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GULF POWER
A SOUTHERN COMPANY

September 12, 2008

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COMMISSION
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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 an original and 15 copies of Gulf Power Company's Request for Confidential Classification regarding certain portions of Gulf Power's Risk Management for Fuel Procurement.

Sincerely,

Susan D. Ritenour (lw)

COM ____
ECR ____
GCL 2
OPC ____
RCP ____
SSC ____
SGA ____
ADM ____
CLK 1

mv

Enclosures

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

DOCUMENT NUMBER-DATE
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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.: **080001-EI**

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing was furnished by U. S. mail this 12th day of September, 2008, on the following:

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BEFORE THE PUBLIC SERVICE COMMISSION

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

Docket No.: 080001-EI
Date filed: September 12, 2008

REQUEST FOR CONFIDENTIAL CLASSIFICATION

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

1. On August 29, 2008, Gulf Power filed a Notice of Intent to Request Confidential Classification of portions of its Risk Management Plan for Fuel Procurement 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)1, F.A.C.

2. Portions of Gulf Power's Risk Management Plan for Fuel Procurement are entitled to confidential classification pursuant to section 366.093(3)(a), (d) and (e), Florida Statutes, as information, the public disclosure of which could cause irreparable harm to the competitive interests of Gulf Power and the ability of Gulf to enter into contracts on terms favorable to it and its 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 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.

3. The information filed pursuant to this Request is intended to be, and is treated as, confidential by Gulf Power and, to this attorney's knowledge, has not been otherwise publicly disclosed.

4. The Commission granted confidential classification for previous versions of Gulf Power Company's Risk Management Plan for Fuel Procurement in Florida Public Service Commission Order Nos. PSC-03-0032-CFO-EI, PSC-04-1056-CFO-EI, PSC 05-0700-CFO-EI, and PSC-06-0636-CFO-EI.

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

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

Respectfully submitted this 12th day of September, 2008.

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Exhibit "B"

CONFIDENTIAL

GULF POWER COMPANY

Risk Management Plan
For
Fuel Procurement
Docket No. 080001-EI

Date of Filing: September 2, 2008

GULF POWER

A SOUTHERN COMPANY

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SECTION 1

GULF POWER LONG-TERM COAL PROCUREMENT STRATEGY AND TACTICAL PLAN AUGUST 2008

Introduction

Gulf Power (Gulf) reliably serves more than 400,000 customers. In 2007, Gulf generated 16.7 billion KWHs with $547 million in fuel expense. Coal represented 86 percent of Gulf's generation sources.

Gulf owns and operates three coal-fired plants (Crist, Smith and Scholz) with a combined normal full load gross rating of 1,459 MWs. Gulf also co-owns 50 percent of Plant Daniel, which is operated by Mississippi Power and has a projected annual coal consumption of 1.5 million tons; and 25 percent of Plant Scherer's Unit 3, which is operated by Georgia Power and has a projected annual consumption of 1.0 million tons. The combined normal full load capacity of Gulf's ownership of Daniel and Scherer is 756 MWs.

In total, Gulf operates coal-fired plants with an annual coal consumption of more than 6.0 million tons. The procurement of this coal is critical to the success of Gulf Power.

Competition in the electric utility 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:

(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
(3) A tactical plan detailing specific actions required to achieve the strategy.

Fuel Program Overview

Plants Crist and Smith are barge served plants and have seven long-term coal contracts:

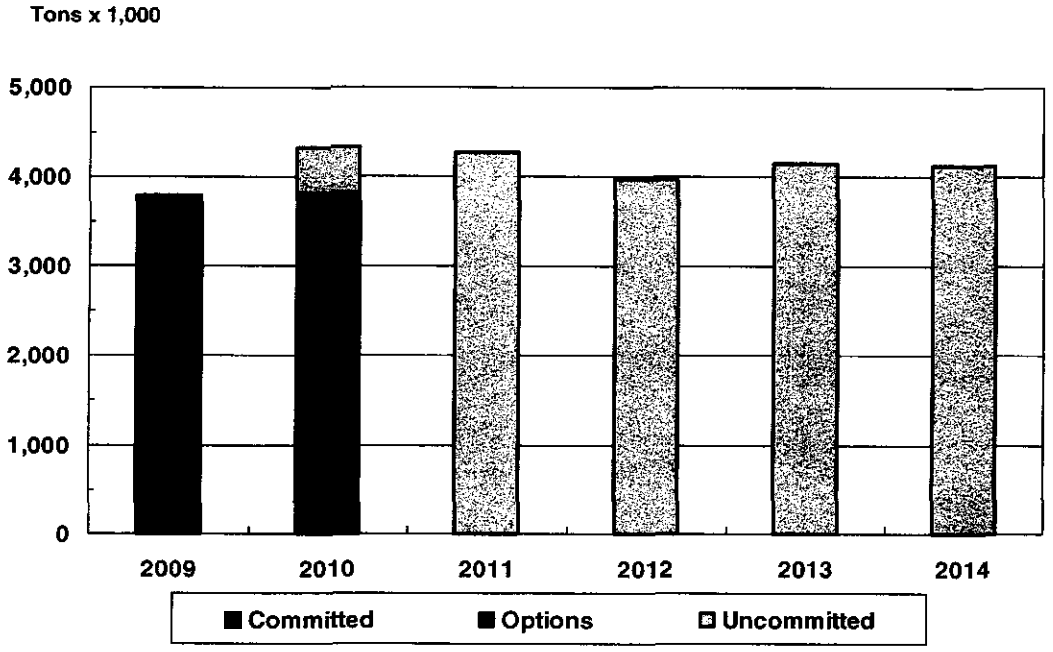
- Interocean Coal Sales, LDC's (old) La Loma mine in Colombia for 375,000 tons in 2009. This contract expires March 31, 2009.
- Interocean Coal Sales, LDC's (new) La Loma mine in Colombia for 1.0 million tons in 2009 and 1.2 million tons in 2010. This contract expires December 31, 2010.
- The American Coal Company's Galatia mine in the Illinois Basin coal supply region for 1.2 million tons a year in 2009 and 2010. This contract expires Dec. 31, 2010.

- Oxbow Mining, LLC's Elk Creek mine in Colorado for 700,000 tons a year in 2009 and 2010. This contact expires Dec. 31, 2010.
- Consolidation Coal Company's Emery Mine in Utah for 420,000 tons in 2009 and 480,000 tons in 2010. This contract expires Dec. 31, 2010.
- Magnum Coal Sales, LLC's Fanco, Toms Fork and Beth mines in the Central Appalachian region for 240,000 tons a year in 2009 and 2010. This contract expires Dec. 31, 2010.
- The American Coal Company's West Ridge mine in Utah for 600,000 tons in 2009 and 1.2 million tons in 2010. This contract expires Dec. 31, 2010.

Crist and Smith have no uncommitted need in 2009 and a projected need of 520,000 tons in 2010. Because Crist and Smith share a common transportation mode as well as common coal contracts, these plants will be grouped together in formulating a procurement strategy.

In the following charts, the projected requirements for year 2009 through 2014 are from the July 2008 Update and the 2008 Official Budget. The chart below illustrates the projected burn and commitments of coal for Crist and Smith through 2014.

Gulf Power Company - Crist & Smith
Fuel Program Status

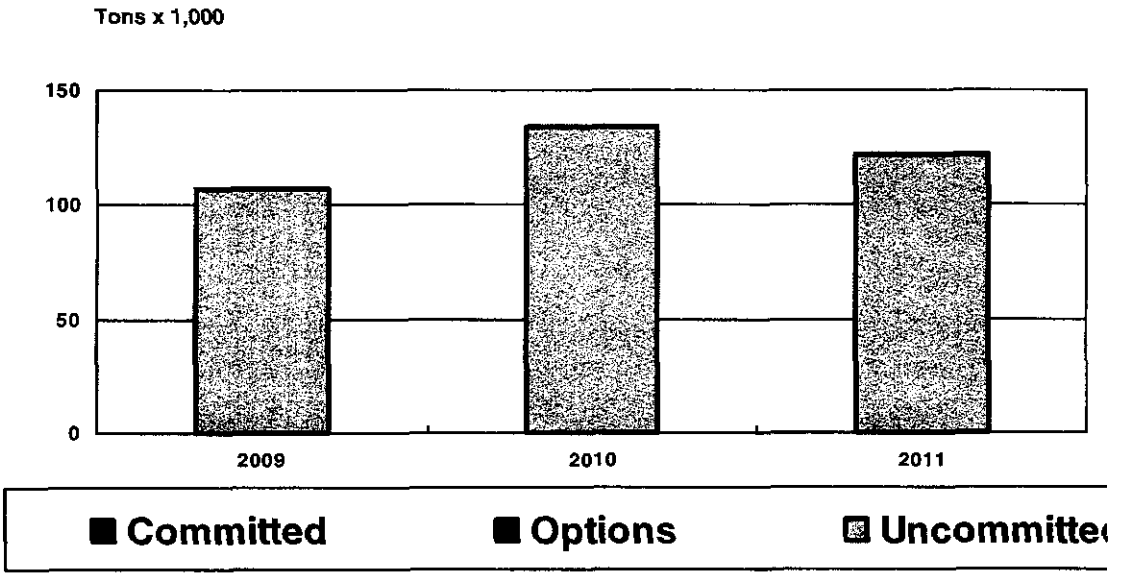


July 2008 Update and 2008 Official Budget

Plant Scholz is rail served and has no coal commitment in place for 2009. The 100,000 tons of approximate uncommitted need in 2009 will be supplied with short-term (spot) coal.

Therefore, Plant Scholz is scheduled to be retired in December 2011. The following chart illustrates the projected burn and commitments of coal for Scholz through 2011.

Gulf Power Company - Scholz
Fuel Program Status



July 2008 Update and 2008 Official Budget

Gulf Power owns 50 percent of Units 1 and 2 at Plant Daniel which is rail served and currently has four long-term coal contracts. Daniel is classified as a New Source Performance Standard (NSPS) plant requiring the use of 1.2 lbs SO_2/MMBTU or less.

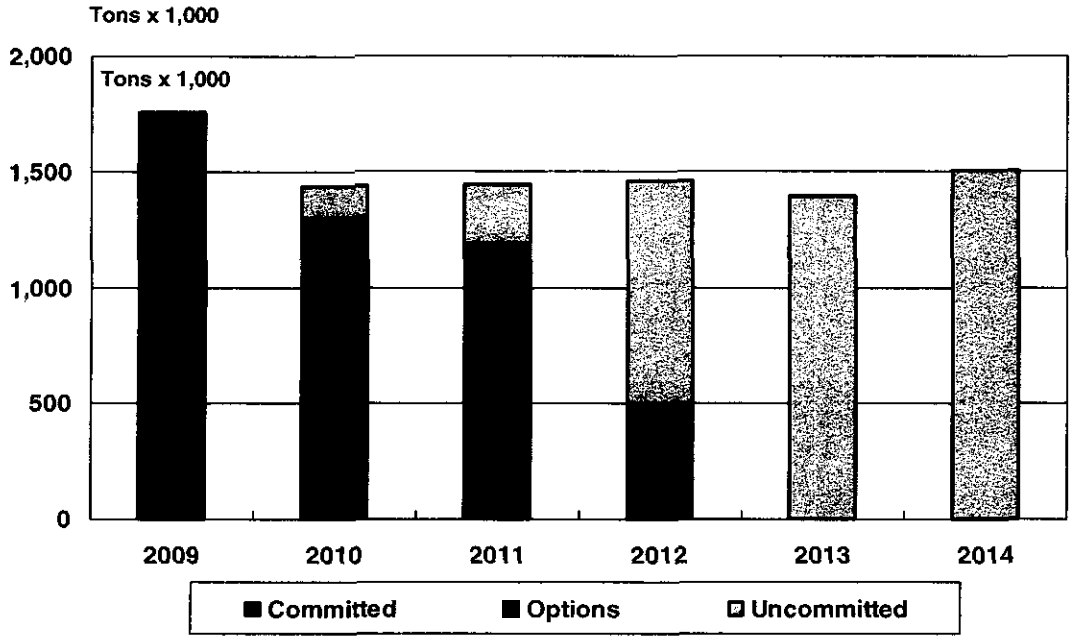
- The first contract is with Peabody's Twenty Mile mine in Colorado for 1.0 million tons per year for 2009 through 2012. This contract expires on Dec. 31, 2012.

- The second contract is with Oxbow's Elk Creek mine in Colorado. The Oxbow contract is for 1.2 million tons in 2009. This contract expires on Dec. 31, 2009.
- The third contract is for Powder River Basin (PRB) coal with COALSALES LLC's North Antelope Rochelle mine in Wyoming. This contract is for 1.0 million tons in 2009. This contract expires Dec. 31, 2009.
- The fourth contract is for PRB coal with Rio Tinto Energy Americas, INC Antelope mine in Wyoming. This contract is for 200,000 tons in 2009 and 1.0 million tons per year in 2010 and 2011. This contract expires Dec. 31, 2011.

Daniel has no committed spot coal in 2009. Based on current burn projections, Daniel is fully committed for 2009. There are no committed tons at Daniel for 2013 and beyond.

The following chart illustrates Gulf's 50 percent ownership in projected burn and commitments of coal for Daniel through 2014.

