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July 10, 2008

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

Dear Ms. Cole:

Re: Docket No. 080001-EI

Enclosed is the original of Gulf Power Company's response to Staff's Data Request dated July 7, 2008, to be filed in the above referenced docket. Responses to Items 10 through 14 are preliminary in nature and Gulf plans to finalize these responses by Monday, July 14, 2008.

Sincerely,

Susan D. Ritenour
buh

bh

Enclosures

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

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

Docket No.: **080001-EI**

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing was furnished by U. S. mail this 10th day of July, 2008, on the following:

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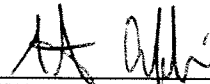
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1. Did Gulf calculate its Estimated Revenue Dollars on the A-2 Schedule for January through May and its Estimated Revenue Dollars on the E1-B Schedule by dividing 3.954 cents per kWh by 1.00072, and then multiplying the quotient by estimated mWh's (times 10)? That is, does Gulf calculate Estimated Revenue Dollars as follows:

$$\text{Estimated Revenue Dollars} = \text{Estimated mWh} * (3.954/1.00072) * 10?$$

GULF'S RESPONSE:

Yes.

2. Does Gulf agree that when it revised its Estimated Revenue Dollars and mWh's for the mid-course E1-B Schedule, Estimated Revenues per mWh did not change for June through December 2008 (i.e., did not change from January through May)? (Table 1)

GULF'S RESPONSE:

Yes. Gulf used the current approved levelized fuel factor to calculate estimated revenue for June through December 2008 on the midcourse E1-B schedule utilizing the methodology outlined in Item No. 1.

3. Does Gulf agree that the monthly Jurisdictional kWh Sales Dollars for 2008 would be calculated by multiplying the monthly Jurisdictional Percentages by the monthly Territorial kWh Sales Dollars, as in Table 2?

GULF'S RESPONSE:

Yes.

4. Does Gulf agree that the annual Estimated Jurisdictional Dollar total for 2008, calculated using monthly (variable) Jurisdictional Percentages, would be \$418,589,128 as summed in Table 2?

GULF'S RESPONSE:

Yes.

5. Does Gulf agree that the annual total in Question 4, adjusted for Line Losses, is \$418,882,140?

$$\$418,589,128 * 1.0007 = \$418,882,140$$

GULF'S RESPONSE:

Yes.

6. Does Gulf agree that the difference between the product in Question 5 and the comparable amount from the original 2008 E-1 Schedule is only -\$7,871?

$$\$418,882,140 - \$418,890,011 = -\$7,871$$

[(Sum of Monthly Dollars * Line-Loss Factor) – E-1 Schedule Annual Calculation]

GULF'S RESPONSE:

Yes.

7. Does Gulf agree that if it had (a) summed the monthly calculations in Table 2, (b) adjusted the sum for Line Losses, and (c) used the product as its Jurisdictional kWh Sales Adjusted for Line Losses in Schedule E-1, the Fuel Factor Rounded to Nearest .001 c/kWh would have been calculated as follows?

$$\begin{aligned} & \{[(\text{Alternative Jurisdictional KWH Sales Adjusted for Line Losses Plus True-up}) * \\ & \text{Revenue Tax Factor}] \text{ Plus GPIF Reward} \} / (\text{Jurisdictional mWh} * 10) \\ & = \{[(\$418,882,140 + 43,326,799) * 1.00072] - 205,097\} / (11,692,537 * 10) \\ & = 3.954 \end{aligned}$$

GULF'S RESPONSE:

Yes.

8. Does Gulf agree that using (a) the alternative Jurisdictional KWH Sales Dollar amount in Question 5, rather than (b) the annual-calculation dollar amount in its 2008 E-1 Schedule, would not have changed the 2008 Fuel Factor Rounded to Nearest .001 c/kWh?

GULF'S RESPONSE:

Yes.

9. For this data request, please provide:
- (a.) Fuel Cost Recovery Schedule E-10s for the period September through December 2008 and January through December 2009 for each of the following four scenarios based on the best information currently available to Gulf regarding projected utility costs, customer counts, sales, etc.:
1. If Gulf's petition for mid-course correction is approved as filed;
 2. If Gulf's petition for mid-course correction is denied;
 3. If the Commission requires the mid-course under-recovery to be collected entirely in the remaining (last) four months of 2008; and
 4. If the Commission requires the mid-course under-recovery to be collected evenly over the last four months of 2008 and the twelve months of 2009.
- (b.) Regarding (a.) above, please identify and explain all cost drivers (e.g., planned environmental costs, base rate proceedings, litigation, settlements) that cause a change of more than \$0.20 for 1000 kWh residential bill for 2009 and for the last four months of 2008.

