMPANY USE ONLY

Approved February 1, 2005

APPENDIX I  
 INCUMBENT LISTING; AUTHORIZED INDIVIDUALS

Incumbent Listing

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

Southern Company Generation  
 Energy Credit Committee

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

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

SCS Fuel Services  
 Management Team

| Name | Title |
|------|-------|
|      |       |

|               |                                                   |
|---------------|---------------------------------------------------|
| Phil Saunders | Sr. VP, Operations & General Services, SCGen      |
| Earl Parsons  | Vice President, Fuel Services                     |
| Vacant        | Gas Services Director                             |
| Gary Hart     | Manager, Emissions Trading & Environmental Issues |



APPENDIX I  
 INCUMBENT LISTING; AUTHORIZED INDIVIDUALS (continued)

Authorized Individuals

| Title                            | Name               | Approved Commodities |              |             |           |         |      |            |
|----------------------------------|--------------------|----------------------|--------------|-------------|-----------|---------|------|------------|
|                                  |                    | Electricity          |              | Natural Gas |           |         | Coal | Allowances |
|                                  |                    | Energy               | Transmission | Gas         | Transport | Storage |      |            |
| Energy Trading Manager           | Scott Teel         | X                    | X            |             |           |         |      |            |
| Term Trader                      | David Hansen       | X                    | X            |             |           |         |      |            |
| Term Trader                      | Steve Lowe         | X                    | X            |             |           |         |      |            |
| Term Trader                      | Tim Sorrell        | X                    | X            |             |           |         |      |            |
| Term Trader                      | Scott Morales      | X                    | X            |             |           |         |      |            |
| Core Commercial Operatings Mgr.  | Mike Smith         | (2)                  | (2)          |             |           |         |      |            |
| Energy Coordinator               | Bill Brown         | X                    | X            |             |           |         |      |            |
| Energy Coordinator               | Todd Curl          | X                    | X            |             |           |         |      |            |
| Energy Coordinator               | Frank Harris       | X                    | X            |             |           |         |      |            |
| Energy Coordinator               | David Deerman      | X                    | X            |             |           |         |      |            |
| Energy Coordinator               | John Spratley      | X                    | X            |             |           |         |      |            |
| Energy Coordinator               | Jimmy Walker       | X                    | X            |             |           |         |      |            |
| Transmission Project Coordinator | Mike Greene (3)    |                      | X            |             |           |         |      |            |
| Transmission Coordinator         | Ron Carlson        | X                    | X            |             |           |         |      |            |
| Transmission Coordinator         | Martha Russell     |                      | X            |             |           |         |      |            |
| Scheduler                        | Jackie Abercrombie | (1)                  | X            |             |           |         |      |            |
| Scheduler                        | Shannon Gunnells   | (1)                  | X            |             |           |         |      |            |
| Scheduler                        | Kristie Taylor     | (1)                  | X            |             |           |         |      |            |
| Trading Analyst                  | John Ciza          | (2)                  | (2)          |             |           |         |      |            |
| Trading Analyst                  | Susan Olive        | (2)                  | (2)          |             |           |         |      |            |

Southern Company Generation Risk Management Policy  
*Confidential*— For Company Use Only

| Title                            | Name             | Approved Commodities |              |             |           |         |      |            |
|----------------------------------|------------------|----------------------|--------------|-------------|-----------|---------|------|------------|
|                                  |                  | Electricity          |              | Natural Gas |           |         | Coal | Allowances |
|                                  |                  | Energy               | Transmission | Gas         | Transport | Storage |      |            |
| Gas Services, Director           | Susan Comensky   |                      |              |             |           |         |      |            |
| NG Team Leader                   | Carl Haga        |                      |              | X           | X         | X       |      |            |
| NG Buyer                         | Ken Damsgard     |                      |              | X           | X         | X       |      |            |
| NG Buyer                         | Vicki Gaston     |                      |              | X           | X         | X       |      |            |
| NG Buyer                         | Debora Honeycutt |                      |              | X           | X         | X       |      |            |
| NG Buyer - Financial             | Brian George     |                      |              | X           |           |         |      |            |
| NG Scheduler                     | Bryan Mitchell   |                      |              |             | X         | X       |      |            |
| NG Scheduler                     | Russell Hall     |                      |              |             | X         | X       |      |            |
| NG Scheduler                     | Tisha Dale       |                      |              |             | X         | X       |      |            |
| NG Scheduler                     | Tonya Gary       |                      |              |             | X         | X       |      |            |
| NG Project Manager               | Alan Kilpatrick  |                      |              |             |           |         |      |            |
| Storage                          | Carol Thomasson  |                      |              |             | X         | X       |      |            |
| Coal & Transport Procure Manager | Debra Rouse      |                      |              |             |           |         | X    |            |
| Manager – Emissions              | Gary Hart        |                      |              |             |           |         |      | X          |