Gulf Power Company- Daniel
Fuel Program Status
(50% Ownership)



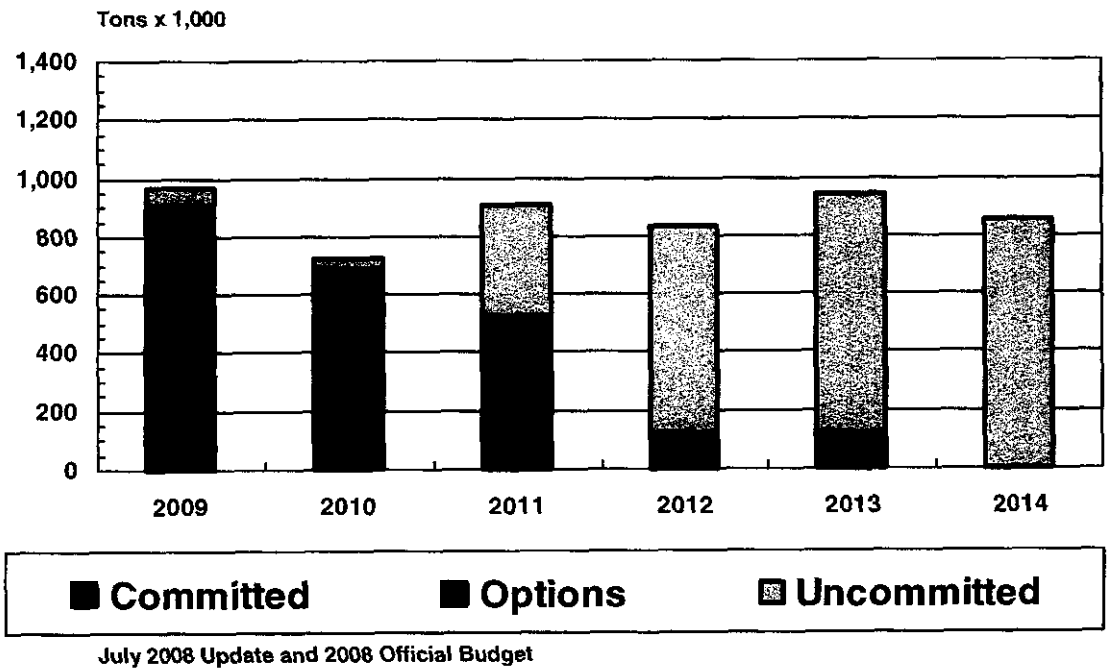
July 2008 Update and 2008 Official Budget

Gulf Power owns 25 percent of Unit 3 at Plant Scherer. Scherer is classified as a New Source Performance Standard (NSPS) plant requiring the use of 1.2 lbs SO2/MMBTU or less. All four units at Scherer began using Powder River Basin (PRB) sub-bituminous coal from Wyoming in January 2004. Scherer is 98 percent committed in 2009, with eleven long-term contracts in place supplying approximately 14.5 million tons for the total plant.

The common portion of Scherer is 91 percent committed for 2009 with approximately 900,000 contract tons in place for Gulf in 2009 (25% ownership of Unit 3). Years 2010, 2011, 2012 and 2013 are committed for 700,000, 525,000, 125,000 and 125,000 tons respectively.

The following chart illustrates Gulf's 25 percent ownership in Scherer Unit 3's projected burn and commitments of coal through 2014.

Gulf Power Company-Scherer 3
Fuel Program Status



July 2008 Update and 2008 Official Budget

Procurement Strategy

The long-term coal procurement goal for Gulf Power is to provide a reliable, cost-competitive, environmentally acceptable coal supply. The successful coal program provides flexibility in volume and pricing, becomes more diverse by pursuing other supply regions, creates competition for supply, focuses on reliability of supply, and adheres to changing environmental laws and guidelines.

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

Risks and Risk Mitigation Strategies

Volume Risk and Strategy

The uncertainty in the amount of coal generation, and therefore coal supply that will be needed in the future is still one of the most critical risks that need to be addressed in developing a strategy for long-term coal procurement. However, with the increase in overall system load during the past few years, this risk is being reduced as some intermediate coal units are becoming base-loaded generation. Weather, natural gas pricing, and economic growth will continue to impact future coal burn requirements, as will the addition of gas–fired capacity to the Southern Company system.

[redacted]

[redacted]

[redacted]

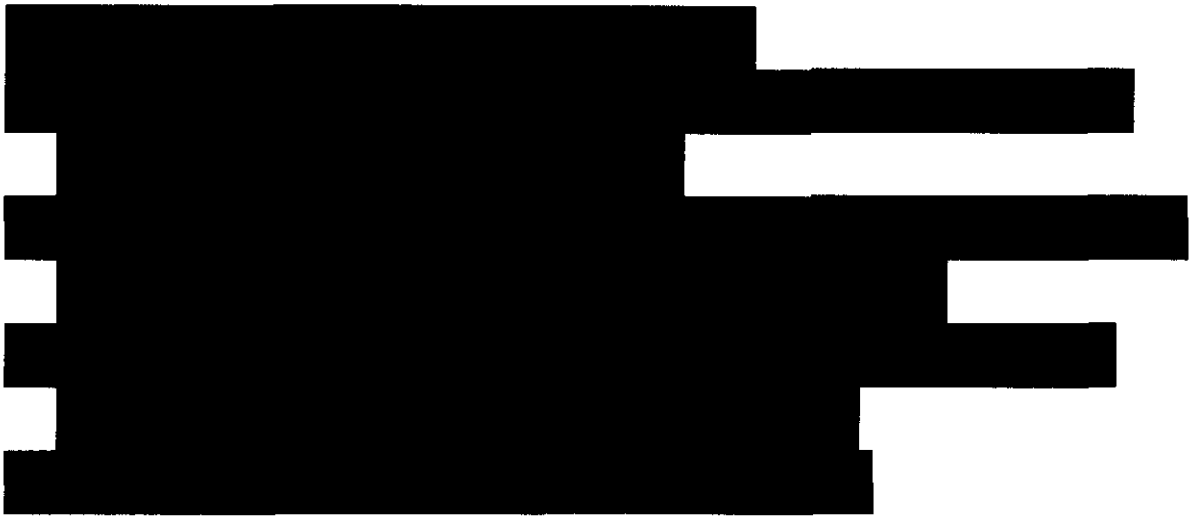
Pricing Risk and Strategy

Competing for energy market share with other utilities and power marketers requires competitive energy pricing. Because more than 50 percent of the cost

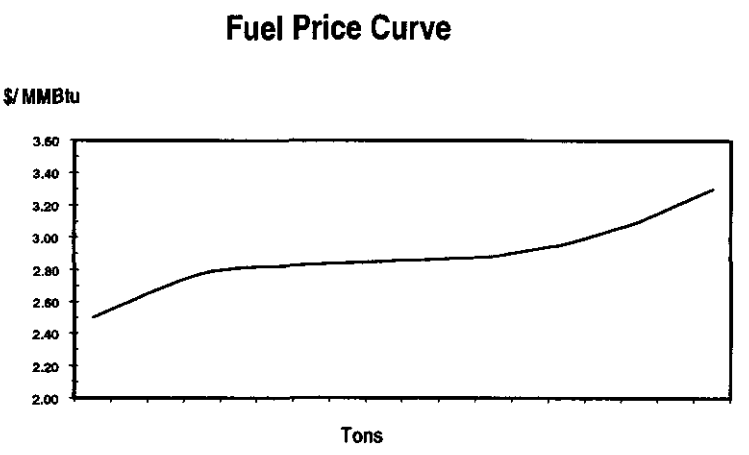
for coal-fired generation is fuel, competitively priced coal supplies should be maintained.

The objective is to have a portfolio of long-term contracts and spot coal supplies that provide pricing at or below market at any given point in time.

Where negotiations allow, mechanisms to achieve this objective include:



Because of the size of our system, the volume of purchases made at a particular time can impact the market. Ranking bid proposals in order of least cost and cumulative volume produces a price curve similar to the following:



[redacted]

Diversity of Supply Risk and Strategy

There is a risk in relying on one or two large producers from a single region to meet supply needs. Also, having the ability to use coal from various regions will decrease the availability risk associated with lack of supply in a particular region.

Diversifying will also keep the competition strong not only among the suppliers, but among the regions as well.

Close involvement with plant personnel will be required to actively pursue alternate sources, including testing and plant modifications if required.

[redacted]

Reliability Risk and Strategy

Reliability of coal supply has become a major issue in the coal markets after a period of financial deterioration whereby many companies had either entered bankruptcy proceedings or had been sold. This resulted in acquisitions and restructurings in the industry that have caused -- and continue to cause -- industry consolidation. However in the past few years, the overall financial health of the coal industry has improved slightly.

[redacted]

[redacted]

[redacted]

Environmental Risk and Strategy

When procuring coal for a term greater than 12 months, a major risk factor is the potential impact from future changes in environmental laws and regulations that may render the burning of coal as non-economic to our system.

[redacted]

[redacted]

[redacted]

Strategic Plan

When procuring coal for Gulf Power, Plants Crist and Smith will be grouped together because of their common supply source and transportation mode. Diversity of supply and flexibility will be important aspects of their fuel supply strategy.

On the other hand, Plant Scholz can burn similar quality coals, but its transportation mode differs because it is rail served. The co-owned plants,

Daniel and Scherer, will be treated individually.

Plant Crist – Plant Crist is currently served by Ingram Barge Company. It burns approximately 3.0 million tons of coal a year and must comply with a state SO_2 emission limit of 2.4 lbs SO_2/MMBTU. However, Gulf Power seeks to maintain an SO_2 emission limit of 1.7 lbs SO_2/MMBTU to meet the local ambient air quality. For the past several years, Crist has burned low sulfur Illinois Basin coal from the American Coal Company Galatia mine that has been supplied under long-term contract. Plant Crist can also burn Colombian import coals, as well as coals from Colorado, Utah and the Central Appalachian regions. Plant Crist is considered a base-load coal plant with a projected capacity factor greater than 80 percent.

Plant Smith - Plant Smith is also served by Ingram Barge Company. It burns approximately 1.0 million tons of coal a year and must comply with the state SO_2 emission limit of 2.1 lbs SO_2/MMBTU. Smith can burn a variety of coals, including Illinois Basin and import coals such as Colombian, Australian and Venezuelan. Domestic sources such as Colorado, Utah and Central Appalachian coals also have been burned in the past. Plant Smith is considered a base-load coal plant with a projected capacity factor greater than 80 percent.

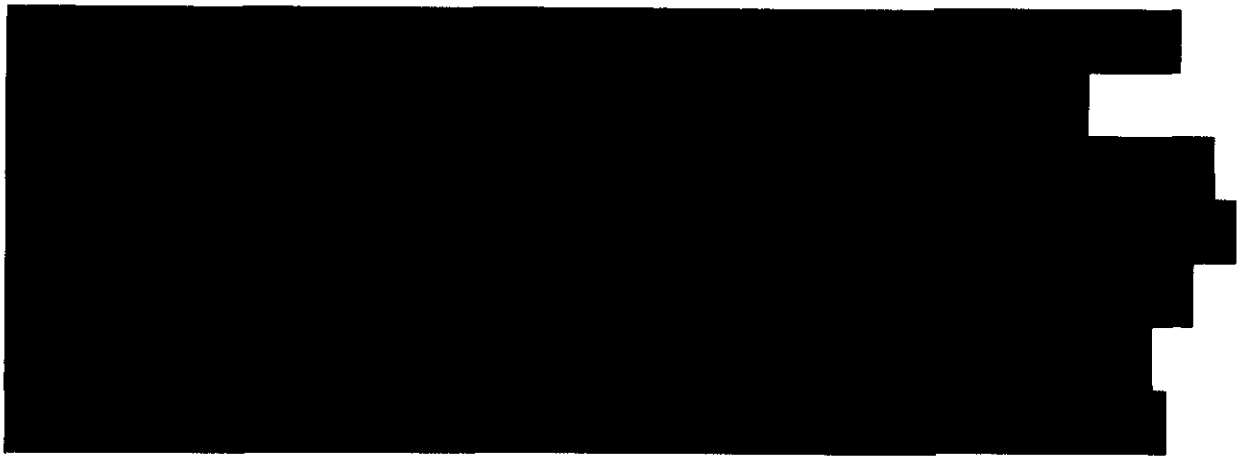
Plant Scholz – Plant Scholz is served by the CSX Railroad. It burns approximately 125,000 tons of coal a year and must comply with a state SO_2 emission limit of 6.17 lbs SO_2/MMBTU. Scholz has burned Central Appalachian coals in the past. It currently has no commitments for 2009 and beyond. It is

considered a peaking coal plant with a projected capacity factor of less than 50 percent.

Plant Daniel – Plant Daniel is served by the Mississippi Export Railroad (MSE) which is approximately 40 miles in length and runs between Moss Point and Evanston, Miss. The MSE is served by two large Class 1 railroads: the Canadian National Railroad connecting at Evanston and the CSX Railroad connecting at Moss Point. Classified as a New Source Performance Standard (NSPS) plant, Daniel must use "compliance" coal with a maximum of 1.2 lbs SO2/MMBtu (0.6 lbs Sulfur/MMBtu). Daniel can burn import coals as well as coals from Colorado and the Central Appalachian regions. Powder River Basin coal has been burned in Daniel's units during off-peak periods and blended with bituminous coal at a 60 percent bituminous / 40 percent PRB ratio. Daniel is considered a base-load coal plant with a projected capacity factor greater than 80 percent.

Plant Scherer – Plant Scherer is served by a dual line haul involving the Burlington Northern Sante Fe (BNSF) and Norfolk Southern (NS) railroads. Scherer uses sub-bituminous PRB coal from Wyoming and is considered a base-load plant; Scherer burns approximately 15 million tons of PRB coal per year. Classified as an NSPS plant, Scherer must burn "compliance" coal with a maximum of 1.2 lbs SO2/MMBtu (0.6 lbs Sulfur/MMBtu). As with the other base-load plants, the goal is to maintain firm commitments of 85-95 percent of the projected requirements for the following year and up to 10 percent of contract options. Scherer Unit 3 is considered a base-load coal unit with a

projected capacity factor greater than 80 percent.



The American Coal Company is currently supplying Illinois Basin coal to Plants Crist and Smith from its Galatia mine. Galatia has declared force majeure under this contract citing several mining issues including roof falls, rock intrusions and flooding. A more detailed description of the impact of this event is discussed below in the Tactical Plan.

The remaining coal supply portfolio at these two plants consists of the Interocean (old) contract with a volume commitment of 375,000 tons in 2009; the Interocean (new) contract with a volume commitment of 1.0 million tons in 2009 and 1.2 million tons in 2010; the Oxbow contract with a volume commitment of 700,000 tons a year in 2009 and 2010; the Magnum contract with a volume commitment of 240,000 tons a year in 2009 and 2010: the Consolidation contract with a volume commitment of 420,000 tons in 2009 and 480,000 tons in 2010; and The American Coal Company's Utah coal with a volume commitment of 600,000 tons in 2009 and 1.2 million tons in 2010.

Gulf has continued its testing program at Crist and Smith in order to diversify their supply of coals. The strategic objective will be to find alternative coal sources that will enhance Gulf's supply portfolio and will meet Gulf's environmental restrictions.

