

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

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ORIGINAL



July 18, 2007

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

Dear Ms. Cole:

Re: Docket No.: 070001-EI

Enclosed are an original and seven copies of Gulf Power Company's Request Confidential Classification regarding the Company's response to Commission Staff's First Set of Interrogatories to Gulf Power.

CMP \_\_\_\_\_ Sincerely,  
COM \_\_\_\_\_  
CTR \_\_\_\_\_ *Susan D. Ritenour*  
ECR \_\_\_\_\_  
GCL 2 \_\_\_\_\_  
OPC \_\_\_\_\_  
RCA \_\_\_\_\_ bh  
SCR \_\_\_\_\_ cc: Beggs & Lane  
SGA \_\_\_\_\_ Jeffrey A. Stone, Esq.  
SEC \_\_\_\_\_  
OTH ccw records

DOCUMENT NUMBER-DATE

06052 JUL 19 5

FPSC-COMMISSION CLERK

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

Docket No.: 070001-EI  
Date: July 18, 2007

REQUEST FOR CONFIDENTIAL CLASSIFICATION

GULF POWER COMPANY ["Gulf Power", "Gulf", or the "Company"], by and through its undersigned attorneys and pursuant to Rule 25-22.006, Florida Administrative Code, hereby files a request that the Florida Public Service Commission enter an order protecting from public disclosure certain information submitted by Gulf Power in response to Commission Staff's First Set of Interrogatories to Gulf Power Company. As grounds for this request, the Company states:

1. On June 29, 2007, Gulf Power filed a Notice of Intent to Request Confidential Classification of information submitted in response to interrogatories numbered 1, 2, 4 and 5 of Commission Staff's First Set of Interrogatories pursuant to Rule 25-22.006, F.A.C. Because the documents are still in possession of the Commission Staff, Gulf files this Request for Confidential Classification pursuant to Rule 25-22.006(3)(a), F.A.C.

2. A portion of the information submitted by Gulf Power in response to interrogatories numbered 1, 2, 4 and 5 of Commission Staff's First Set of Interrogatories is proprietary confidential business information regarding contractual matters which would cause irreparable harm to Gulf Power, the entities with whom it has entered into contracts and most importantly to Gulf's customers if such information were disclosed to the general public. The information is entitled to confidential classification pursuant to §366.093(3) (d) and (e), Florida Statutes. Specifically, the confidential information consists of pricing terms for coal and natural gas offered to and/or purchased by Gulf Power in connection with Requests for Proposal issued by Gulf Power in 2006. Disclosure of this information would negatively impact Gulf's ability to

DOCUMENT NUMBER-DATE

06052 JUL 19 5

FPSC-COMMISSION CLERK

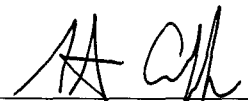
negotiate pricing favorable to its customers in the future. In addition, potential counterparties may refuse to enter into contracts with Gulf or would charge higher prices if the contract terms were made public.

3. 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.

4. Submitted as Exhibit "A" are copies of the subject documents, on which is highlighted the information for which confidential classification is requested. Exhibit "A" should be treated as confidential pending a ruling on this request. Attached as Exhibit "B" are two (2) edited copies of the subject documents, 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 18<sup>th</sup> day of July, 2007.



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**JEFFREY A. STONE**

Florida Bar No. 325953

**RUSSELL A. BADDERS**

Florida Bar No. 007455

**STEVEN R. GRIFFIN**

Florida Bar No. 0627569

**Beggs & Lane**

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(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.: 070001-EI  
Date: July 18, 2007

REQUEST FOR CONFIDENTIAL CLASSIFICATION

EXHIBIT "A"

Provided to the Commission Clerk  
under separate cover as confidential information

Staff's First Set of Interrogatories  
Docket No. 070001-EI  
GULF POWER COMPANY  
June 29, 2007  
Item No. 1  
Page 1 of 2

1. For each Request for Proposal for coal issued in 2006 by GULF, list the bids received.

ANSWER:

See the attached listing.

Staff's First Set of Interrogatories  
Docket No. 070001-EI  
GULF POWER COMPANY  
June 29, 2007  
Item No. 2  
Page 1 of 3

2. For each Request for Proposal for coal issued in 2006 by GULF, what action was taken? Include with your response, a summary of the evaluation process, and how the successful proposal was selected.

ANSWER:

See the attached letter dated August 31, 2006, from Tris Swindle (Coal Procurement Agent) to Rusty Ball (Fuel Manager for Gulf Power Company). All coal supply proposals are evaluated based on a delivered cost per MMBTU including any environmental costs. The low cost alternatives that meet Gulf's minimum coal quality specifications and agree to the specified terms and conditions of the coal supply agreement are selected.