GULF'S RESPONSE:

- (a.) See page 3 for Gulf's mid-course analysis of a residential bill for 1,000 kWh in E-10 Schedule format.
- (b.) For purposes of this response, it was assumed that the question referred to non-fuel components of the bill since explanations of changes to the fuel component have been provided in Gulf's midcourse petition. Gulf has not requested any changes to the non-fuel components of the bill for the last four months of 2008. For 2009, items causing a change of more the \$0.20 to the 1,000 kWh residential bill are capacity costs, environmental costs, and Gulf's storm surcharge.

During 2009, capacity costs are expected to increase as a result of Gulf's purchased power agreements with Coral Power, L.L. C. and Southern Power Company becoming effective on June 1, 2009. These contracts were approved by the FPSC in Order No. PSC-07-0329-PAA-EI in Docket No. 060811-EI.

During 2009, environmental costs are expected to increase primarily due to the additional expense for annual and seasonal NO_x allowances. The Clean Air Interstate Rule (CAIR) NO_x program starts on January 1, 2009. Also, the Crist Units 4 through 7 scrubber is expected to be placed-in-service during December 2009, which will also increase environmental costs.

The Stipulation and Settlement Agreement between Gulf, Office of Public Counsel, Florida Industrial Power Users Group, Florida Retail Federation, and AARP, approved by FPSC Order No. PSC-06-0601-S-EI dated July 10, 2006, included a provision to extend Gulf's storm surcharge until the last billing cycle in June 2009. Therefore, Gulf's current storm surcharge will be removed from bills beginning with the first billing cycle of July 2009.

GULF POWER COMPANY
RESIDENTIAL BILL COMPARISON
FOR MONTHLY USAGE OF 1000 KWH
PROPOSED FOR THE PERIOD OF: SEPTEMBER 2008 - DECEMBER 2008
AND ESTIMATED FOR: JANUARY 2009
2008 MIDCOURSE ANALYSIS

	2008 Current Approved	Scenario All					Scenario \$0 in 2008				
		Collect \$76 in Sep. - Dec. '08					Collect \$0 in 2008 & \$76M in 2009				
		Sep. - Dec. 2008	Jan. - Jun. 2009	% change	Jul. - Dec. 2009	% change	Sep. - Dec. 2008	Jan. - Jun. 2009	% change	Jul. - Dec. 2009	% change
Base Rate	\$49.30	\$49.30	\$49.30	0.0%	\$49.30	0.0%	\$49.30	\$49.30	0.0%	\$49.30	0.0%
Fuel Cost Recovery	39.75	61.53	48.09	54.8%	48.09	-21.8%	39.75	54.53	37.2%	54.53	0.0%
Capacity Cost Recovery	2.71	2.71	3.00	0.0%	3.00	10.7%	2.71	3.00	10.7%	3.00	0.0%
Energy Conservation Cost Recovery	0.97	0.97	0.97	0.0%	0.97	0.0%	0.97	0.97	0.0%	0.97	0.0%
Environmental Cost Recovery	4.36	4.36	6.75	0.0%	6.75	54.8%	4.36	6.75	54.8%	6.75	0.0%
Storm Surcharge	2.57	2.57	2.57	0.0%	0.00	-100.0%	2.57	2.57	0.0%	0.00	-100.0%
Subtotal	\$99.66	\$121.44	\$110.68	21.9%	\$108.11	-8.9%	\$99.66	\$117.12	17.5%	\$114.55	-2.2%
Gross Receipts Tax	2.56	3.12	2.84	21.9%	2.77	-9.0%	2.56	3.01	17.6%	2.94	-2.3%
Total	\$102.22	\$124.56	\$113.52	21.9%	\$110.88	-8.9%	\$102.22	\$120.13	17.5%	\$117.49	-2.2%

GULF POWER COMPANY
 RESIDENTIAL BILL COMPARISON
 FOR MONTHLY USAGE OF 1000 KWH
 PROPOSED FOR THE PERIOD OF: SEPTEMBER 2008 - DECEMBER 2008
 AND ESTIMATED FOR: JANUARY 2009
 2008 MIDCOURSE ANALYSIS

As Filed in Petition 6/20/08
 Scenario Level Fuel Factor
 Collect \$41M in Sep. - Dec. '08
 & \$35M in 2009