Notes:

- (1) Authority to engage in energy transactions is the same as the energy coordinator position.
- (2) Authority to make changes to transactions.
- (3) Authority to procure Transmission for Business Development Project, not trading

APPENDIX K  
EMPLOYEE ACKNOWLEDGMENT

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

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

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

---

Printed Name

---

Signature

Date: \_\_\_\_\_, 200\_

APPENDIX L  
DEFINITIONS

|                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|--------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Allowances               | The emissions of various criteria pollutants such as sulfur dioxide usually traded in the over-the-counter markets via brokers with one allowance being equal to one ton of the pollutant (expressed in US short tons.) For Sulfur Dioxide (SO <sub>2</sub> ) see the 1990 Clean Air Act Amendments, Title IV Section 402(3) “an authorization allocated to an affected unit by the Administrator, to emit, during or after a specified calendar year one ton of sulfur dioxide. For NO <sub>x</sub> , the right to emit one ton of Nitrous Oxide during the 5 months ozone season May through September (beginning May 1 <sup>st</sup> 2003) as per the Final EPA Regional SIP Call Rules 40 CFR Parts 51, 72, 75 and 96. For trading in Green House Gases (predominately CO <sub>2</sub> ) one ton of carbon dioxide emitted on an annual basis. |
| Approved Commodity       | Those commodities listed in appendix B which have been approved.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Authorities              | All applicable limitations imposed on SCGen RMP trading activities, and shall include, but not necessarily be limited to, authorized trading limits, daily loss exposure limits, maximum approved value at risk, income limits, and term limits.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Authorized Individuals   | Employees whose position may involve: (1) the authority (or appearance of authority) to directly bind SCS (or any subsidiary) to agreements with third parties; and/or (2) the authority (or appearance of authority), acting through its various brokers and other representatives, to bind SCS (or any subsidiary) to exchange-traded futures and option contracts.                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Authorized Trading Limit | The levels set out in appendix F and H. Such levels are expressed in dollars that establish boundaries for maximum value at risk due to changes in market prices.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Daily Income Limit       | The change in value of the Asset Optimization Floor portfolio on a daily basis as detailed in appendix G. The change in value will be calculated on a MTM net-present-value basis.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Daily Portfolio Value    | The net present value on a MTM basis of yet to be performed transactions from all approved portfolios.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Delta                    | The sensitivity on an option’s price to changes in the price of the underlying commodity.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Financial Instruments    | Futures, forwards, options, swaps, and other derivative or financial risk management transactions entered into to hedge price risks.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Forwards                 | An agreement to buy or sell a quantity of a product, at an agreed price, on a given date, with a specific counterparty. Forwards are typically trading in the over-the-counter (OTC) markets.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| FS                       | SCS Fuel Services                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |

|                        |                                                                                                                                                                                                                  |
|------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Futures                | An agreement to buy or sell a quantity of a product, at an agreed price, on a given date, traded on an exchange, and cleared by a clearinghouse.                                                                 |
| Illiquid Market        | A market characterized by wide bid/offer spreads, lack of transparency, and large movements in price after any sizable deal.                                                                                     |
| Income Limit           | The dollar income amounts set out in appendix G which require notification as described herein once triggered.                                                                                                   |
| Mark to Market (MTM)   | The value of a financial instrument, or risk book of such instruments, at current market rates, or prices of the underlying commodity.                                                                           |
| Market Positions       | Positions taken that are readily liquidated at a readily observable and transparent price.                                                                                                                       |
| Net Open Position      | The sum of all open positions for the approved commodities on an equivalent basis.                                                                                                                               |
| Open Position          | The difference between long positions and short positions in any given risk book.                                                                                                                                |
| Option                 | An instrument which provides the holder the right, but not the obligation, to sell to (or buy from) the option seller the underlying commodity at a specified price and time.                                    |
| Originator             | The lead individual responsible for negotiating the transaction with the counterparty.                                                                                                                           |
| Premises               | SCGen business office located in Birmingham, Alabama.                                                                                                                                                            |
| Products               | Financial instruments and related transactions for approved commodities as dictated by usage.                                                                                                                    |
| Risk Book              | The official record in which all transaction risks related to changes in market prices is maintained for valuing, monitoring, managing, and reporting said risk.                                                 |
| RMP                    | Risk Management Policy                                                                                                                                                                                           |
| SCS                    | Southern Company Services, Inc.                                                                                                                                                                                  |
| Swaps                  | An agreement to exchange net future cash flows.                                                                                                                                                                  |
| Structured Transaction | Any negotiated transaction not readily traded in the market and the price of which is not easily validated.                                                                                                      |
| Transactions           | Futures, forwards, options, swaps, or other instruments conducted over-the-counter or via organized exchanges including long- and short-term agreements involving approved commodities or financial instruments. |

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

# Risk Management for Fuel and Wholesale Energy