Because Plant Scholz is a peaking plant, its fuel supply will be based on limited-term, firm commitments and/or spot purchases depending on burn projections. Contract commitment terms will be two years or less. If commitments are made for more than 50 percent of the projected burn requirements, the contract will match the maximum annual tonnage purchased to the plant burn requirements.

Traditionally, this plant has used sources such as PRB low-sulfur coals and Colorado low-sulfur coals. Since 2000-2001, market conditions -- including production problems, the lack of availability of supply in some domestic regions and environmental awareness -- have emphasized the need to diversify with import coals. These other coal sources, transportation arrangements and plant quality limitations will be actively evaluated because of the reliability and

availability issues in the domestic market and in the existing Colombian market.

Plant Scherer can burn a wide range of PRB coals from the 8800 btu/lb mines located on the "joint line" south of Gillette, Wyoming, to the 8300 btu/lb mines located north of Gillette. This fact provides for a more diverse supply as well as more flexibility in transportation alternatives. With successful test burns of imported Indonesian coals in 2006, Scherer now has a proven substitute for PRB quality coals.

Environmental regulatory issues currently facing Gulf include compliance in accordance with the Acid Rain SO_2 provisions imposed by Title IV of the Clean Air Act Amendments. In the past, Title IV compliance was achieved by implementing an allowance strategy to bank, use and then buy allowances. Gulf's SO_2 allowance bank is currently being depleted and purchasing strategies for future needs have been developed.

In March of 2005, the Clean Air Interstate Rule (CAIR) was signed. Phase I of this ruling will subject Gulf to an annual NOx cap and a state-wide seasonal NOx cap beginning in 2009. CAIR also causes more stringent SO_2 compliance beginning in 2010, with two allowances required per ton of SO_2 emitted. In 2015, Phase II introduces even more stringent SO_2 and NOX compliance.

On July 11, 2008, in response to petitions brought by certain states and regulated industries challenging particular aspects of CAIR, the Circuit Court of Appeals for the District of Columbia issued a decision vacating CAIR in its entirety, and remanding it to EPA for further action consistent with its opinion. The Company's overall compliance strategy has been developed in response to numerous federal and state regulatory requirements, many of which remain unaffected by the court's ruling. However, if a mandate is issued, the decision has the potential to impact future decision making regarding capital expenditures, the installation and operation of pollution control equipment, coal procurement, and the purchase of emissions allowances.

The EPA released an update to the Regional Transport Rules (PM2.5) in September 2006. The new standards are more stringent than the current standards and will likely result in the designation in 2009 of a large number of new PM non-attainment areas across the United States. State recommendations for non-attainment areas for the revised standard are due in November 2007. The EPA will approve or disapprove the recommendations by November 2009.

On June 20, 2007, EPA proposed revisions to the ambient air quality standard for ozone that would make the standard considerably more stringent. The EPA will issue a final rule by March 2008. Should EPA promulgate a rule in the range currently proposed, large numbers of new ozone non-attainment areas would result.

Regional Transport Rules, for both ozone and particulates, will continue to be updated every five years, as required by National Ambient Air Quality Standards (NAAQS).

Southern Company and its subsidiaries are required to comply with the Clean Air Act Amendments of 1990 and the Clean Air Interstate Rule. This can be accomplished by purchasing emission allowances, the installation of various emission controls and by fuel switching.

[redacted]

[redacted]

The near-term scrubber construction activities for Gulf are primarily focused on Crist. Crist's scrubber will come on-line in late 2009 (units 4-7). The scrubber is a Chiyoda design for an 11,800 Btu/lb fuel at 1.6 percent sulfur and 98 percent removal efficiency. It will be a single scrubber vessel serving all four units. The limestone grind size will be 90 percent passing a 325 mesh which will be supplied from a 3rd party regional grind facility which will be constructed in the Mobile area.

In the long-term, other Gulf scrubbers – perhaps on Smith 1-2 -- are in various stages of discussion and are subject to change. At this time, however, these longer-term units are not definite.

Daniel's scrubber is now likely to come on-line no sooner than late fall 2013 (Units 1-2); although this is still under review. The scrubber has completed conceptual design but may be subject to change. As of now, the scrubber is an Advatech design capable of achieving a sulfur removal rate of >96 percent with fuel based on 12,000 BTU/lb at 1.5 percent sulfur. The scrubber should also be capable of achieving a sulfur removal rate of >98 percent with fuel based on a blend of PRB and Western bituminous at 9,600 BTU/lb and 0.33 percent sulfur. To achieve sulfur removal rates higher than 96 percent burning 1.5percent sulfur coal, Daniel's scrubber will require additional oxidation air blowers to maintain

higher efficiency levels. Their design calls for a single scrubber vessel for both units.

Scherer Unit 3's scrubber is expected to be on-line in early 2011. It is an Advatech design for PRB fuel (<.4% Sulfur) with the optional ability to upgrade to a 12,000 BTU/lb 1.5 percent sulfur fuel and still maintain 95+ percent removal efficiency. The plant will have a scrubber vessel for each unit (four in total). The Scherer facility is expected to be rail served and receive limestone in rock form for wet-grinding on-site. The limestone grind size will be 90 percent passing a 325 mesh (Advatech).

Concurrent with ever tightening air regulations is concern over land disposal of byproducts from the burning of coal. Ash is the primary byproduct, but during the next few years, as scrubbers become operational, gypsum will be produced and is expected to be more than half the volume of ash. These byproducts, or coal combustion products (CCPs), present an O&M burden as well as extensive capital costs for construction of new landfills. As a measure to reduce these costs, and potentially produce some revenue, a CCP utilization program is in place. The objective of this program is to beneficially use CCPs in an environmentally safe method capturing cost savings for the ratepayer.

Gulf currently produces about 250,000 tons of fly ash and 40,000 tons of bottom ash annually. Depending on the coal, the future production level could vary. A request for proposal (RFP) for ash marketing services at Crist Plant was conducted in early 2008. As a result of that RFP it is expected that an ash

marketing agreement will be executed by the end of 2008. The ash marketer will process the fly ash to improve its quality such that it can be used in ready mix concrete. This ash contract will result in the majority of ash produced at Crist Plant being utilized and provide a revenue source back to Gulf.

In the near term, Crist's scrubber is projected to produce about 125,000 tons of gypsum annually. Currently, three markets are being assessed and developed for the future gypsum production for all of Gulf's plants: wallboard, cement manufacturing and agricultural uses.

The long-term limestone procurement goal for Gulf is to provide an economic and reliable source of limestone in an immature market while contractually and physically mitigating risk.

Gulf will seek to take several steps to develop and maintain a reliable supply of limestone:

Another aspect of the purchasing strategy is to determine the form of limestone to procure. In order to maximize the removal of SO_2, the limestone must be pulverized to a fine particulate form. Pulverizing limestone provides more surface area in which the flue gas can react. Limestone can be procured in a crushed form (i.e., 3/4" in diameter) or in a pulverized form (i.e., 90 passing 325

mesh) from the market.

Gulf's limestone procurement efforts have been primarily focused on plants Crist and Daniel due to the near term in-service dates of the Flue Gas Desulfurization (FGD) systems. Crist is expected to begin FGD operations in late 2009. Based on current assumptions, it is anticipated that Crist will need 70,000-140,000 tons of limestone per year. Daniel is tentatively planned to begin FGD operations in the 2011 or 2013 timeframe and expected to require 30,000-80,000 tons of limestone per year.

Plants Crist and Daniel are located in close proximity to Alabama Power's Plant Barry. To take advantage of the economies of scale associated with combining volumes, Gulf has executed a contract with Mississippi Lime Company (MLC) to provide high calcium, pulverized limestone to all three plants. MLC will barge crushed limestone from its Prairie du Rocher quarry in Illinois to a central grinding location in the Mobile area. Limestone will be delivered to the plant via pneumatic discharge (PD) truck from MLC's grinding facility. The contract specifies a 10-year term for up to 350,000 tons of limestone per year.

In the future, limestone procurement activities will be focused on Plant Smith. MLC is expected to construct 175,000 tons per year of additional pulverized capacity, which could be used to serve Smith. Gulf will also look at possible crushed sources to determine the most cost effective supply.

Tactical Plan

There are several issues facing the long-term Gulf coal procurement program. They are:

(1) Gulf has no committed coal for 2011 and beyond at Crist and Smith.

(2) Scrubber installation at Crist's Units 4 - 7 in late 2009.

(3) Scrubber installation at Daniel's Units 1 - 2 in 2013.

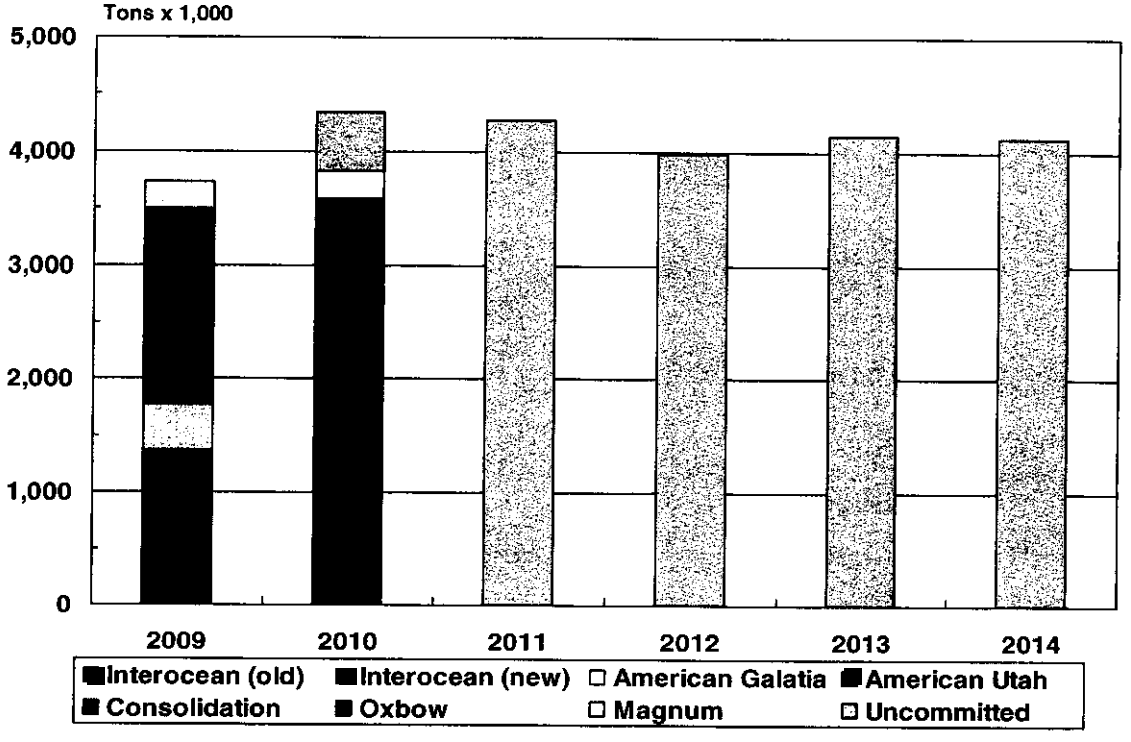
(4) Scrubber installation at Scherer's Unit 3 in 2011.

(5) Limestone procurement.

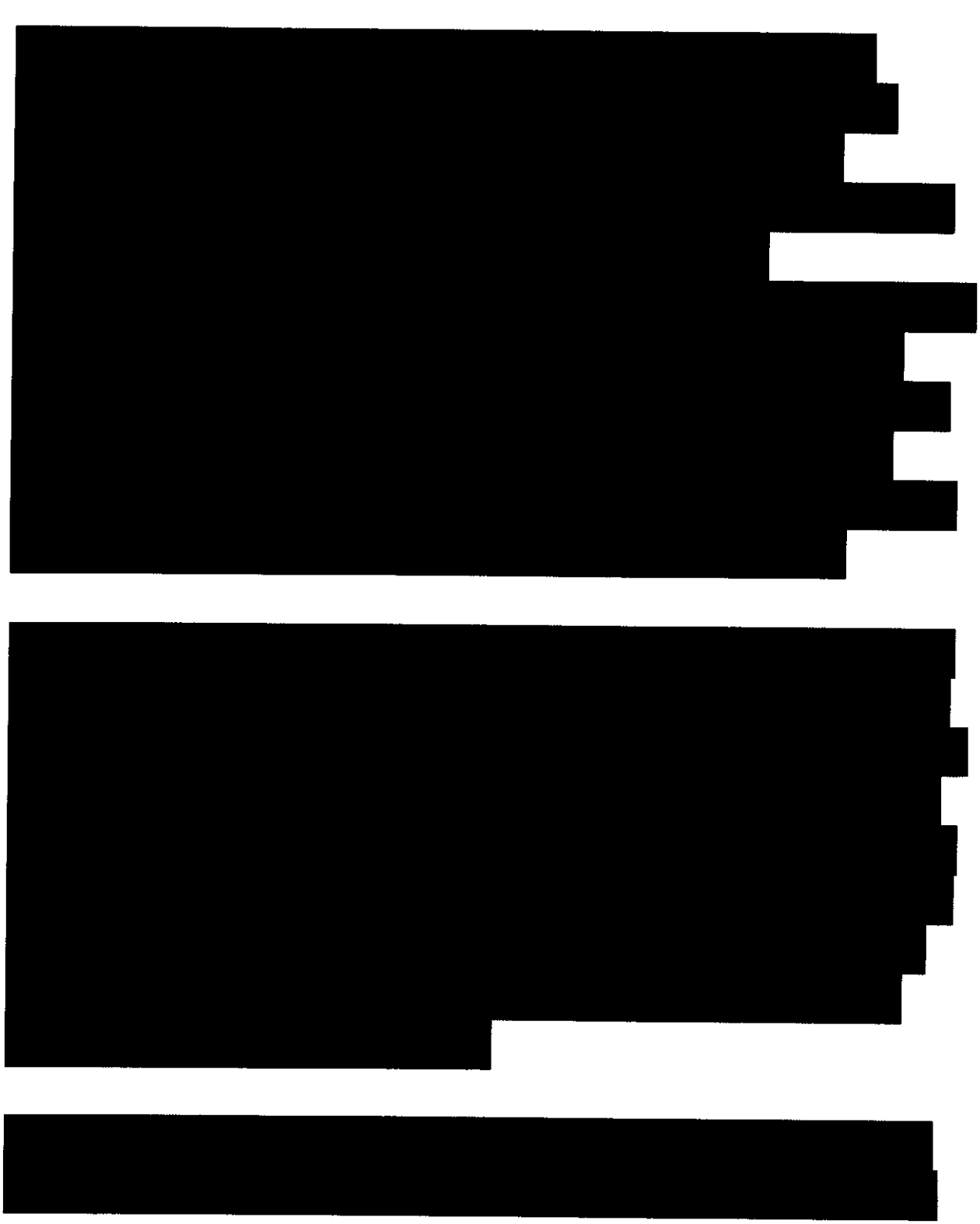
Crist and Smith

The chart below shows a breakdown of the current Crist and Smith suppliers and volume commitments, including options, through 2014. The increase in burn from 2009 to 2010 is attributable to the completion of the scrubber installation at Crist.