EXHIBIT "B"

Staff's First Set of Interrogatories  
Docket No. 070001-EI  
GULF POWER COMPANY  
June 29, 2007  
Item No. 1  
Page 1 of 2

1. For each Request for Proposal for coal issued in 2006 by GULF, list the bids received.

ANSWER:

See the attached listing.



Gulf Power Company 2006 Spot Coal Evaluation  
Peabody Replacement Coal

	A	B	C	D	E	F	G	H	I	J	K	L	
Offer	Supplier	Tonnage	\$/Ton	Trans \$/Ton	TL/LM	Steve	%S	Btu/lb	Total \$/Ton	Del'd Cost \$/mmBtu	Allow Value	Del'd Cost w/ Sulfur \$/mmBtu	Load Point
1	1A	Glencore Russian	300,000				0.35	11,700					CIF McDuffie
2	1B	Glencore Russian	300,000				0.35	11,700					CIF Bulk Plant
3	1C	Glencore Russian	300,000				0.35	11,700					CIF MRT
4	1D	Glencore Russian	300,000				0.35	11,700					CIF Electrocoal
5	1E	Glencore Russian	300,000				0.35	11,700					CIF IMT
6	1F	Glencore Russian	300,000				0.35	11,700					CIF ICRMT
7	2A	Glencore La Jagua	1,600,000				0.75	12,400					CIF McDuffie
8	2B	Glencore La Jagua	1,600,000				0.75	12,400					CIF Bulk Plant
9	2C	Glencore La Jagua	1,600,000				0.75	12,400					CIF MRT
10	2D	Glencore La Jagua	1,600,000				0.75	12,400					CIF Electrocoal
11	2E	Glencore La Jagua	1,600,000				0.75	12,400					CIF IMT
12	2F	Glencore La Jagua	1,600,000				0.75	12,400					CIF ICRMT
13	3A	Glencore Calenturtlas	1,600,000				0.70	11,800					CIF McDuffie
14	3B	Glencore Calenturtlas	1,600,000				0.70	11,800					CIF Bulk Plant
15	3C	Glencore Calenturtlas	1,600,000				0.70	11,800					CIF MRT
16	3D	Glencore Calenturtlas	1,600,000				0.70	11,800					CIF Electrocoal
17	3E	Glencore Calenturtlas	1,600,000				0.70	11,800					CIF IMT
18	3F	Glencore Calenturtlas	1,600,000				0.70	11,800					CIF ICRMT
19	4A	Interocean Russian	440,000				0.40	11,800					FOB Barge McDuffie
20	4B	Interocean Russian	440,000				0.40	11,800					FOB Barge ICRMT
21	5A	Interocean Colombian	1,160,000				0.70	11,500					FOB Barge McDuffie
22	5B	Interocean Colombian	1,160,000				0.70	11,500					FOB Barge ICRMT
23	6A	Kennecott Australian	65,000				0.47	11,630					CIF Bulk Plant
24	6B	Kennecott Australian	65,000				0.47	11,630					CIF MRT
25	7A	Blue Creek Alabama	200,000				0.85	12,200					FOB Railcar Gurnee Junction
26	7B	Blue Creek Alabama	200,000				0.85	12,200					FOB Barge MP 353 Warrior River
27	8A	CMC Colombian	1,000,000				0.70	11,300					CIF Bulk Plant
28	8B	CMC Colombian	1,000,000				0.70	11,300					CIF MRT
29	8C	CMC Colombian	1,000,000				0.70	11,300					CIF IMT or ICRMT
30	8D	CMC Colombian	1,000,000				0.70	11,300					CIF Electrocoal
31	9A	Constellation Russian	330,000				0.30	11,800					CIF Bulk Plant or MRT
32	9B	Constellation S. African	330,000				0.50	11,300					CIF Bulk Plant or MRT
33	9C	Constellation Colombian	330,000				0.76	12,400					CIF Bulk Plant or MRT
34	10A	MacEachern Russian	240,000				0.40	11,300					CIF McDuffie
35	10B	MacEachern Russian	240,000				0.40	11,300					CIF Bulk Plant or MRT
36	10C	MacEachern Russian	240,000				0.40	11,300					CIF IMT
37	10D	MacEachern Russian	240,000				0.40	11,300					CIF Electrocoal

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ANSWER:

See the attached letter dated August 31, 2006, from Tris Swindle (Coal Procurement Agent) to Rusty Ball (Fuel Manager for Gulf Power Company). All coal supply proposals are evaluated based on a delivered cost per MMBTU including any environmental costs. The low cost alternatives that meet Gulf's minimum coal quality specifications and agree to the specified terms and conditions of the coal supply agreement are selected.