	Sep. - Dec. 2008	% change	Jan. - Jun. 2009	% change	Jul. - Dec. 2009	% change
Base Rate	\$49.30	0.0%	\$49.30	0.0%	\$49.30	0.0%
Fuel Cost Recovery	51.00	28.3%	51.08	0.2%	51.08	0.0%
Capacity Cost Recovery	2.71	0.0%	3.00	10.7%	3.00	0.0%
Energy Conservation Cost Recovery	0.97	0.0%	0.97	0.0%	0.97	0.0%
Environmental Cost Recovery	4.36	0.0%	6.75	54.8%	6.75	0.0%
Storm Surcharge	2.57	0.0%	2.57	0.0%	0.00	-100.0%
Subtotal	\$110.91	11.3%	\$113.67	2.5%	\$111.10	-2.3%
Gross Receipts Tax	2.85	11.3%	2.92	2.5%	2.85	-2.4%
Total	\$113.76	11.3%	\$116.59	2.5%	\$113.95	-2.3%

	Sep. - Dec. 2008	% change	Jan. - Jun. 2009	% change	Jul. - Dec. 2009	% change
Base Rate	\$49.30	0.0%	\$49.30	0.0%	\$49.30	0.0%
Fuel Cost Recovery	45.74	15.1%	52.93	15.7%	52.93	0.0%
Capacity Cost Recovery	2.71	0.0%	3.00	10.7%	3.00	0.0%
Energy Conservation Cost Recovery	0.97	0.0%	0.97	0.0%	0.97	0.0%
Environmental Cost Recovery	4.36	0.0%	6.75	54.8%	6.75	0.0%
Storm Surcharge	2.57	0.0%	2.57	0.0%	0.00	-100.0%
Subtotal	\$105.65	6.0%	\$115.52	9.3%	\$112.95	-2.2%
Gross Receipts Tax	2.71	5.9%	2.96	9.2%	2.90	-2.0%
Total	\$108.36	6.0%	\$118.48	9.3%	\$115.85	-2.2%

Scenario 16 Month Even Spread
 Collect \$76M evenly over 16 months

10. For this data request, please provide:
- (a.) The dates of the price projections used for Gulf's original E schedules filed with its projection testimony in September 2007 and for Gulf's mid-course petition. Please state the date of the projections by fuel type: coal, natural gas, purchased power, and power sold.
 - (b.) For each date and fuel type above, provide the monthly commodity prices for fuel and the price (\$/mWh) for purchased power and power sold that support the E schedules. In addition, please continue the monthly price projections, fuel type and commodity price, through 2009.

GULF'S RESPONSE:

Gulf relied upon price projections developed in July 2007 for the September 2007 projection testimony and price projections developed in May 2008 for the midcourse petition projections for each of the fuel types listed in item 10.a. above.

Please see table titled *Gulf Power Company Commodity Price Projections by Fuel Type* on page 2 of 2.

**Gulf Power Company
Commodity Price Projections by Fuel Type**

July 2007 Price Projections

May 2008 Price Projections

Year	Month	Coal		Natural Gas	Purchased Power	Power Sales	Coal		Natural Gas	Purchased Power	Power Sales
		\$/ton	\$/MMBtu	\$/MMBtu	\$/MWh	\$/MWh	\$/ton	\$/MMBtu	\$/MMBtu	\$/MWh	\$/MWh
2007	Jul	50.87	2.12	7.73	109.40	40.70					
	Aug	50.46	2.10	7.91	90.80	41.00					
	Sep	49.40	2.07	7.75	68.70	36.50					
	Oct	50.34	2.11	7.73	57.70	35.20					
	Nov	48.79	2.01	8.34	62.30	36.00					
	Dec	50.92	2.06	9.07	67.30	34.30					
2008	Jan	52.53	2.23	9.54	48.70	40.40					
	Feb	52.93	2.25	9.45	43.80	37.40					
	Mar	53.38	2.27	9.24	40.30	39.20					
	Apr	53.34	2.30	8.36	35.10	40.10					
	May	53.99	2.33	8.37	29.30	34.20					
	Jun	58.72	2.51	8.61	44.10	40.80	51.33	2.22	11.11	91.60	51.80
	Jul	58.92	2.52	8.82	52.20	46.40	52.17	2.26	11.40	117.30	53.30
	Aug	59.12	2.53	8.94	56.60	44.50	52.83	2.29	11.49	113.20	54.20
	Sep	59.81	2.55	8.74	43.60	42.10	52.18	2.27	11.42	95.00	51.90
	Oct	60.24	2.56	8.70	39.50	46.30	53.27	2.30	11.23	70.60	57.90
	Nov	59.92	2.55	9.05	36.70	48.50	59.48	2.52	11.49	62.70	54.20
	Dec	50.37	2.18	9.55	35.80	39.60	55.30	2.36	11.90	64.40	46.30
2009	Jan	51.20	2.26	9.30	63.66	43.30	55.25	2.39	12.13	84.80	49.00
	Feb	53.40	2.32	8.94	59.13	42.91	52.06	2.29	12.09	71.00	52.00
	Mar	48.88	2.18	8.35	54.54	39.32	58.33	2.52	11.70	72.80	48.60
	Apr	48.81	2.20	8.24	48.02	39.87	63.29	2.70	9.97	66.70	48.60
	May	47.44	2.06	8.77	46.57	40.15	66.59	2.83	9.86	64.10	45.30
	Jun	48.74	2.19	9.00	67.28	44.71	70.25	2.98	10.08	77.10	52.70
	Jul	47.80	2.09	9.27	80.75	54.12	75.18	3.19	10.25	98.30	58.20
	Aug	47.96	2.06	9.49	88.38	53.16	74.29	3.15	10.30	94.30	59.20
	Sep	49.15	2.10	8.73	71.29	41.62	74.18	3.14	10.27	82.20	49.40
	Oct	50.87	2.18	8.33	53.93	37.51	76.84	3.22	10.12	61.60	42.50
	Nov	49.25	2.18	8.18	47.85	36.99	77.51	3.25	10.36	58.80	42.80
	Dec	47.24	2.09	9.03	58.04	40.30	63.85	2.71	10.76	71.30	49.40