Gulf Power Company – Crist & Smith
Fuel Program Status – Supplier Breakdown



July 2008 Update and 2008 Official Budget

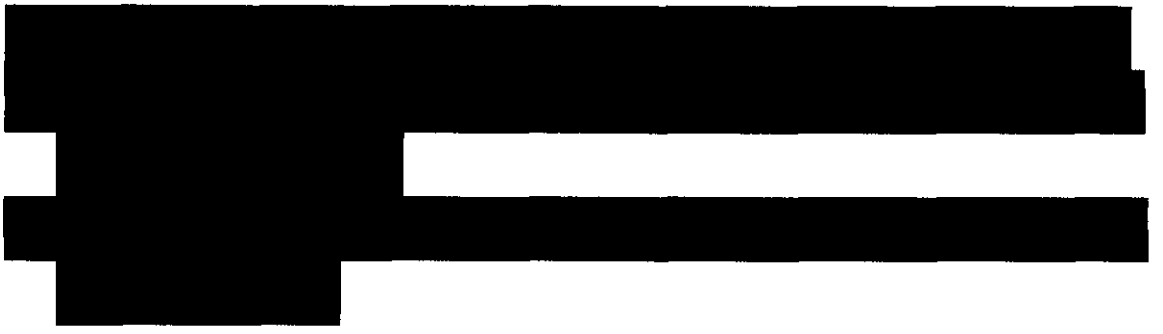


[redacted]

The ASD has undertaken a plan to provide for the delivery of this rail coal to the Bulk Terminal. Shipments can also be delivered to various ports along the Mississippi River and transloaded into barges for ultimate delivery to Plants Crist and Smith.

There is no uncommitted need at Crist and Smith in 2009. The plan is to fulfill the 2010 uncommitted need of 520,000 tons with a spot coal RFP issued in the second half of 2009. For 2011 through 2014, the plan is to issue a long-term RFP in the second quarter of 2010 for purchases that fulfill Gulf's long-term procurement strategy.

[redacted]



The installation of a scrubber at Crist Units 4 - 7 is planned for late 2009. Crist has burned coal from multiple regions, including various imports, Central Appalachian, western bituminous and Illinois Basin coals. Since some of these coals have not been used at Crist in a while, a test burn program will be initiated in 2010, if required, to determine the impact of these coals on the scrubbed units at Crist.

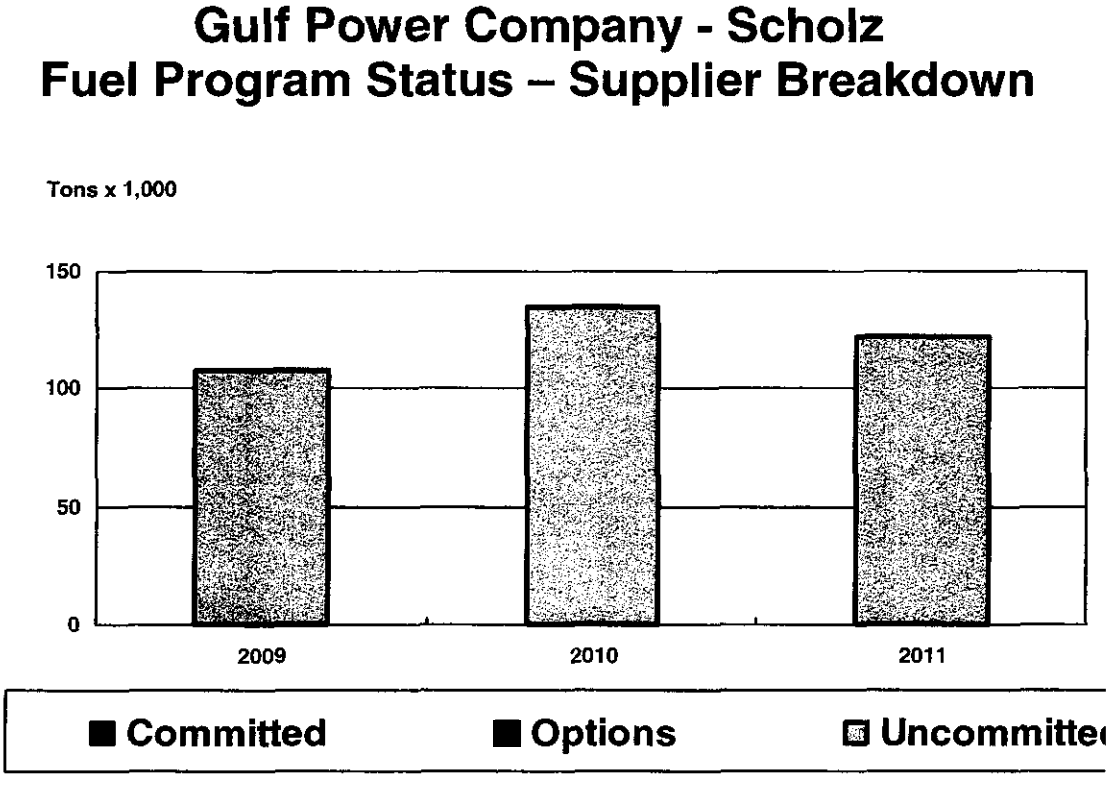
If the results of these tests are favorable and the delivered costs of the higher sulfur Illinois Basin, western bituminous or Central Appalachian coals continue to be competitive, then a procurement strategy will be put in place to secure larger volumes beginning in 2011.

Both Illinois Basin and Central Appalachian coals can either be barged directly to Crist and Smith or railed to the ASD and transloaded into barges. With the exception of the improvements to ASD's Bulk Terminal, no transportation infrastructure improvements will be necessary for the movement of these coals to Gulf's plants. At this time, it is unknown whether the plant will need some time to acquire additional equipment for burning large volumes of the Illinois

Basin coals.

Scholz

The chart below shows a breakdown of the current Scholz suppliers and volume commitment, including options, through 2011.



As mentioned above, Plant Scholz is rail served by the CSX Railroad. Scholz's burn fluctuates between a low of 107,000 tons in 2009 and a high of 134,000 tons in 2010. This plant is scheduled for retirement in December 2011.

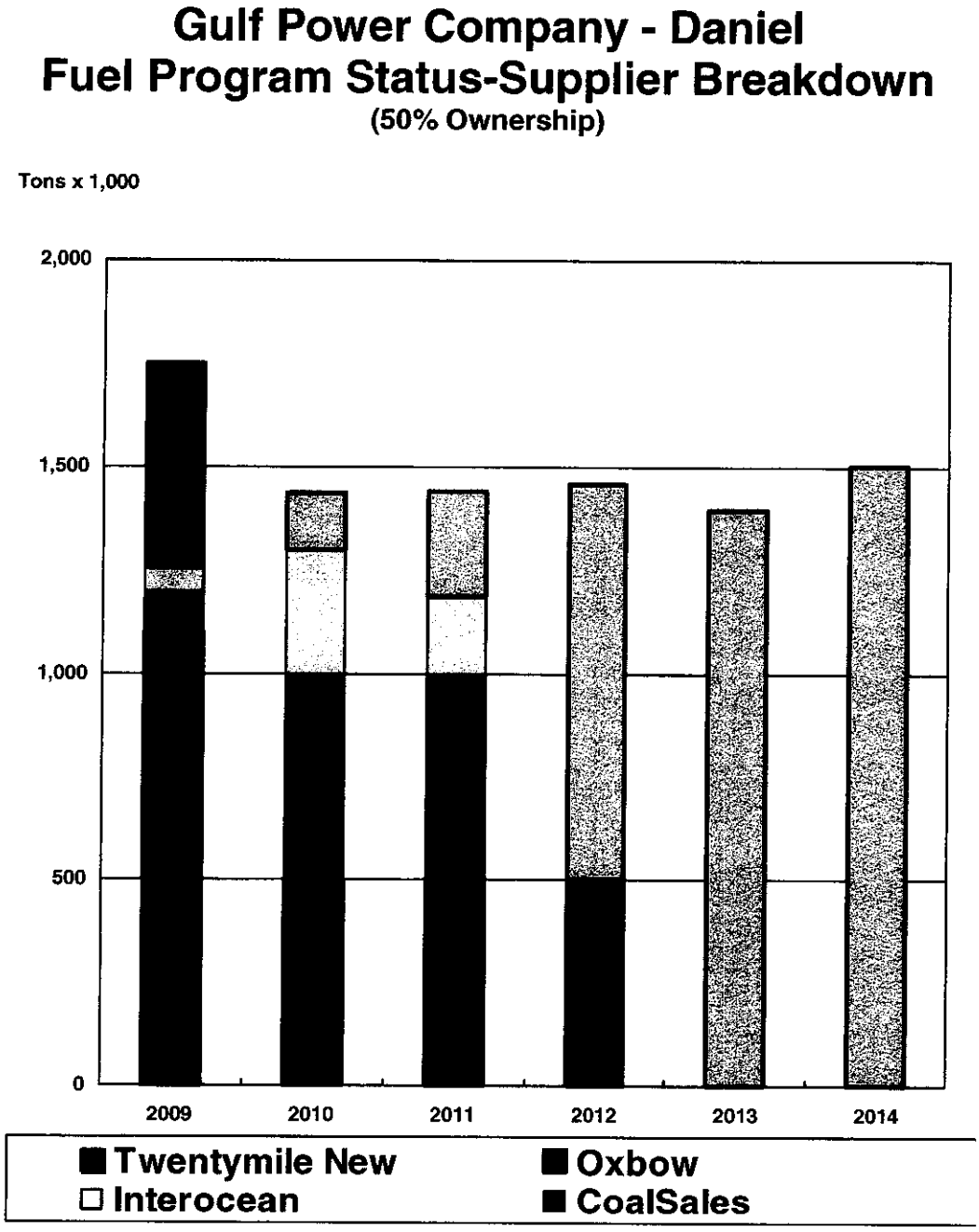
Historically, Scholz has entered into one or two-year requirements contracts for its supply. They have also purchased spot coal on a year-to-year basis.

Scholz typically relies on purchases from the Central Appalachian coal supply region. Coal availability in this region has diminished over the past few years as reserves have become depleted and performance by the CSX Railroad has deteriorated. Even though supply is diminishing in the Central Appalachian region, sufficient quantities of coal are still available to supply Scholz because of its relatively small annual burn.

Daniel

The chart below shows a breakdown of the current Daniel suppliers and volume commitments, including options, through 2014. Daniel's burn decreases beginning in 2010 because the projected burn going forward is based on 100 percent bituminous coals. Daniel has contracted PRB coal through 2011 and will continue to burn PRB coal, but because the 2008 Official Budget allows the choice of only one marginal coal, the forward burn numbers reflect a bituminous

coal burn.



July 2008 Budget and 2008 Official Budget

[redacted]

In 2009 (year one), Daniel is 100 percent committed based on current burn projections, 90 percent committed in year two, 82 percent committed in year three and 34 percent committed in year four. A long-term solicitation will be issued in 2009 for up to a four-year term (2010-2013) covering the requisite committed percentages for those years. These contracts will be negotiated using the strategies mentioned above.

[redacted]

The remaining needs will be secured through the RFP process. The goal for future years, if economics warrant, would be to maintain this diversity. Should

supply problems occur, this diverse portfolio of suppliers would help ensure that the other suppliers could continue seamless deliveries to the plant. Another important element of this diversification philosophy is that Daniel can share most coal supplies with Mississippi Power's other coal-fired plant, Plant Watson, if operational, supply or transportation problems occur at either plant. Gulf will also continue its policy of testing various import as well as domestic coals.

In addition to receiving import coal through the ASD, Daniel also has the ability to take imported rail coal through the Illinois Central Rail Marine Terminal (ICRMT) in Convent, La. This is a proven facility that Daniel has used in the past. Because it's an inland-river facility capable of unloading Panamax-sized vessels, it provides additional security during hurricane season.

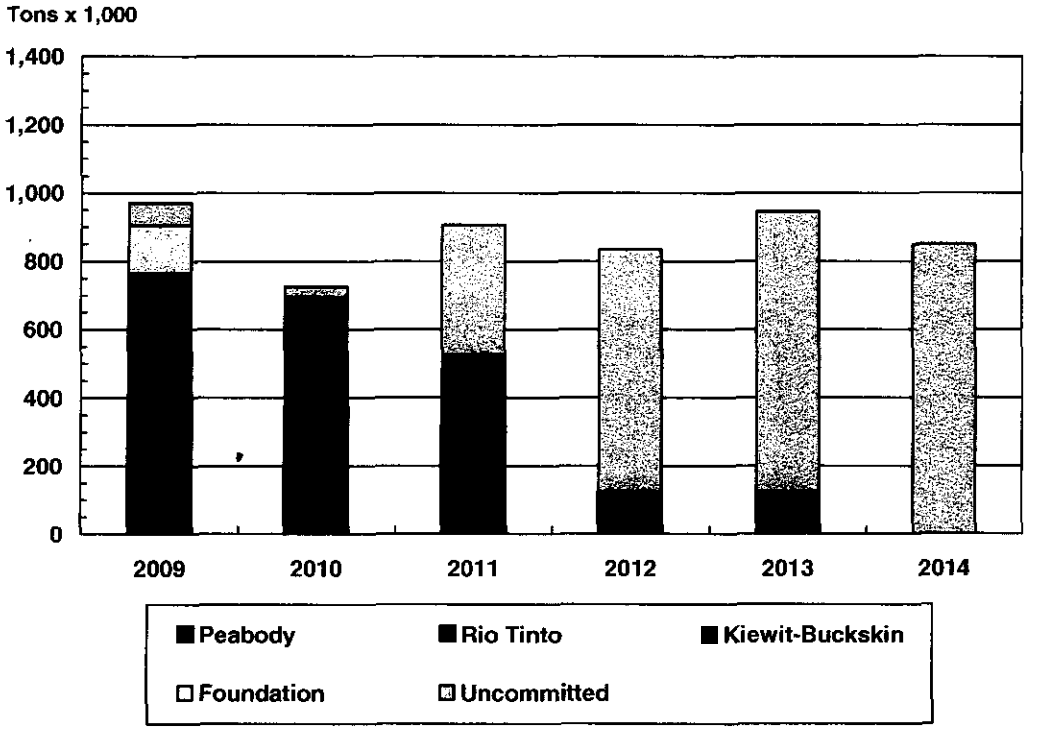
The installation of a scrubber at Daniel Units 1 - 2 is tentatively scheduled for late 2013. Daniel is an NSPS plant and has historically burned compliance coal (1.2 lbs SO2/MMBtu maximum). As mentioned above, Daniel has burned coal from multiple regions including various imports, Central Appalachian and Colorado coals. Since some of these coals have not been used at Daniel in a while, a test burn program will be initiated in 2013, depending on the actual installation date, to determine the impact that these coals will have on the scrubbed units at Daniel. These tests may also include Illinois Basin coals. If the results of these tests are favorable and the delivered costs of the Illinois Basin or Central Appalachian coals are competitive, then a procurement strategy will be put into place to secure larger volumes of these coals beginning in 2015 after both units are scrubbed.