DATE: August 31, 2006

RE: GULF POWER COMPANY SPOT COAL SOLICITATION  
MARCH – DECEMBER 2006

FROM: Tris Swindle

To: Rusty Ball

This letter is written to document the recent spot coal purchase that was made on behalf of Gulf Power Company for the period March through December 2006. This solicitation was made to replace coal that had been supplied under the long-term coal supply agreement between Gulf and Peabody COALSALES to Plants Crist and Smith.

On January 23, 2006, Peabody sent a letter notifying Gulf of a permanent force majeure event at the Millennium portal of the Galatia Mine, citing adverse geological conditions as the cause. This mine had been the sole source for the supply of coal under this agreement. As a result of this force majeure claim, a review of Plant Crist and Smith's remaining 2006 inventory plan indicated the need to purchase approximately 1,500,000 tons of spot coal to replace the tons lost due to COALSALES' non-performance. Since COALSALES had not made any shipments under their base agreement with Gulf since August 2005, the decision was made to proceed with a spot coal solicitation in anticipation of future non-deliveries under this agreement. On January 17, 2006, a solicitation was emailed to the approved Gulf Power Company bidder's list. The proposal asked for offers for the period March through December 2006. The bid close date was January 31, 2006. In response to the solicitation, ten (10) bids from seven (7) different suppliers were received. The sources for these bids included offers from the Southern Appalachian, Australian, Russian, Colombian and South African coal supply regions.

In evaluating the offers submitted, the decision was made to re-bid this solicitation as the offers received were viewed to be non-competitive as compared to market intelligence gleaned from other sources, specifically Argus Coal Daily. With your permission, on February 8, 2006, a second email was issued requesting that each supplier either (1) modify their original offer or (2) leave their original offer unchanged. These offers were due on February 13, 2006. In evaluating the re-bids, economics to derive a delivered least cost line-up was employed using the ten (10) offers, their applicable transportation rates provided by Terry Howell, Transportation Agent, and their SO<sub>2</sub> allowance values

provided by Gary Hart, Manager of Emissions Trading. The least cost offer submitted was from Constellation Energy. This bid was a brokered coal offer from Russia's Kuzbass region. Constellation would not agree to any of Gulf's spot coal terms and conditions and since this was a brokered coal offer, the decision was made to not purchase this coal.

A

B

1 The next least cost offer was submitted by Glencore LTD. On the re-bid, Glencore  
2 elected not to modify their original offer. Their bid was still the most economical offer  
3 received. The source for this offer was Russian coal which, at the time, had not been  
4 extensively burned at Crist or Smith. Even though this bid was ultimately more  
5 economical than the next least cost offer from Interocean Coal Sales LDC (see below),  
6 the decision was made to not purchase a large quantity of this coal and instead go with  
7 the proven Interocean coal, which has been burned at both Crist and Smith for the past  
8 five years. The Glencore coal delivered to Crist for [REDACTED], including sulfur. The  
9 decision was made to purchase 260,000 tons of this coal for the reason stated above. The  
10 next least cost offer was submitted by Interocean for their Colombian coal, an approved  
11 source at both Crist and Smith. On their re-bid, Interocean reduced their FOB barge price  
12 and lowered their guaranteed sulfur content such that their modified offer delivered to  
13 Crist for [REDACTED] including sulfur. The decision was made to purchase 1,145,000  
tons of this coal.

The total purchased volume for this buy was 1,405,000 tons, or 95,000 tons short of the 1,500,000 tons indicated on Gulf's inventory spreadsheet. The decision was made to purchase this remaining uncommitted need at a future date. After review and concurrence of the above information with you, Purchase Order FP06004 was issued to Glencore for the Russian coal and Purchase Order FP06005 was issued to Interocean covering the Colombian purchase. These purchase orders were entered and verified in FAACS.

Cc  
SBC  
DJR  
CHH  
SCD

4. List the tonnage, delivered price, coal quality, and vendor information for all spot coal procured by GULF in 2006.

ANSWER:

A

- 1 • Glencore LTD
- 2 Load Point: Zarechnaya, Russia
- 3 Delivered Price: [REDACTED] delivered to Plant
- 4 Crist, including the cost of SO2 allowances.
- 5 Quantity: 260,000 tons
- 6 Quality: Heating Value – 11,700 BTU/LB min.
- 7 Moisture – 9.5% max.
- 8 Ash – 10% max.
- 9 Sulfur – 0.35% max.
  
- 10 • InterOcean Coal Sales, LDC
- 11 Load Point: Puerto Drummond, Colombia SA
- 12 Delivered Price: [REDACTED] delivered to Plant
- Crist, including the cost of SO2 allowances.
- Quantity: 1,145,000 tons
- Quality: Heating Value – 11,500 BTU/LB min.
- Moisture – 14% max.
- Ash – 8% max.
- Sulfur – 0.83 lbs SO2 per MMBTU max.