Not Applicable

11. For this data request:
- (a.) Please provide a detailed description of the force majeure event mentioned in paragraph 6 of page 3 of the Petition. Please include descriptions of geological problems and safety concerns.
 - (b.) Please explain all efforts made by Gulf to verify and confirm that the force majeure event prevented the supplier from meeting the contractual obligation to supply coal.
 - (c.) To the best of Gulf's knowledge, what is the likelihood that the supplier will make up for the shortfall in deliveries in 2008 by shipping coal in 2009? Please explain.
 - (d.) If the supplier were to make up for the shortfall in 2008 by shipping coal in 2009, what would be the affect on the 2009 fuel factor or the 2009 under/over-recovery status?

GULF'S RESPONSE:

- (a.) Below are chronological excerpts from the letters relating to the Force Majeure declaration and causes.

Per American Coal Company's letter dated August 9, 2007 "This declaration of Force Majeure arises by reason of the cessation of coal production from the American Coal Company's Galatia North Mine due to new seal requirements imposed by the Mine Safety and Health Administration (MSHA), as set forth under MSHA EST 75.335, dated May 22, 2007. Specifically, the area described as 6 West through 9 West of the Galatia North Mine, which was sealed in May of 2004, subsequently, Galatia North Mine was ordered to cease and desist mining." "The probable duration of the Force Majeure is unknown at the present time."

Per the American Coal Company's letter dated October 4, 2007, "Unfortunately: due to the unexpected duration of the shutdown, numerous delays occurred during initial start-up due to condensation present in substantially all of the underground electrical mining equipment. As a result, the development of the long wall panels were further delayed, which in turn has delayed the start-up of the long wall mining system."

Per the American Coal Company's letter dated November 7, 2007, "In my letter to you dated October 4, 2007, I reported that The American Coal Company expected to start the longwall in Galatia North on October 21, 2007. However on October 13, 2007 a large roof fall (140 feet in length by 40 feet in height) occurred in the setup rooms of the 1 West longwall panel covering the longwall head drive, shearer ranging arm, ramp pans, a segment of face chain, shearer cable and a ram car. At the time of the fall, the Mine was in the process of setting up the longwall in the head gate entry. The area is currently under a "K" Order issued by MSHA because of the fall."

Per the American Coal Company's letter dated December 4, 2007, "I am writing to update you in regard to the declaration of a Force Majeure event at The American Coal Company's Galatia North Mine. As previously reported in my letters dated August 9, October 4, and November 7, 2007, coal production was halted at the Galatia North Mine due to new seal requirements imposed by the Mine Safety and Health Administration ("MSHA") and operational delays at Galatia North resulting from the actions of MSHA in response to the new seal requirements. Additionally; on October 13, 2007 a large roof fall (140 feet in length by 40 feet in height) occurred in the set up rooms of the 1 West longwall panel covering the longwall head drive, shearer ranging arm, ramp pan, three conveyor pans, a segment of face chain, shearer cable and a ram. This area remained under a "K" Order issued by MSHA because of the fall and Galatia was finally released November 24, 2007. The mine resumed production and three days later another roof fall occurred on the belt conveyor, which transports coal from the mine to the preparation plant.