Both Illinois Basin and Central Appalachian coals can be railed directly to Daniel, although some infrastructure improvements would be necessary. At this time, it is uncertain if the plant will need some time to acquire additional plant equipment necessary for burning Illinois Basin coals. The procurement group will need to be cognizant of the environmental controls placed on the units and ensure that the coals purchased will meet the environmental requirements.

Scherer

The chart below shows a breakdown of Gulf's 25 percent ownership of Scherer's Unit 3 suppliers and volume commitments, including volume options, through 2014. The decrease in burn seen below in year 2010 is attributable to maintenance outages on Unit 3 to install an SCR and a scrubber on the unit.

Gulf Power Company- Scherer 3
Fuel Program Status-Supplier Breakdown
(25% Ownership)



July 2008 Update and 2008 Official Budget

As the chart above shows, Scherer's Unit 3 is 93 percent committed for 2009 with an uncommitted need of approximately 65,000 tons. For 2010, 95 percent of the projected requirements for Unit 3 are committed, leaving an uncommitted need of approximately 30,000 tons. For 2011, approximately 58 percent of the burn requirements for Unit 3 are met, and 15 percent of the burn requirements for Unit 3 are met in 2012.

A large portion of the PRB contract tons will expire at the end of 2009. The plan will be to stagger supply contracts to avoid being in the market for larger volumes of coal in any one year.

The installation of scrubbers is planned for Plant Scherer beginning in 2011. Unit 3 will be first. Procurement strategies in the future will need to be cognizant of the environmental controls placed on the units to ensure that the coals purchased will meet the environmental requirements.

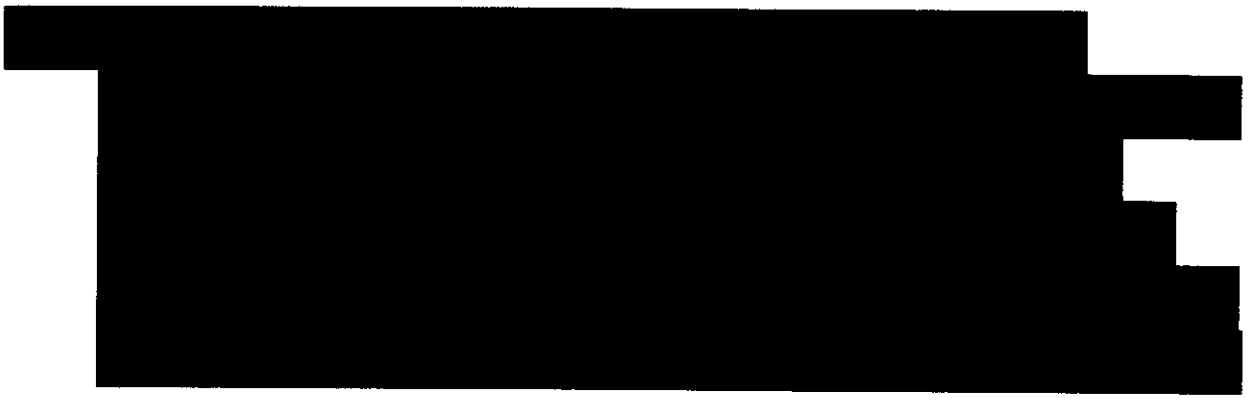
It is clear that PRB coal, at present, represents the lowest delivered cost and a vast supply resource for Scherer. However, it is also recognized:

(1) Coal market economics are dynamic and may change from time to time, sometimes dramatically

(2) For various reasons, availability of particular coal sources may become constrained and in those instances, alternate coal source options must be considered.

To maintain the competitiveness and reliability of Scherer's generating assets, it is strongly recommended that fuel supply flexibility be maintained as much as is economically feasible.

[redacted]



The procurement group will need to be cognizant of the environmental controls placed on all of its units to ensure that the coals purchased will meet the environmental requirements.

SECTION 2

GULF POWER
TRANSPORTATION STRATEGY
AUGUST 2008

Introduction

Gulf Power (Gulf) operates three coal-fueled plants with a combined normal full load gross rating of 1,459 megawatts and with annual coal consumption projected at more than 4.4 million tons. Gulf uses railcars and barges to transport the 4.4 million tons of coal to its plants. In 2007, coal represented more than 86 percent of Gulf's generation sources. Transportation of this coal is critical to the company's ability to serve its customers.

The highest priority for a coal transportation strategy is to maintain a reliable, cost-competitive transportation system. Increasing competition in the electric utility industry, demand/supply imbalance in the coal transportation industry, the changing location of coal supply sources, compliance with environmental regulations and the performance capabilities of transportation providers are just a few of the challenges that must be addressed when developing a transportation strategy.

The following is:

1) A review of the current coal transportation program, including current agreements, available mode of transportation
2) A transportation strategy that identifies and addresses specific risks and risk mitigation strategies
3) A tactical plan detailing specific actions required in order to achieve the strategy
4) An overview of the transportation strategy for the movement of limestone and gypsum.

Transportation Program Overview

Plants Crist and Smith

Plants Crist and Smith have the ability to receive both import and domestic coal by barge. Western coals can be transported by the Burlington Northern Santa Fe Railroad (BNSF) or the Union Pacific Railroad (UP) to terminals on the Mississippi River or to the Alabama State Docks facility in Mobile, AL and then barged to the plants. Illinois Basin or Central Appalachian coal can be transported by barge to these plants as well.

Rail coal can be transloaded at the Alabama State Docks Facility in Mobile, Ala. via interchanges with the Canadian National Railway (CN), CSX Transportation Inc. (CSXT), Alabama Gulf Coast Railroad (AGCRR) and Norfolk Southern (NS) railroads. Import coal can be delivered by ocean vessel to the Alabama State

Docks facility for barge movement to the plants. Currently, plants Crist and Smith receive import coal and Illinois Basin coal.

Plants Crist and Smith are served by a single barge carrier. Ingram Barge Agreement (GU72001-B) provides for transportation to both plants from various Central Appalachian and Illinois Basin River terminals on the Mississippi and Ohio rivers and from Gulf Coast terminals to plants Crist and Smith. The agreement expires Dec. 31, 2009.

There is a minimum volume commitment from upper river origins of 2 million tons between July 1, 2004, and Dec. 31, 2007. There is no minimum volume commitment in years 2008 and 2009. During the term of this agreement, 100 percent of waterborne tonnage transported to plants Crist and Smith must be offered to Ingram.

Plant Scholz

Plant Scholz is rail served by the CSXT railroad. The plant has the ability to receive both domestic and import coal. Import coal could be brought into the Alabama State Docks facility and then transloaded into railcars for movement to the plant. Currently, Plant Scholz has no coal commitment in place for 2009.

Plant Scholz has an agreement with the CSXT Railroad (CSXT-C-83791) that expires Dec. 31, 2011, which is the plant's expected retirement date. This agreement specifies that 95 percent of all deliveries must move on the CSXT

railroad. If Plant Scholz is retired earlier than expected, there will not be any penalties because of the minimum volume language.

Coal Transportation Procurement Strategy

A transportation strategy must address reliability, competitive prices, flexibility in volume commitments, and the ability to adjust coal movements to changing coal supply sources. The following information will address the risks associated with each of these areas, and identifies strategies to mitigate them.

RISKS AND RISK MITIGATION STRATEGIES

Reliability Risk and Strategy

Reliable delivery of coal ensures 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 single source coal supply agreements as closely as possible.

[redacted]

[redacted]

Communication between Gulf's coal operating personnel, each plant, Southern Company Generation Fuel Services and the various carriers is vital in maintaining reliable and efficient operations. Effective and timely communication of transportation plans, orders, problems, and maintenance is critical.

Pricing Risk and Strategy

Competition is created with diversity of coal supply sources and alternative transportation modes at each of the plants. Competition is achieved by periodically bidding transportation alternatives and educating carriers on the effects of marginal dispatch changes on unit load requirements.

[redacted]

Volume Risk and Strategy

The uncertainty in the amount of coal generation and transportation that will be needed in the future is still one of the most critical risks that must be addressed in developing a strategy for long-term transportation procurement. However, with the increase in overall system load during the past few years, this risk is being reduced as some intermediate coal units are becoming base-loaded generation. Weather, natural gas pricing and economic growth will continue to impact future coal burn requirements, as will the addition of gas–fired capacity to the Southern Company system.

Where it is possible and prudent, we will negotiate longer-term transportation agreements. For example, PRB has a large and stable coal supply with a large reserve base and relatively low cost. It would then be prudent to establish long-term agreements for transportation from this source if PRB coal would be the

future fuel of choice. Central Appalachian coal transportation agreements are also logical choices, because the carriers tend to quote rates from regions, rather than specific mines. Where coal sourcing is quoted from a specific source, then the term of the transportation agreement should closely mirror the coal supply agreement.

Supply Risk and Strategy

It is desirable to have multiple transportation modes and carriers in case there is a rail and/or barge accident that might disrupt the supply chain. Diversity of transportation modes and carriers is also vital, because the location of coal supply sources changes as environmental laws and regulations evolve and as coal is depleted in established regions.

It is vital to the success of a coal and transportation program to ensure infrastructure is in place to move the coal from changing locations as this occurs. This may include enhancements to existing facilities or the development of new facilities.

The Alabama State Docks recently completed two expansion projects at the McDuffie Coal Terminal that will accommodate approximately 16 million tons of import coal per year that represents a 25 percent increase from its previous capacity. In addition, the Bulk Unloader Railcar Project at the Alabama State Docks' Bulk Materials Handling Plant ("Bulk Plant") is currently underway. The upgrade of railcar handling facilities will provide the Bulk Plant with the ability to

receive an additional 3 million tons of coal.

Tactical Plan

Plants Crist and Smith

Ingram Agreement (GU72001-B) provides for barge transportation to plants Crist and Smith. This agreement will expire Dec. 31, 2009.

A Request for Proposals will be issued in August 2008 to solicit bids for new barge transportation rates for plants Crist and Smith. Bids will be due in October 2008 and an evaluation of the bids will be performed to determine the best option. It is anticipated that a final decision on selecting a Carrier will be made in January 2009. Southern Company Generation Fuel Services will work with Ingram to improve communications in order to discuss opportunities to enhance operational efficiencies.

Plant Scholz

Plant Scholz has an agreement with the CSXT Railroad (CSXT-C-83791) that expires Dec. 31, 2011, which is the plant's expected retirement date.

The tactical plan for this agreement will be to closely monitor the retirement date for this plant and work with CSXT to improve operational efficiencies in order to minimize transportation-related costs to Plant Scholz.

Mineral (Limestone and Gypsum)

Installations of flue-gas desulfurization systems (i.e., scrubbers) will create the need for transportation services for the mineral products such as limestone. In addition, operation of these systems produces gypsum as a byproduct that must be disposed of or marketed for beneficial uses.

Risk mitigation techniques in the coal transportation strategies are also applicable for mineral transportation. Application of these strategies shall be tempered by construction timetables, timing of mineral purchases, sourcing of limestone, limestone volumes, disposal or sales of gypsum, and the applicable transportation mode.

Preliminary cost estimates of transportation options are provided upon request to combustion by-products specialists. For planning purposes, this information is provided as early as five years before the scrubber begins operating. Procurement of transportation does not occur prior to procurement of minerals agreement. The term of the transportation agreement shall be no longer than the term of the minerals agreement.

The long-term transportation goal will be to provide a reliable, cost-competitive transportation system for the movement of minerals and scrubber by-products, as needed. The limestone procurement strategy at this time is focused on Plant Crist. The source of Plant Crist's limestone is anticipated to be a regional grinding facility located near Mobile, Ala. The pulverized limestone will be

SECTION 3

Gulf Power's Natural Gas Procurement Strategy

Gas Program Overview

Natural Gas is used for primary fuel at the Smith 3 combined-cycle unit, boiler lighter fuel at Crist units 4-7, and for peaking generation secured under purchase power agreements beginning in 2009.. Prior to 2002, 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 purchase a cost effective yet highly reliable fuel supply to support the operation of its generating facilities. Securing competitive fuel prices for its customers and minimizing both price and supply risk are the governing considerations in developing Gulf's fuel procurement strategy.

Projected Natural Gas Purchases

Southern Company Services (SCS) as agent for Gulf purchases natural gas to be delivered to Plant Crist for lighter purposes on the coal fired units and to Plant Smith as primary fuel for Unit 3 which is a combined cycle generating unit. SCS will also purchase natural gas to serve as primary fuel for the Coral and Southern Power (Dahlburg) purchase power agreements. Gulf has contracted for storage capacity at Bay Gas Storage near Mobile, AL and will purchase natural gas to maintain targeted quantities of gas in storage during the year. The following chart shows the total projected gas burn for 2009 through 2013 in MMBTU that these purchases will support.