5. For each Request for Proposal for natural gas issued in 2006 by GULF, list the bids received.

ANSWER:

Southern Company Services, as agent for Gulf, issued two RFP's during 2006: the first on January 18, 2006 and the second on November 1, 2006. The list of bids received is documented on pages 2 and 3.

# Attachment A

## Gas Supply Bids 2-22-2006

FGT Zone 3 Basis	\$0.080
Transco Zone 4 Basis	\$0.120

A B C D

	Bidder	Term	Delivery Period	Quantity DTH/day	Receipt Location	Bid Price	Demand Adder	Bid Adder	Adder to Henry Hub	to Henry Hub
1	6 Constellation	2 Years	Jun 06 - May 08	45,000	Destin	Annual GD FGT Zone 3				
2	7 Constellation	4 Years	Jun 06 - May 10	45,000	Destin	Annual GD FGT Zone 3				
3	4 Constellation	2 Years	Jun 06 - May 08	45,000	Destin	Annual > of GD FGT Z3 or GD Transco Z4				
4	86 Coral Energy	4 Years	Jun 06 - May 10	20,000	Destin	Annual > of GD FGT Z3 or GD Transco Z4				
5	5 Constellation	4 Years	Jun 06 - May 10	45,000	Destin	Annual > of GD FGT Z3 or GD Transco Z4				
6	40 BP	1 Year	Jun 06 - May 07	45,000	Destin	Annual > GD All Destin Delv. Pts				
7	41 BP	4 Years	Jun 06 - May 10	45,000	Destin	Annual > GD All Destin Delv. Pts				
8	38 Occidental	1 Year	Jun 06 - May 07	10,000	Destin	Annual GD Transco Zone 4				
9	24 Constellation	2 Summers	Jun - Aug	45,000	Destin	Summer GD FGT Zone 3				
10	90 Coral Energy	4 Summers	Jun - Aug	20,000	Destin	Summer GD FGT Zone 3				
11	25 Constellation	4 Summers	Jun - Aug	45,000	Destin	Summer GD FGT Zone 3				
12	48 BP	1 Summer	Jun - Aug	20,000	Destin	Summer > GD All Destin Delv. Pts				
13	22 Constellation	2 Summers	Jun - Aug	45,000	Destin	Summer > of GD FGT Z3 or GD Transco Z4				
14	23 Constellation	4 Summers	Jun - Aug	45,000	Destin	Summer > of GD FGT Z3 or GD Transco Z4				
15	49 BP	4 Summers	Jun - Aug	20,000	Destin	Summer > GD All Destin Delv. Pts				
16	85 CenterPoint Energy	1 Year	Jun 06 - May 07	10,000	Destin - FGT	Annual IF FGT Zone 3				
17	84 CenterPoint Energy	1 Summer	Apr - Oct	10,000	Destin - FGT	Summer IF FGT Zone 3				
18	12 Constellation	2 Years	Jun 06 - May 08	40,000	Mobile Bay	Annual GD FGT Zone 3				
19	13 Constellation	4 Years	Jun 06 - May 10	35,000	Mobile Bay	Annual GD FGT Zone 3				
20	42 BP	1 Year	Jun 06 - May 07	40,000	Mobile Bay	Annual > GD All MB Delv. Pts.				
21	14 Constellation	2 Years	Apr 06 - Mar 08	10,000	Mobile Bay	Annual IF FGT Zone 3				
22	71 Chevron Natural Gas	1 Year	Jun 06 - May 07	40,000	Mobile Bay	Annual GD FGT Zone 3				
23	44 BP	1 Year	Jun 06 - May 07	10,000	Mobile Bay	Annual IF FGT Zone 3				
24	45 BP	4 Years	Jun 06 - May 10	10,000	Mobile Bay	Annual IF FGT Zone 3				
25	43 BP	4 Years	Jun 06 - May 10	40,000	Mobile Bay	Annual > GD All MB Delv. Pts.				
26	72 Chevron Natural Gas	2 Years	Jun 06 - May 08	40,000	Mobile Bay	Annual GD FGT Zone 3				
27	15 Constellation	4 Years	Apr 06 - Mar 10	10,000	Mobile Bay	Annual IF FGT Zone 3				
28	83 CenterPoint Energy	1 Year	Jun 06 - May 07	10,000	Mobile Bay	Annual GD FGT Zone 3				
29	82 CenterPoint Energy	1 Summer	Apr - Oct	10,000	Mobile Bay	Summer GD FGT Zone 3				
30	93 ExxonMobil Gas & Power	1 Summer	Apr - Oct	10,000	Mobile Bay - Williams	Summer IF FGT Zone 3				
31	94 ExxonMobil Gas & Power	1 Summer	Apr - Oct	10,000	Mobile Bay - MGS	Summer IF FGT Zone 3				
32	89 Coral Energy	4 Years	Jun 06 - May 10	10,000	Mobile Bay - Yellowhammer	Annual > IF FGT Zone 3 or Transco MS/AL				