Per the American Letter dated May 15, 2008, "I am writing to advise you that pursuant to Section 14.1 of the above noted Agreement, The American Coal Company hereby declares a Force Majeure effective May 2, 2008. This declaration of Force Majeure arises by reason of cessation of coal production from TACC's New Future Mine due to unforeseeable high gas levels and severely adverse mining conditions that were not anticipated. The Mine has encountered water from artesian wells, which cause soft bottoms, and unexpected solid rock intrusions across the entries in two (2) of the three (3) continuous miner sections operating in the New Future Mine."

- (b). The Fuel Services Field Analysts have consistently stayed in contact with this mine by mine visits and phone calls throughout the period of the contract. They have observed and documented all of the mining geological issues stated in the

Force Majeure letters. Phone calls have been made by Fuel Analyst, Procurement agent, and Fuel Manager to American Coal Company representatives for shipping information and mining updates.

- (c.) It is early in the process of determining if the Galatia Mine's #5 seam will remain open past September, 2008. Based on the limited information currently available, Gulf gives the make up of the 2008 tonnage shortfall in 2009 a less than 50% chance of occurring. The American Coal Galatia mine has projected that it will continue producing coal from the existing long wall panel through September, 2008. At this time the Galatia mine personnel will attempt to move the long wall mining machine to a new area of production. This is estimated to take at least three months. However, if any geological or safety issues arise during this transition, the American Coal Company has indicated to Gulf that it would discontinue mining operations in the #5 seam and close the mine. Based on the recent history of mine difficulties at Galatia, Gulf is not optimistic that the mine can remain in productive operations past 2008.
- (d.) If the 2008 shortfall of 1 million tons were delivered in 2009 it would result in a decrease of the 2009 projected year-end under recovery amount of \$45,672,000.

12. For this data request:
- (a.) How has Gulf's delivered price of coal been affected by increases in the price of diesel fuel?
 - (b.) What amount of the projected 2008 under-recovery is due to increases in the price of diesel fuel for coal transportation?

GULF'S RESPONSE:

- (a.) It is not possible to determine the exact cost impact that the increase in diesel fuel pricing has had on the delivered price of coal to Gulf since diesel fuel is one component of the delivered price and Gulf does not have a breakdown of all of the individual production cost components of coal purchased. Diesel fuel prices have increased 50% since the beginning of 2008. Diesel fuel accounts for approximately 15% of surface mining cost and less than 1% of underground mining cost. Coal supplied from surface mines accounts for approximately 60% of Gulf's supply; therefore, a 50% increase in diesel fuel pricing for 60% of Gulf's coal supply is a significant increase.
- (b.) It is not possible to determine the exact cost impact due to increases in the price of diesel fuel for coal transportation.

13. Regarding the force majeure event, what was the delivered price (dollars per ton and dollars per MMBtu) of the coal and what was the delivered price (dollars per ton and dollars per MMBtu) of the replacement coal? Please include in the response the number of tons not delivered due to the force majeure event and the number of tons of replacement coal that Gulf purchased. Also state the origin of the replacement coal.

GULF'S RESPONSE:

Gulf Power's response to this request is being provided pursuant to a Notice of Intent to Request Confidential Classification pursuant to Rule 25-22.006(3)(a).

14. Disregarding the force majeure event, what is the number of tons of spot coal that Gulf originally planned to burn in 2008? Disregarding the force majeure event, given current actual and estimated information, what is the number of tons of spot coal that Gulf will burn in 2008? As part of the response to these questions, please include the delivered prices in dollars per ton and dollars per MMBtu.

GULF'S RESPONSE:

	<u>Original 2008</u>	<u>Midcourse 2008</u>
Tons of Spot Coal to be Burned		
Delivered price (\$/ton)		
Delivered price (\$/MMBtu)		

To be provided by July 14

15. Please provide a chronology of the relevant events leading up to Gulf's decision to file for a mid-course correction to its fuel factors.

GULF'S RESPONSE:

On May 12, 2008, Gulf's fuel manager requested new fuel cost projections for the remainder of 2008 and for 2009 from Southern Company Services Generation Services.

On May 19, 2008, Gulf received American Coal Company's letter dated May 15, 2008, regarding a Force Majeure effective May 2, 2008.

On May 28, 2008, Gulf received new fuel cost projections for the remainder of 2008 and for 2009 from Southern Company Services Generation Services.

On June 12, 2008, Gulf regulatory personnel finalized calculation of projected under-recovery balance for 2008, incorporating actual data through May 2008 and updated projections for June through December 2008. A meeting was held at Gulf with representatives from executive management, legal, fuel, and regulatory where the decision was made to file for a midcourse correction.