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1 **PROJECTED NATURAL GAS BURN (MMBTU)**

Month	**2009**											
January	1772280											
February	1642219											
March	952881											
April	1534711											
May	1414598											
June	1854909											
July	2419181											
August	2772538											
September	1477316											
October	137131											
November	951375											
December	1791278											
TOTAL	**18720417**											

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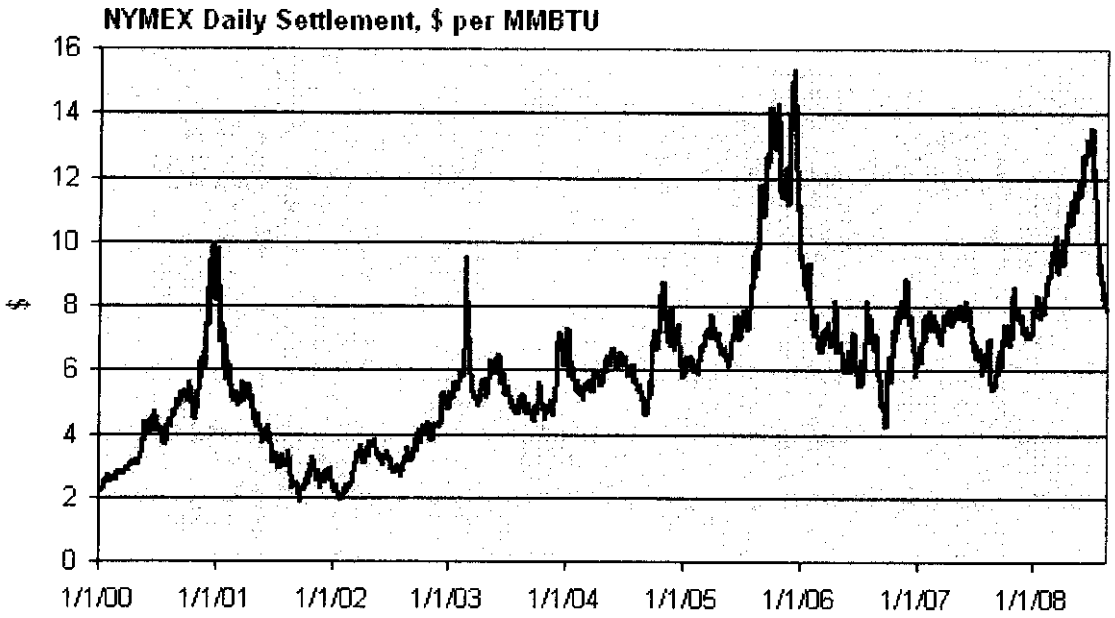
Procurement Strategy

Gulf's strategy for gas procurement is to purchase the commodity using long term and spot agreements at market prices. Fuel purchased at-market over a long period is a low cost option for customers. [redacted] For Gulf, spot-market contracts have a term of less than one year and long-term contracts have a term of 1 year or longer. All natural gas, regardless of whether it is bought under long-term contracts or spot-market contracts, is purchased at market based prices. While fuel purchased at market over long periods is a low cost option for customers, it does expose the customers to short-term price volatility. Since these price fluctuations can be severe, Gulf Power, at the direction of the Florida Public Service Commission, will attempt to protect its customers against short-term price volatility by utilizing hedging tools. It is understood that the cost of hedging will sometimes lead to fuel costs that are higher than market prices but that this is a reasonable trade-off for reducing the customers' exposure to fuel cost increases that would result if fuel prices actually settle at higher prices than when the hedges were placed. The following graph of actual natural gas prices is an indication of price volatility in the gas commodity market:

Historical Natural Gas Prices - NYMEX



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Pricing Strategy

Gulf Power will continue to purchase gas, both under long-term and spot contracts at market based prices. However, pursuant to Commission order, Gulf Power will financially hedge gas prices for some portion, [redacted] of Gulf Power's projected annual gas burn for the current year, in order to protect against short-term price swings and to provide some level of price certainty. This [redacted] range allows Gulf Power to provide a degree of price certainty and protection against short-term price swings while still allowing the customers to participate in markets where natural gas prices are low. [redacted]

Period	Min. Hedge %	Upper Target Hedge %
Prompt Year (2009)	[redacted]	[redacted]
Year 2 (2010)	[redacted]	[redacted]
Year 3 (2011)	[redacted]	[redacted]
Year 4 (2012)	[redacted]	[redacted]
Year 5 (2013)	[redacted]	[redacted]

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

Although SCS will target the levels shown in the table above, if extreme market conditions exist, SCS may accelerate or decelerate the plan accordingly. Gulf's hedging targets are expressed on an annual basis due to the potential for large variances in month to month gas consumption. The monthly variance in gas burn is due to Gulf's ownership of only one gas fired generating unit that is dispatched on an economic basis with the other generating units in the Southern electric system and the impact of unit outages on Gulf's total gas burn.

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SCS, working in partnership with Gulf Power, develops short-term hedge strategies based on current and projected market conditions. [redacted] the objective is not to speculate on market price or attempt to outguess or "beat the market". Gulf will utilize fixed priced swaps as its primary financial gas price hedging instrument but may also utilize options to a lesser degree when appropriate.

While the hedging program will protect the customer from short-term price spikes, hedges can also lead to higher costs when natural gas prices fall subsequent to entering hedges. Gulf Power will limit the amount of fixed-price hedges to a maximum of 100% of the projected fuel burn for the upcoming year. In addition, Gulf Power will limit option priced hedges to 110% of its projected burn. [redacted]

System Hedges

Because Gulf Power is a part of the Southern Company System, it indirectly participates in gas hedging for fuel price indexed power related transactions done on behalf of the Southern company system. These hedges are referred to as "system hedges." In these instances, Southern Company Services utilizes financial hedging instruments to mitigate fuel price risk related to individual power

transactions. Gulf is allocated their portion of these gas hedges when they occur based on its peak period load ratio. All system hedges are matched to individual power transactions and are considered separate from Gulf's directed hedging program for gas burn at generating units where it directly purchases natural gas supply.

SECTION 4

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.

Procurement Strategy

Gulf's strategy for oil procurement is to purchase the commodity at market prices. Fuel purchased at-market over a long period is a low cost option for customers.

Gulf purchases fuel oil on an annual basis through a formal bidding process. As part of this bidding process, Gulf negotiates predetermined contracts to set the index based market price for the commodity and delivery adders for fuel oil delivery to each plant. As inventories are depleted during the year, Gulf will purchase additional fuel oil quantities based on the negotiated contract for the plant.

Pricing Strategy

Since fuel oil is such a small portion of the overall fuel budget, Gulf does not currently plan to hedge oil prices unless Gulf's oil use significantly increases or some other need warrants doing so.

SECTION 5

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."

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 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.

SECTION 6

Southern Company

Energy Trading Risk Management Policy

CONFIDENTIAL

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I. Introduction

In August 1997 the Southern Company Risk Oversight Committee approved a set of risk management guidelines. Also, at various times during 2000 through 2002, the boards of directors for Southern Company, the Operating Companies, and Southern Power Company adopted the Southern Company Policy on the Use of Derivatives ("Derivatives Policy"). During 2006, the risk oversight and governance framework for Southern Company continued to evolve to further refine the oversight structure and to reflect organizational changes since the original Southern Company Risk Oversight Committee (SROC) approved risk management guidelines in August 1997. As part of this evolution, the Southern Company Risk Oversight Committee was reconstituted, and a Generation Risk Oversight Committee was formed. These groups, along with the newly formed Risk Advisory and Controls Committee, replaced the Energy Risk Management Board and assumed its responsibilities.

Effective November 19, 2007, certain functions for Southern Power were separated from the other Southern Operating Companies and certain communications between them was restricted. It was decided that, Southern Power would no longer attend or have representation on the Generation Risk Oversight Committee. This decision prompted the need for a Southern Power Risk Oversight Committee and separate Southern Power risk monitoring. The Generation Risk Oversight Committee will continue to monitor the consolidated energy trading risks, including Southern Power positions.

The Southern Company Derivatives Policy requires any business unit engaging in energy trading and marketing activities to develop a risk management policy. This policy must be consistent with the Southern Company Enterprise Risk Management Policy and Framework document;

and must include, but not be limited to, well-defined segregation of duties, limits on capital at risk and established credit policies.

II. Purpose

[redacted]

III. Business Objectives

The Approved Business Objectives for the trading activities performed on the Trading Floors are defined in Appendix A.

III. Business Strategies

The business objectives are achieved by entering into transactions involving the approved commodities shown in Appendix B.

[redacted]

[redacted]

Objectives. The Approved Risk Management Instruments are listed in Appendix C.

IV. Authorizations

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

V. Segregation of Duties

[redacted]

Appendix E represents the functional separation organizationally as specified in this RMP. The following is a summary of the responsibilities of the different functions:

Origination and Structuring: The functions of origination and structuring include the following responsibilities:

[redacted]

Confirmation, Monitoring, and Reporting: The functions of trade confirmation, risk monitoring, and risk reporting include the following responsibilities:

[redacted]

[redacted]

Settlement: The function of settlement includes the following responsibilities:

[redacted]

VII. Market Risk Identification

[redacted]

[redacted]

VIII. Market Risk Measurement and Valuation

[redacted]

IX. Market Risk Limits

Exposure Limits	The maximum exposure limits are shown in Appendix H. the maximum exposure limit for each business objective should not exceed the limits specified in Appendix H.
Notification	Certain notifications to management are required as defined in Appendix G.
Limit Excess Reporting	Irrespective of other provisions contained in this RMP, limit overages may occur. Each occurrence shall be promptly reported by the middle office to individuals identified in Appendix G.

X. Credit Risk

[redacted]

XI. New Products

[redacted]

[redacted]

XII. Funding Liquidity

[redacted]

XIII. Operating Procedures and Systems

[redacted]

[redacted]

XIV. Accounting and Tax

[redacted]

Appendix J contains the accounting and tax approach that will be utilized for the Trading Floors' risk management activities.

XV. Legal

[redacted]

XVI. Monitoring and Reporting

Middle Office personnel will calculate and report the following items on a daily basis:

[redacted]

[redacted]

[redacted]

XVII. Personal Trading

[redacted]

XVIII. Business Recovery

Business recovery plans that will allow the Trading Floors to continue with minimal disruption are contained in a separate document and will be maintained.

XIX. Compliance

[redacted]

[redacted]

XX. Independent Review

[redacted]

XXI. Policy Amendments

[redacted]

[redacted]

XXII. Terminology

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

APPENDIX A

APPROVED BUSINESS OBJECTIVES

ENERGY TRADING AND MARKETING

Fleet Operations and Trading

The primary objectives of Fleet Operations and Trading are to:

[redacted]

Southern Power Company Trading & Asset Management

The primary objectives of the Southern Power Company Trading and Asset Management activities are the following:

[redacted]

FUEL SERVICES

Natural Gas Fulfillment Function

The primary objectives of the Natural Gas Fulfillment Function are to:

[redacted]

APPENDIX A

APPROVED BUSINESS OBJECTIVES

Emission Allowance Management Function

The primary objectives of the Emissions Allowance management function are to:

[redacted]

[redacted]

Coal Fulfillment Function

The primary objectives of the Coal fulfillment function are to:

[redacted]

Renewable Energy Credits (REC) Fulfillment Function

The primary objectives of the REC fulfillment function are to:

[redacted]

APPENDIX B

APPROVED COMMODITIES

The approved commodities for this RMP are:

[redacted]

[redacted]

[redacted]

APPENDIX C

APPROVED INSTRUMENTS

The approved instruments are:

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

APPENDIX D

AUTHORIZATIONS

	Name	Authority
1	[redacted]	[redacted]
2	[redacted]	[redacted]
3	[redacted]	[redacted]
4	[redacted]	[redacted]
5	[redacted]	[redacted]
6	[redacted]	[redacted]
7		[redacted]
8		[redacted]
9		[redacted]
10		[redacted]
11		[redacted]
12		[redacted]
13	[redacted]	Energy Trading
14	[redacted]	[redacted]
15	[redacted]	[redacted]
16		[redacted]
17		[redacted]
18		[redacted]
19		[redacted]

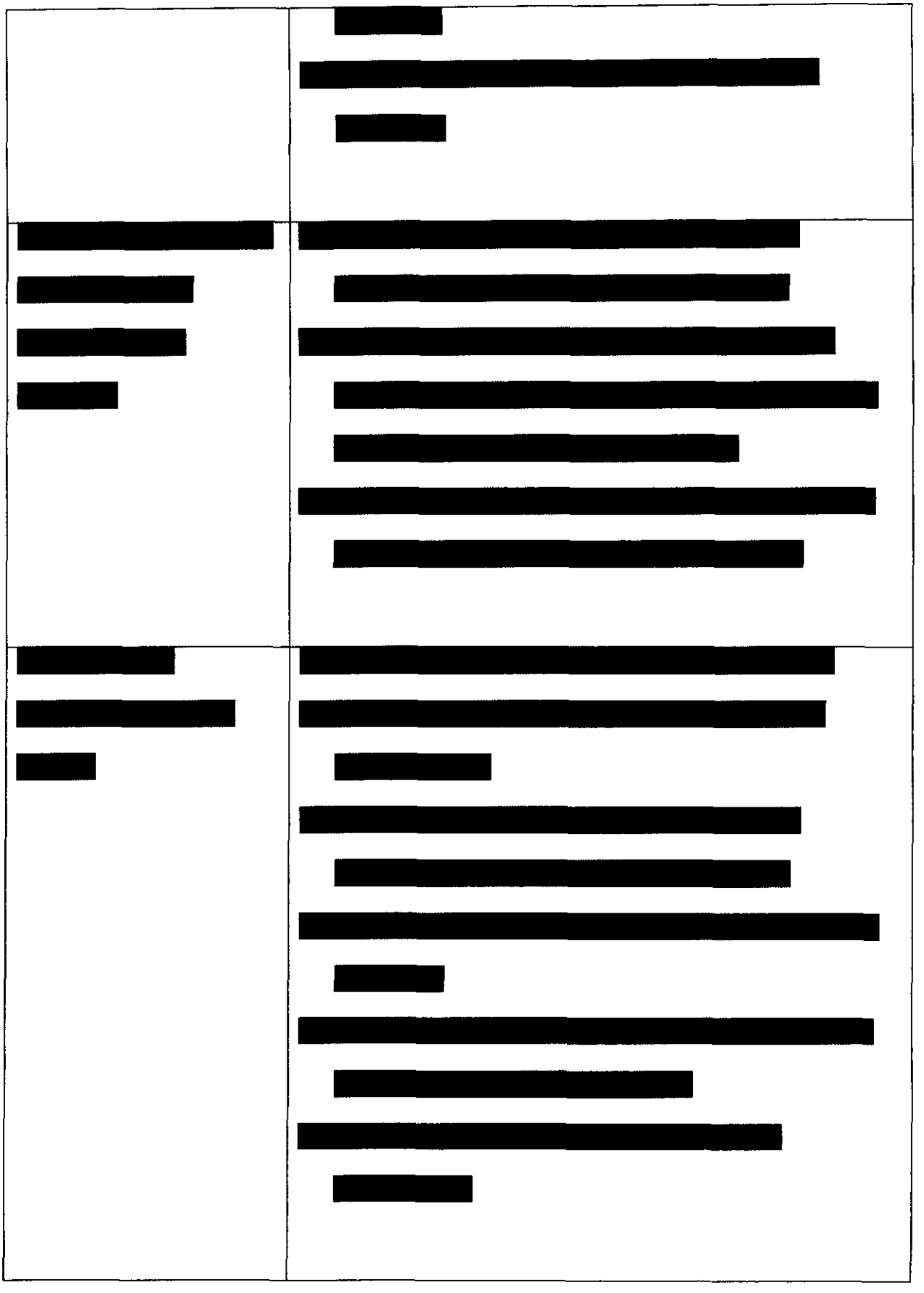
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]