# Attachment B

## Gas Supply Bids 12-6-2006

FGT Zone 3 Basis \$0.291

A B C D E  
Gas Price \$7.5000  
Comm. Or

Bidder	Term	Delivery Period	Quantity DTH/day	Receipt Pipe	Receipt Location	Season	Bid Price	Demand Adder	Bid Adder	Deliv. Fuel	Adder to Henry Hub	to Henry Hub
79 Chevron - 34	1 Year	June - Aug	20,000	Destin	All points	Summer	GD FGT Zone 3					
80 Chevron - 35	2 Years	June - Aug	20,000	Destin	All points	Summer	GD FGT Zone 3					
81 Chevron - 36	3 Years	June - Aug	20,000	Destin	All points	Summer	GD FGT Zone 3					
17 Constellation - 7	Up to 3 Years	June - Aug	20,000	Destin	FGT Only	Summer	GD FGT Zone 3					
88 Coral - 4	3 Years	June - Aug	20,000	Destin	All points	Summer	GD FGT Zone 3					
73 Chevron - 28	1 Year	June - Aug	20,000	FGT/Mobile Bay	All points	Summer	GD FGT Zone 3					
74 Chevron - 29	2 Years	June - Aug	20,000	FGT/Mobile Bay	All points	Summer	GD FGT Zone 3					
19 Constellation - 9	1 Year	June - Aug	20,000	FGT/Mobile Bay	All points	Summer	GD FGT Zone 3					
75 Chevron - 30	3 Years	June - Aug	20,000	FGT/Mobile Bay	All points	Summer	GD FGT Zone 3					
98 BG - 3	2 or 3 Years	May - Sept	20,000	FGT/Mobile Bay	Plant Smith	Summer	GD FGT Zone 3					
45 TEA	3 Years	May 07 - May 10	35,000	FGT/Mobile Bay	Cypress/FGT Interconnect	Annual	Inside FERC HH					



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1. For each Request for Proposal for coal issued in 2006 by GULF, list the bids received.

ANSWER:

See the attached listing.

Gulf Power Company 2006 Spot Coal Evaluation  
Peabody Replacement Coal

	A	B	C	D	E	F	G	H	I	J	K	L	
Offer	Supplier	Tonnage	\$/Ton	Trans \$/Ton	TL/LM	Steve	%S	Btu/lb	Total \$/Ton	Del'd Cost \$/mmBtu	Allow Value	Del'd Cost w/ Sulfur \$/mmBtu	Load Point
1	1A	Glencore Russian	300,000				0.35	11,700					CIF McDuffie
2	1B	Glencore Russian	300,000				0.35	11,700					CIF Bulk Plant
3	1C	Glencore Russian	300,000				0.35	11,700					CIF MRT
4	1D	Glencore Russian	300,000				0.35	11,700					CIF Electrocoal
5	1E	Glencore Russian	300,000				0.35	11,700					CIF IMT
6	1F	Glencore Russian	300,000				0.35	11,700					CIF ICRMT
7	2A	Glencore La Jagua	1,600,000				0.75	12,400					CIF McDuffie
8	2B	Glencore La Jagua	1,600,000				0.75	12,400					CIF Bulk Plant
9	2C	Glencore La Jagua	1,600,000				0.75	12,400					CIF MRT
10	2D	Glencore La Jagua	1,600,000				0.75	12,400					CIF Electrocoal
11	2E	Glencore La Jagua	1,600,000				0.75	12,400					CIF IMT
12	2F	Glencore La Jagua	1,600,000				0.75	12,400					CIF ICRMT
13	3A	Glencore Calenturtias	1,600,000				0.70	11,800					CIF McDuffie
14	3B	Glencore Calenturtias	1,600,000				0.70	11,800					CIF Bulk Plant
15	3C	Glencore Calenturtias	1,600,000				0.70	11,800					CIF MRT
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26	7B	Blue Creek Alabama	200,000				0.85	12,200					FOB Barge MP 353 Warrior River
27	8A	CMC Colombian	1,000,000				0.70	11,300					CIF Bulk Plant
28	8B	CMC Colombian	1,000,000				0.70	11,300					CIF MRT
29	8C	CMC Colombian	1,000,000				0.70	11,300					CIF IMT or ICRMT
30	8D	CMC Colombian	1,000,000				0.70	11,300					CIF Electrocoal
31	9A	Constellation Russian	330,000				0.30	11,800					CIF Bulk Plant or MRT
32	9B	Constellation S. African	330,000				0.50	11,300					CIF Bulk Plant or MRT
33	9C	Constellation Colombian	330,000				0.76	12,400					CIF Bulk Plant or MRT
34	10A	MacEachern Russian	240,000				0.40	11,300					CIF McDuffie
35	10B	MacEachern Russian	240,000				0.40	11,300					CIF Bulk Plant or MRT
36	10C	MacEachern Russian	240,000				0.40	11,300					CIF IMT
37	10D	MacEachern Russian	240,000				0.40	11,300					CIF Electrocoal

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DATE: August 31, 2006

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MARCH – DECEMBER 2006

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To: Rusty Ball

This letter is written to document the recent spot coal purchase that was made on behalf of Gulf Power Company for the period March through December 2006. This solicitation was made to replace coal that had been supplied under the long-term coal supply agreement between Gulf and Peabody COALSALES to Plants Crist and Smith.

On January 23, 2006, Peabody sent a letter notifying Gulf of a permanent force majeure event at the Millennium portal of the Galatia Mine, citing adverse geological conditions as the cause. This mine had been the sole source for the supply of coal under this agreement. As a result of this force majeure claim, a review of Plant Crist and Smith's remaining 2006 inventory plan indicated the need to purchase approximately 1,500,000 tons of spot coal to replace the tons lost due to COALSALES' non-performance. Since COALSALES had not made any shipments under their base agreement with Gulf since August 2005, the decision was made to proceed with a spot coal solicitation in anticipation of future non-deliveries under this agreement. On January 17, 2006, a solicitation was emailed to the approved Gulf Power Company bidder's list. The proposal asked for offers for the period March through December 2006. The bid close date was January 31, 2006. In response to the solicitation, ten (10) bids from seven (7) different suppliers were received. The sources for these bids included offers from the Southern Appalachian, Australian, Russian, Colombian and South African coal supply regions.

In evaluating the offers submitted, the decision was made to re-bid this solicitation as the offers received were viewed to be non-competitive as compared to market intelligence gleaned from other sources, specifically Argus Coal Daily. With your permission, on February 8, 2006, a second email was issued requesting that each supplier either (1) modify their original offer or (2) leave their original offer unchanged. These offers were due on February 13, 2006. In evaluating the re-bids, economics to derive a delivered least cost line-up was employed using the ten (10) offers, their applicable transportation rates provided by Terry Howell, Transportation Agent, and their SO<sub>2</sub> allowance values

provided by Gary Hart, Manager of Emissions Trading. The least cost offer submitted was from Constellation Energy. This bid was a brokered coal offer from Russia's Kuzbass region. Constellation would not agree to any of Gulf's spot coal terms and conditions and since this was a brokered coal offer, the decision was made to not purchase this coal.

A

B

1 The next least cost offer was submitted by Glencore LTD. On the re-bid, Glencore  
2 elected not to modify their original offer. Their bid was still the most economical offer  
3 received. The source for this offer was Russian coal which, at the time, had not been  
4 extensively burned at Crist or Smith. Even though this bid was ultimately more  
5 economical than the next least cost offer from Interocean Coal Sales LDC (see below),  
6 the decision was made to not purchase a large quantity of this coal and instead go with  
7 the proven Interocean coal, which has been burned at both Crist and Smith for the past  
8 five years. The Glencore coal delivered to Crist for [REDACTED], including sulfur. The  
9 decision was made to purchase 260,000 tons of this coal for the reason stated above. The  
10 next least cost offer was submitted by Interocean for their Colombian coal, an approved  
11 source at both Crist and Smith. On their re-bid, Interocean reduced their FOB barge price  
12 and lowered their guaranteed sulfur content such that their modified offer delivered to  
13 Crist for [REDACTED] including sulfur. The decision was made to purchase 1,145,000  
tons of this coal.

The total purchased volume for this buy was 1,405,000 tons, or 95,000 tons short of the 1,500,000 tons indicated on Gulf's inventory spreadsheet. The decision was made to purchase this remaining uncommitted need at a future date. After review and concurrence of the above information with you, Purchase Order FP06004 was issued to Glencore for the Russian coal and Purchase Order FP06005 was issued to Interocean covering the Colombian purchase. These purchase orders were entered and verified in FAACS.

Cc  
SBC  
DJR  
CHH  
SCD

4. List the tonnage, delivered price, coal quality, and vendor information for all spot coal procured by GULF in 2006.

ANSWER:

A

- 1 • Glencore LTD
- 2 Load Point: Zarechnaya, Russia
- 3 Delivered Price: [REDACTED] delivered to Plant
- 4 Crist, including the cost of SO2 allowances.
- 5 Quantity: 260,000 tons
- 6 Quality: Heating Value – 11,700 BTU/LB min.
- 7 Moisture – 9.5% max.
- 8 Ash – 10% max.
- 9 Sulfur – 0.35% max.
  