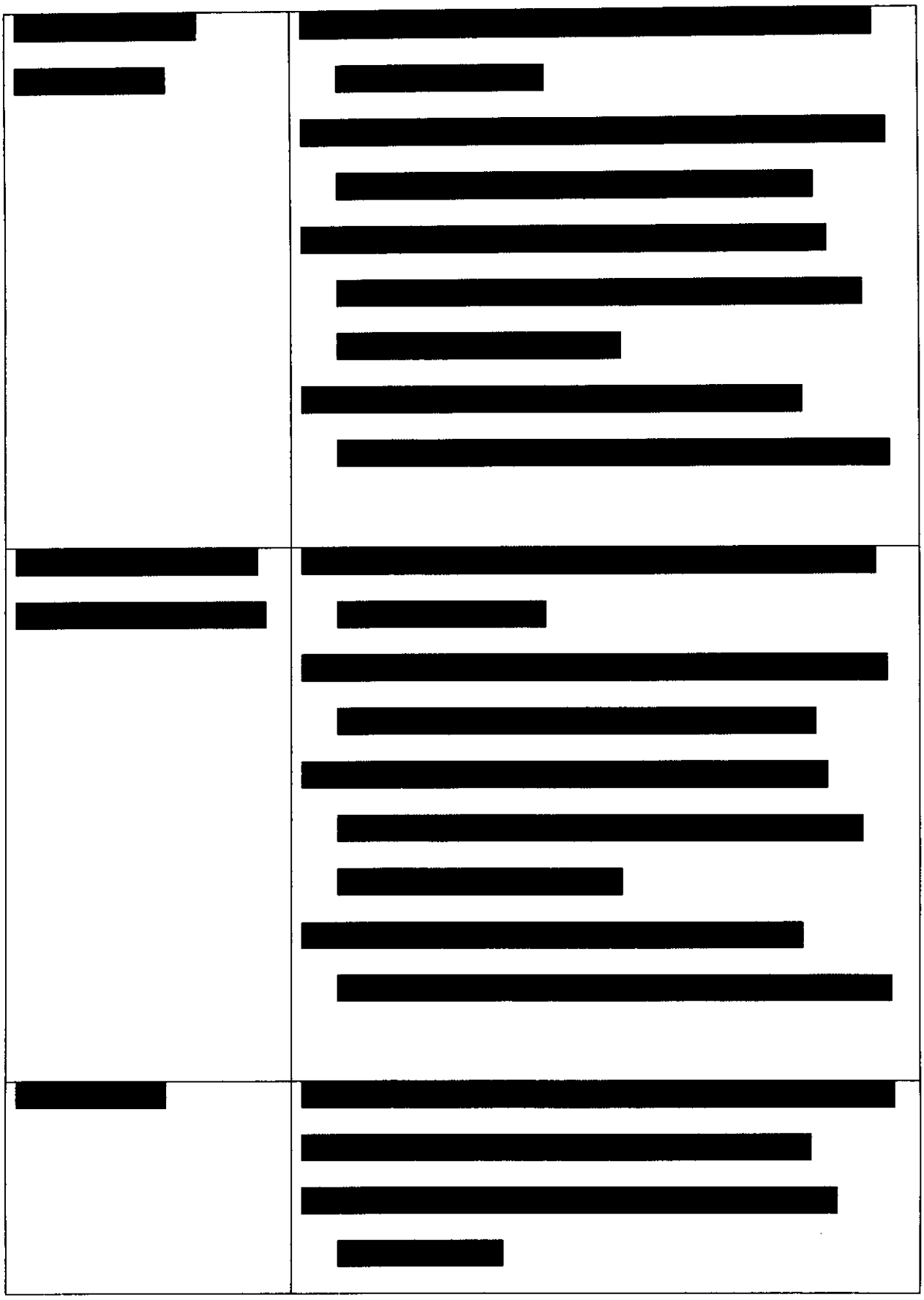
APPENDIX D

AUTHORIZATIONS (continued)

Energy Marketing

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





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

APPENDIX D

AUTHORIZATIONS (continued)

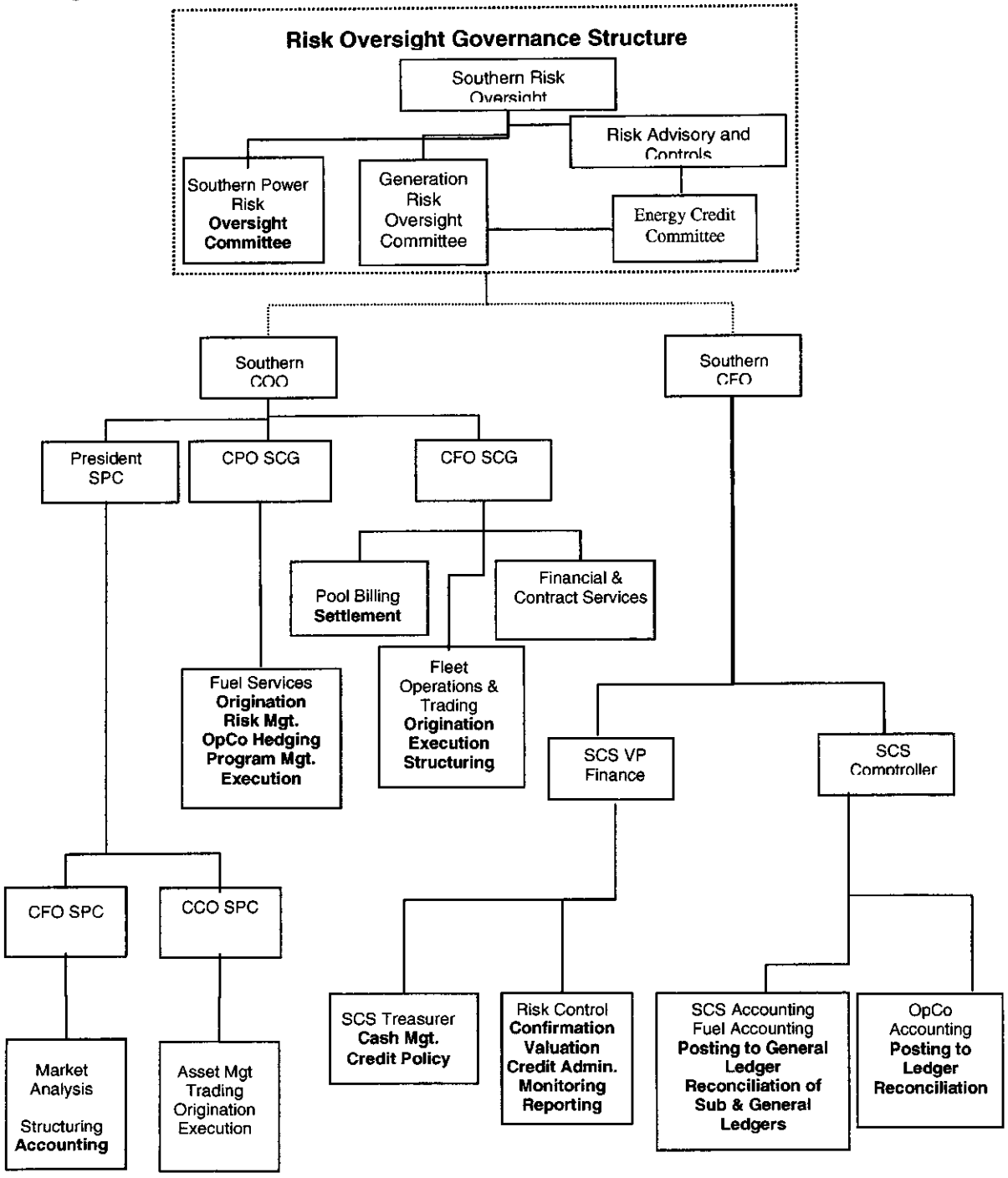
SCS Fuel Services

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

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

APPENDIX E
SEGREGATION OF DUTIES

To ensure that risk management activities are properly carried out, certain functions will be separated. The following chart identifies these functions (depicted as **BOLD** bullet items) and their reporting process.



APPENDIX F
MARKET RISK MEASUREMENT

	Approved Commodities	Value at Risk Method
1	[redacted]	[redacted]
2	[redacted]	[redacted]
3	[redacted]	[redacted]

Parametric VaR Methodology

Formula Components

	Component	Symbol	Comments
4	[redacted]	[redacted]	[redacted]
5	[redacted]	[redacted]	[redacted]
6	[redacted]	[redacted]	[redacted]
7	[redacted]	[redacted]	[redacted]
8	[redacted]	[redacted]	[redacted]

Equation

$$VaR = PSN * \Delta P * \sqrt{HP} * CI$$

Parameters

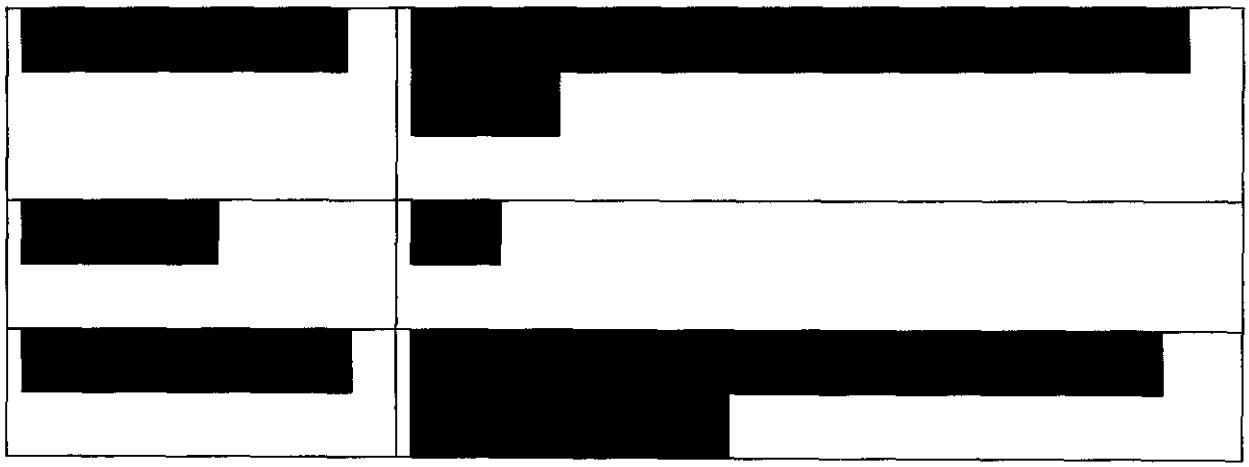
	Commodity	Holding Period (HP)	Multiplier (CI)
9	[redacted]	[redacted]	[redacted]
10	[redacted]	[redacted]	[redacted]

APPENDIX F

STRESS TESTING METHODOLOGY

[redacted]

1



Ad Hoc Stress Testing

APPENDIX G
NOTIFICATION LEVELS

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

APPENDIX G
NOTIFICATION LEVELS

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

APPENDIX G
NOTIFICATION LEVELS

A B C

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

NOTE: Recipients of notification events will only receive detailed information pertinent to their business needs, and any correspondence will be in compliance with the Separation Protocol.