- 10 • InterOcean Coal Sales, LDC
- 11 Load Point: Puerto Drummond, Colombia SA
- 12 Delivered Price: [REDACTED] delivered to Plant
- Crist, including the cost of SO2 allowances.
- Quantity: 1,145,000 tons
- Quality: Heating Value – 11,500 BTU/LB min.
- Moisture – 14% max.
- Ash – 8% max.
- Sulfur – 0.83 lbs SO2 per MMBTU max.

Staff's First Set of Interrogatories  
Docket No. 070001-EI  
GULF POWER COMPANY  
June 29, 2007  
Item No. 5  
Page 1 of 3

5. For each Request for Proposal for natural gas issued in 2006 by GULF, list the bids received.

ANSWER:

Southern Company Services, as agent for Gulf, issued two RFP's during 2006: the first on January 18, 2006 and the second on November 1, 2006. The list of bids received is documented on pages 2 and 3.

# Attachment A

## Gas Supply Bids 2-22-2006

FGT Zone 3 Basis	\$0.080
Transco Zone 4 Basis	\$0.120

A B C D

Bidder	Term	Delivery Period	Quantity DTH/day	Receipt Location	Bid Price	Demand Adder	Bid Adder	Adder to Henry Hub	to Henry Hub
1 6 Constellation	2 Years	Jun 06 - May 08	45,000	Destin	Annual	GD FGT Zone 3			
2 7 Constellation	4 Years	Jun 06 - May 10	45,000	Destin	Annual	GD FGT Zone 3			
3 4 Constellation	2 Years	Jun 06 - May 08	45,000	Destin	Annual	> of GD FGT Z3 or GD Transco Z4			
4 86 Coral Energy	4 Years	Jun 06 - May 10	20,000	Destin	Annual	> of GD FGT Z3 or GD Transco Z4			
5 5 Constellation	4 Years	Jun 06 - May 10	45,000	Destin	Annual	> of GD FGT Z3 or GD Transco Z4			
6 40 BP	1 Year	Jun 06 - May 07	45,000	Destin	Annual	> GD All Destin Delv. Pts			
7 41 BP	4 Years	Jun 06 - May 10	45,000	Destin	Annual	> GD All Destin Delv. Pts			
8 38 Occidental	1 Year	Jun 06 - May 07	10,000	Destin	Annual	GD Transco Zone 4			
9 24 Constellation	2 Summers	Jun - Aug	45,000	Destin	Summer	GD FGT Zone 3			
10 90 Coral Energy	4 Summers	Jun - Aug	20,000	Destin	Summer	GD FGT Zone 3			
11 25 Constellation	4 Summers	Jun - Aug	45,000	Destin	Summer	GD FGT Zone 3			
12 48 BP	1 Summer	Jun - Aug	20,000	Destin	Summer	> GD All Destin Delv. Pts			
13 22 Constellation	2 Summers	Jun - Aug	45,000	Destin	Summer	> of GD FGT Z3 or GD Transco Z4			
14 23 Constellation	4 Summers	Jun - Aug	45,000	Destin	Summer	> of GD FGT Z3 or GD Transco Z4			
15 49 BP	4 Summers	Jun - Aug	20,000	Destin	Summer	> GD All Destin Delv. Pts			
16 85 CenterPoint Energy	1 Year	Jun 06 - May 07	10,000	Destin - FGT	Annual	IF FGT Zone 3			
17 84 CenterPoint Energy	1 Summer	Apr - Oct	10,000	Destin - FGT	Summer	IF FGT Zone 3			
18 12 Constellation	2 Years	Jun 06 - May 08	40,000	Mobile Bay	Annual	GD FGT Zone 3			
19 13 Constellation	4 Years	Jun 06 - May 10	35,000	Mobile Bay	Annual	GD FGT Zone 3			
20 42 BP	1 Year	Jun 06 - May 07	40,000	Mobile Bay	Annual	> GD All MB Delv. Pts.			
21 14 Constellation	2 Years	Apr 06 - Mar 08	10,000	Mobile Bay	Annual	IF FGT Zone 3			
22 71 Chevron Natural Gas	1 Year	Jun 06 - May 07	40,000	Mobile Bay	Annual	GD FGT Zone 3			
23 44 BP	1 Year	Jun 06 - May 07	10,000	Mobile Bay	Annual	IF FGT Zone 3			
24 45 BP	4 Years	Jun 06 - May 10	10,000	Mobile Bay	Annual	IF FGT Zone 3			
25 43 BP	4 Years	Jun 06 - May 10	40,000	Mobile Bay	Annual	> GD All MB Delv. Pts.			
26 72 Chevron Natural Gas	2 Years	Jun 06 - May 08	40,000	Mobile Bay	Annual	GD FGT Zone 3			
27 15 Constellation	4 Years	Apr 06 - Mar 10	10,000	Mobile Bay	Annual	IF FGT Zone 3			
28 83 CenterPoint Energy	1 Year	Jun 06 - May 07	10,000	Mobile Bay	Annual	GD FGT Zone 3			
29 82 CenterPoint Energy	1 Summer	Apr - Oct	10,000	Mobile Bay	Summer	GD FGT Zone 3			
30 93 ExxonMobil Gas & Power	1 Summer	Apr - Oct	10,000	Mobile Bay - Williams	Summer	IF FGT Zone 3			
31 94 ExxonMobil Gas & Power	1 Summer	Apr - Oct	10,000	Mobile Bay - MGS	Summer	IF FGT Zone 3			
32 89 Coral Energy	4 Years	Jun 06 - May 10	10,000	Mobile Bay - Yellowhammer	Annual	> IF FGT Zone 3 or Transco MS/AL			



# Attachment B

## Gas Supply Bids 12-6-2006

FGT Zone 3 Basis \$0.291

A B C D E  
Gas Price \$7.5000  
Comm. Or

Bidder	Term	Delivery Period	Quantity DTH/day	Receipt Pipe	Receipt Location	Season	Bid Price	Demand Adder	Bid Adder	Deliv. Fuel	Adder to Henry Hub	to Henry Hub
79 Chevron - 34	1 Year	June - Aug	20,000	Destln	All points	Summer	GD FGT Zone 3					
80 Chevron - 35	2 Years	June - Aug	20,000	Destln	All points	Summer	GD FGT Zone 3					
81 Chevron - 36	3 Years	June - Aug	20,000	Destln	All points	Summer	GD FGT Zone 3					
17 Constellation - 7	Up to 3 Years	June - Aug	20,000	Destln	FGT Only	Summer	GD FGT Zone 3					
88 Coral - 4	3 Years	June - Aug	20,000	Destln	All points	Summer	GD FGT Zone 3					
73 Chevron - 28	1 Year	June - Aug	20,000	FGT/Mobile Bay	All points	Summer	GD FGT Zone 3					
74 Chevron - 29	2 Years	June - Aug	20,000	FGT/Mobile Bay	All points	Summer	GD FGT Zone 3					
19 Constellation - 9	1 Year	June - Aug	20,000	FGT/Mobile Bay	All points	Summer	GD FGT Zone 3					
75 Chevron - 30	3 Years	June - Aug	20,000	FGT/Mobile Bay	All points	Summer	GD FGT Zone 3					
98 BG - 3	2 or 3 Years	May - Sept	20,000	FGT/Mobile Bay	Plant Smith	Summer	GD FGT Zone 3					
45 TEA	3 Years	May 07 - May 10	35,000	FGT/Mobile Bay	Cypress/FGT Interconnect	Annual	Inside FERC HH					

EXHIBIT "C"

**Line-by-Line/Field-by-Field Justification**

**Line(s)/Field(s)**

**Justification**

**Response to Interrogatory # 1**

Spot Coal Evaluation Chart  
Lines 1-37, Columns C-F, I-L

This information is entitled to confidential classification pursuant to §366.093(3) (d) and (e), Florida Statutes. The basis for this information being designated as confidential is more fully set forth in paragraph 2.

**Response to Interrogatory # 2**

August 31, 2006 Correspondence  
Line 8, Column B  
Line 13, Column A

**Response to Interrogatory #4**

Lines 3 and 12, Column A

**Response to Interrogatory # 5**

Attachment "A"  
Lines 1-32, Columns A-D  
Attachment "B"  
Lines 1-11, Columns A-E

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true and correct copy of the foregoing was furnished by U. S mail this 19th day of July, 2007, on the following:

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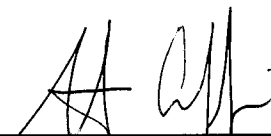
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**CONFIDENTIAL**

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

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**DATE:** 7/19/07  
**TO:** S. Ritenour / GPC  
**FROM:** R. Nettles, Division of the Commission Clerk &  
Administrative Services  
**RE:** **Acknowledgment of Receipt of Confidential Filing**

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This will acknowledge receipt of a **CONFIDENTIAL DOCUMENT** filed in Docket No. 070001-LEI or (if filed in an undocketed matter) concerning Response to staff's 1st set of interrogatories, and filed on behalf of Gulf Power Company. The document will be maintained in locked storage.

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

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PSC/CCA019-C(Rev 12/06)

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