APPENDIX G
NOTIFICATION LEVELS

A B C

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

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

APPENDIX H
MARKET RISK LIMITS

A

Net Open Position Limits

B

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

[redacted]

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

APPENDIX I
INCUMBENT LISTING; AUTHORIZED INDIVIDUALS

Incumbent Listing

Name	Title
David Ratcliffe	Chairman, President, and Chief Executive Officer Southern Company
Paul Bowers	Chief Financial Officer, Southern Company Chairman, Southern Risk Oversight Committee Chairman, Risk Advisory and Controls Committee
Tom Fanning	Chief Operating Officer, Southern Company
Scott Teel	Chief Financial Officer, Southern Company Generation
Jerry Stewart	Chief Production Officer, Southern Company Generation
Wayne Moore	Chairman, Generation Risk Oversight Committee
Ron Hinson	Senior Vice President, Comptroller, and Chief Accounting Officer of SCS
Ronnie Bates	President, Southern Power Company
Norrie McKenzie	Chief Commercial Officer, Southern Power Company
Mike Southern	Chief Financial Officer, Southern Power Company Chairman, Southern Power Risk Oversight Committee
Jeff Wallace	Vice President, Fuel Services
Charley Long	Vice President, Fleet Operations and Trading
Jon Haygood	Manager, Risk Control
Mike Bush	Manager, Energy Trading
Joe Styslinger	Manager, Southern Power Trading & Asset Management
Susan Comensky	Coal Services Director
Carl Haga	Gas Services Director
Roy Hiller	Gas Operations Manager

Southern Company Risk Oversight Committee

Name	Title
Paul Bowers (Chairman)	CFO & CRO, Southern Company
David Ratcliffe	Chairman, President, and CEO, Southern Company
Alan Martin	EVP, President & CEO, SCS
Tom Fanning	EVP & COO, SCS
Charles McCrary	EVP, Southern Company & President & CEO, APC
Mike Garrett	EVP, Southern Company & President & CEO, GPC
Ed Holland	EVP, General Counsel, and Corporate Secretary, Southern Company
Ronnie Labrato	VP, Internal Auditing – non-voting member
Mark Lantrip	VP, Finance & Treasurer – non-voting member

APPENDIX I
INCUMBENT LISTING; AUTHORIZED INDIVIDUALS

Southern Company Risk Advisory & Controls Committee

Name	Title
Paul Bowers (Chairman)	CFO & CRO, Southern Company
Art Beattie	CFO, APC
Cliff Thrasher	CFO, GPC
Phil Raymond	CFO, Gulf Power Company
Francis Turnage	CFO, MPC
Scott Teel	CFO, SCG
Mike Southern	CFO, SPC
Mike Harreld	CFO, SoCo Transmission
Ron Hinson	Comptroller, CAO, & SVP, SCS
Mark Lantrip	VP Finance & Treasurer, SCS
Melissa Caen	VP & Associate General Council, SCS
Ronnie Labrato	VP, Internal Auditing – non-voting member

Southern Company Generation Risk Oversight Committee

Name	Title
Wayne Moore (Chairman)	Regulatory Affairs & Energy Policy Director, SCS
Ed Day	EVP of E&CS, SCG
Jerry Stewart	Chief Production Officer, SCG
Dan McCrary	Legal Counsel, Balch & Bingham
Scott Teel	CFO, SCG
Todd Perkins	Enterprise Risk Management Director
Myrk Harkins	Internal Auditing Director

Southern Power Risk Oversight Committee

Name	Title
Mike Southern (Chairman	CFO, SPC
Wayne Moore	Regulatory Affairs & Energy Policy Director, SCS
Norrie McKenzie	Chief Commercial Officer, SPC
Todd Perkins	Enterprise Risk Management Director
Bob Schaffield	Compliance & Corporate Affairs Director, SPC

APPENDIX I
INCUMBENT LISTING; AUTHORIZED INDIVIDUALS

Southern Company Generation Energy Credit Committee

Name	Title
Earl Long (Chairman)	Assistant Treasurer, SCS
Jeff Wallace	VP, Fuel Services
Charley Long	VP, Fleet Operations & Trading, SCG
Todd Perkins	Enterprise Risk Management Director

Fleet Operations & Trading Management Team

Name	Title
Scott Teel	Chief Financial Officer, SCG
Charley Long	VP, Fleet Operations & Trading, SCG
Mike Bush	Manager, Energy Trading
Greg Darnell	Fleet Operations Manager

SCS Fuel Services Management Team

Name	Title
Jerry Stewart	Chief Production Officer, SCG
Jeff Wallace	VP, Fuel Services
Susan Comensky	Coal Services Director
Carl Haga	Gas Services Director

APPENDIX I
INCUMBENT LISTING; AUTHORIZED INDIVIDUALS (continued)

Authorized Individuals

		Approved Commodities								
		Electricity		Natural Gas			Coal	Oil	Allow-ances	RECs
Title	Name	Energy	Trans.	Gas	Trans-port	Storage				
Southern Company Generation										
Energy Term Trading Mgr.	Bill Norton	X	X	(2)			(2)	(2)	(2)	(2)
Term Trader	David Hansen	X	X	(2)			(2)	(2)	(2)	(2)
Term Trader	Tony Ankar	X	X	(2)			(2)	(2)	(2)	(2)
Term Trader	Stephen Stepkoski	X	X	(2)			(2)	(2)	(2)	(2)
Term Trader	Matt Ansley	X	X							
Trading Operations Mgr.	Corey Sellers	(1)	(1)							
Hourly Trading Mgr.	Steve Lowe	X	X							
Energy Coordinator	Bill Brown	X	X							
Energy Coordinator	Todd Curl	X	X							
Energy Coordinator	Frank Harris	X	X							
Energy Coordinator	Larry Savage	X	X							
Energy Coordinator	Karen Howland	X	X							
Energy Coordinator	Jimmy Walker	X	X							
Energy Coordinator	Shannon Gunnells	X	X							
Energy Coordinator	Michael Turberville	X	X							
Scheduler	Matt Bauman	(1)	X							
Scheduler	Stacey Pruitt	(1)	X							
Scheduler	Blair Ellington	(1)	X							
Trading Analyst	Jarrett Tate	(1)	(1)							
Trading Analyst	Martha Russell	(1)	(1)							
Trading Analyst	Susan Olive	(1)	(1)							

Notes:

(1) Authority to make changes to transactions including entering transactions related to loss adjustments and full/partial requirements customers.

(2) Authority to direct a transaction.

APPENDIX I
INCUMBENT LISTING; AUTHORIZED INDIVIDUALS (continued)

Authorized Individuals

		Approved Commodities								
		Electricity		Natural Gas			Coal	Oil	Allow-ances	RECs
Title	Name	Energy	Trans.	Gas	Trans-port	Storage				
SCS Fuel Services										
Gas Services, Director	Carl Haga			X	X	X				
Gas Operations Mgr.	Roy Hiller			X	X	X				
NG Buyer - Physical	Karen Gandy				X	X				
NG Buyer - Physical	Vicki Gaston			X	X	X				
NG Buyer - Physical	Debora Honeycutt			X	X	X				
NG Buyer - Financial	Paul Hughes			X						
NG Buyer - Financial	Tonya Gary			X	X	X				
NG Buyer - Financial	Beth Santoro			X						
NG Scheduler	Cherie McDaniel			X	X	X				
NG Scheduler	John Benefield			X	X	X				
NG Scheduler	Tisha Dale				X	X				
NG Scheduler	Russ Hall				X	X				
NG Scheduler	Billie Williams				X	X				
NG Buyer - Physical; NG Buyer - Financial	Carol Thomasson			X	X	X				
Coal & Transport Procure Manager	Debra Rouse						X			
Manager - Emissions	Ashley Robinett								X	X

		Approved Commodities								
		Electricity		Natural Gas			Coal	Oil	Allow-ances	RECs
Title	Name	Energy	Trans.	Gas	Trans-port	Storage				
Southern Power										
Manager - Trading & Asset Management	Joe Styslinger	X		(2)			(2)	(2)	(2)	(2)
Asset Manager	Tracy Ellis	X		(2)			(2)	(2)	(2)	(2)
Project Manager	Kenneth Wills	X		(2)			(2)	(2)	(2)	(2)
Term Trader	Scott Morales	X		(2)			(2)	(2)	(2)	(2)
Term Trader	John Spratley	X		(2)			(2)	(2)	(2)	(2)

Notes:

(1) Authority to make changes to transactions including entering transactions related to loss adjustments and full/partial requirements customers.

(2) Authority to direct a transaction.

APPENDIX J

ACCOUNTING AND TAX

[redacted]

[redacted]

APPENDIX K

EMPLOYEE ACKNOWLEDGMENT

I have been provided a copy of the Southern Company Energy Trading 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 on 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 right to emit chemical compounds 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 (SO2) see the 1990 Clean Air Act Amendments, Title IV Section 402(3) "an authorization allocated to an affected unit by the Administator, to emit, during or after a specified calendar year one ton of sulfur dioxide. For NOx, the right to emit one ton of Nitrous Oxide during the 5 months ozone season May through September *(beginning May 1st, 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 CO2) 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 SCG 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 H. Such levels are expressed in dollars that establish boundaries for maximum value at risk due to changes in market prices.
Daily Portfolio Value	The net present value on a MTM basis of yet to be performed transactions from all approved portfolios.
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.
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.

Hedging Strategy	A trading strategy intended to reduce risk.
Liquid Market	A market characterized by wide bid/offer spreads, lack of transparency, and large movements in price after any sizable deal.
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.
Net Open Position	The sum of all open positions for the approved commodities ona n 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	Southern Company Generation 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 details of all transactions are 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.)

SECTION 7

Risk Management for Fuel and Wholesale Energy

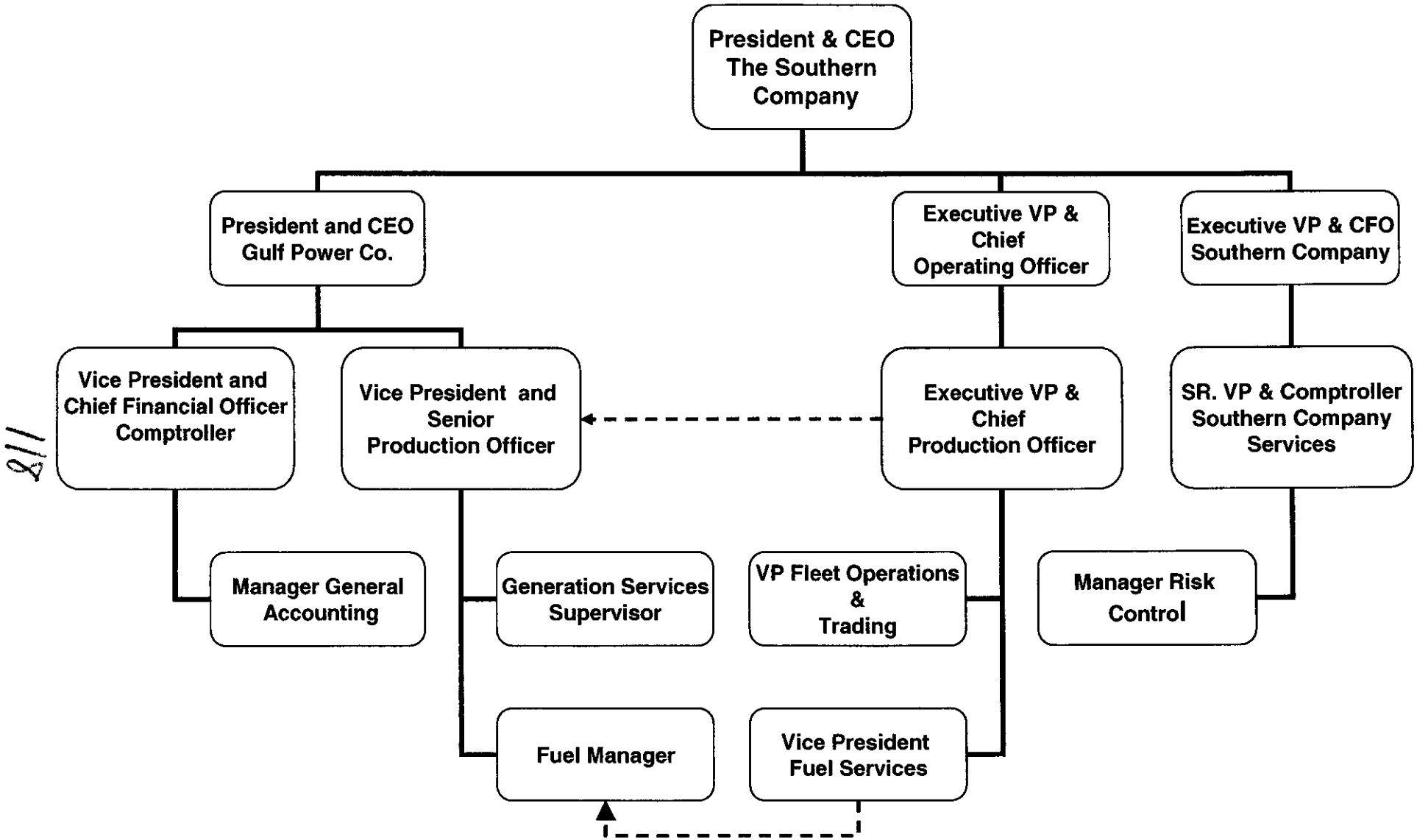


EXHIBIT C

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

Line(s)/Field(s)	**Justification**
Page 10 of 118 Lines 1-6, 8-13, and 15-21	The information delineated in Exhibit "C" is entitled to confidential classification pursuant to §366.093(3)(a), (d) and (e), Florida Statutes. The basis for this information being designated as confidential is more fully set forth in paragraph 2.
Page 11 of 118 Lines 8-15	
Page 12 of 118 Lines 9-15 and 17-20	
Page 13 of 118 Lines 7-10 and 20-24	
Page 14 of 118 Lines 1-8, 10-13 and 20-25	
Page 16 of 118 Lines 1-4 and 6-15	
Page 19 of 118 Lines 3-9	
Page 20 of 118 Lines 12-18	
Page 21 of 118 Lines 3-8 and 10-16	
Page 23 of 118 Lines 24-25	
Page 24 of 118 Lines 1-3	
Page 26 of 118 Lines 18-24	
Page 27 of 118 Lines 2-3, 5-11 and 13-19	

Page 28 of 118 Lines 3-7 and 9-16	
Page 31 of 118 In its entirety	
Page 32 of 118 Lines 1-9 and 22-25	
Page 33 of 118 Lines 2-6	
Page 35 of 118 Lines 11-17	
Page 37 of 118 Lines 1-5 and 14-22	
Page 41 of 118 Lines 5-10	
Page 42 of 118 Lines 5, 7-12, 14-20 and 22-25	
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Page 49 of 118 Lines 12-20	
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Page 56 of 118 Line 4, Column B Lines 5-8 Line 9, Column A	

Page 58 of 118 Line 5, Columns B-C Line 6, Column C Line 8, Column A Line 10, Column C Line 11 Line 12, Column A Line 14, Columns B-C	
Page 59 of 118 Line 2, Column B Lines 3-6 and 17-18	
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Public Service Commission

ACKNOWLEDGEMENT

DATE: September 15, 2008

TO: **Susan D. Ritenour/Gulf Power Company**

FROM: **Marguerite H. McLean, Office of Commission Clerk**

RE: **Acknowledgement of Receipt of Confidential Filing**

This will acknowledge receipt of a CONFIDENTIAL DOCUMENT filed in Docket Number 080001-EI (DN 08587-08) **or, if filed in an undocketed matter, concerning** certain portions of GPC's risk management plan for fuel procurement, **and filed on behalf of** Gulf Power Company. **The document will be maintained in locked storage.**

If you have any questions regarding this document, please contact Marguerite McLean, Deputy Clerk, at (850) 413-6770.