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GULF POWER
A SOUTHERN COMPANY

August 1, 2013

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

Dear Ms. Cole:

RE: Docket No. 130001-EI

Enclosed for official filing in the above referenced docket is an original and fifteen copies of Gulf Power Company's Risk Management Plan dated August 2, 2013.

Sincerely,

Robert L. McGee, Jr.

Robert L. McGee, Jr.
Regulatory and Pricing Manager

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

GULF POWER COMPANY

Risk Management Plan
For
Fuel Procurement
Docket No. 130001-EI

Date of Filing: August 2, 2013

GULF POWER

A SOUTHERN COMPANY

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GULF POWER LONG-TERM COAL PROCUREMENT STRATEGY AND TACTICAL PLAN FOR 2014

Introduction

Gulf Power (Gulf) reliably serves more than 430,000 customers. During 2012, Gulf generated 9.6 billion kilowatt-hours (kWhs) with $545 million in fuel expense. Coal fired generation represents 50 percent of Gulf's electric generating capacity.

Gulf owns and operates three coal-fired generating plants (Crist, Smith and Scholz) with a combined normal full-load gross rating of 1,469 megawatts (MWs) and annual coal consumption of more than 1.6 million tons.

Gulf also co-owns 50 percent of Plant Daniel, which is operated by Mississippi Power (MPC) and has a projected annual coal consumption of 900,000 tons. The normal full-load capacity of Gulf's ownership at Daniel is 537 MWs.

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 coal procurement strategy must address several issues in order to provide a reliable, cost-competitive, environmentally acceptable fuel supply.

The following is:

- A review of the current coal program, including current commitments and uncommitted requirements
- A procurement strategy that identifies and addresses specific risks and risk mitigation strategies, and discusses a strategic plan
- A tactical plan detailing specific actions required to achieve the strategy

Fuel Program Overview

Plants Crist and Smith is barge served and plant Scholz is rail served. The following table is a summary of the Gulf coal suppliers and corresponding tonnages (in 1000's) by plant.

Plant	Supplier	2013	2014	2015	2016	2017
Crist & Smith	American	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
	Foresight	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
	Argus	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
	Alpha	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
	Total	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Scholz	No suppliers	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Total Gulf Program		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

In the following charts, the projected requirements for years 2014 and 2015 are from the July 2013 DEPS burn file and the projected requirements for years 2016 through 2017 are from the 2013 Official Budget June Update. The chart below illustrates the projected burn and commitments of coal for Crist and Smith through 2017.

[redacted]

Source: July DEPS (2013-2014)
2013 Energy Budget June Update (2015-2017)

Gulf Power has made the decision to retire the units at Plant Scholz effective April 2015. Scholz will continue to use coal on its stockpile as a generation fuel source until that time. As a result, this strategy will not address future coal needs at Scholz.

Daniel is classified as a New Source Performance Standard (NSPS) plant requiring the use of 1.2 pounds SO_2/MMBtu or less. Gulf owns 50 percent of units 1 and 2 at Daniel, which is rail served. The following table is a summary of the Daniel coal suppliers and corresponding tonnages (in 1000's).

Plant	Supplier	2013	2014	2015	2016	2017
Daniel	Twentymile	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
	Total	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Total Daniel Program		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

[redacted] The following chart illustrates Gulf's 50 percent ownership in projected burn and commitments of coal for Daniel through 2017.

[redacted]

Source: July DEPS (2013-2014)
2013 Energy Budget June Update (2015-2017)

Procurement Strategy

The long-term coal procurement goal for Gulf 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.

In recent years, the coal industry has become more susceptible to the influences of the global commodities market. Given the global market dynamics that occurred during this time frame, the coal market has reacted by becoming more volatile from both a pricing and volume availability standpoint. This has, in turn, impacted the dynamics between natural gas and coal, leading to increased uncertainty in coal burn.

Increased U.S. governmental regulation regarding the potential environmental impact of coal mining will continue to present challenges for coal suppliers seeking permits for new mining activities. This increase in environmental regulation, coupled with the increased regulatory scrutiny of mining safety, has resulted in an increase in production costs and may further lead to a decrease in availability of supply from most domestic regions.

The following section will address the risks and risk mitigation strategies associated with each of these areas. Also included 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 remains one of the most critical risks to be addressed in developing a strategy for long-term coal procurement. Weather, economic conditions and natural gas price will continue to impact future coal burn requirements.

Since 2000, Southern Company's natural gas generating capacity has increased by approximately [redacted] to its current size of approximately [redacted] of natural gas generating capacity. This increase in natural gas capacity within the Southern Company system, in conjunction with the recent increased [redacted]

[redacted]

[redacted]

[redacted]

Pricing Risk and Strategy

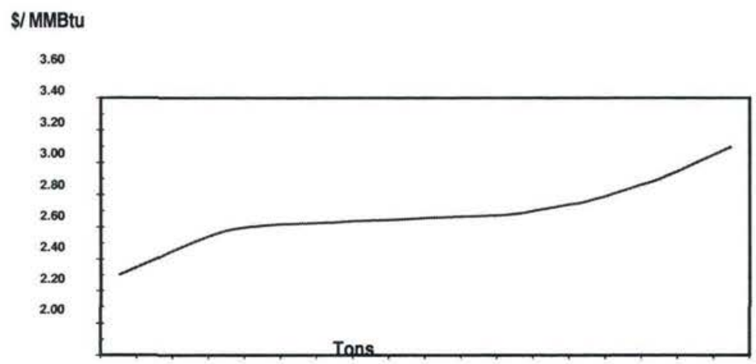
Competing for energy market share with other utilities and power marketers requires competitive energy pricing. Because more than 50 percent of the cost for coal-fired generation is fuel, competitively priced coal supplies should be maintained.

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

[redacted]

Due to 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:

Fuel Price Curve



[redacted]

[redacted]

[redacted]

Diversity of Supply Risk and Strategy

There is a risk in relying on one or two large suppliers from a single region to meet supply needs. Also, having the ability to burn coal from various regions will decrease the availability risk associated with lack of supply in a particular region. Diversifying supply will also keep competition strong among suppliers, which, in turn, will continue to foster competitive market prices.

[redacted]

[redacted]

Reliability Risk and Strategy

While reliability is always a risk, when a supply and demand imbalance occurs in the coal industry, this reliability risk is increased. Continuing business with suppliers who have performed well during times of unreliable supply can help mitigate this risk. In addition to an economic evaluation, technical and financial evaluations of suppliers are also performed as a required part of the coal procurement process.

[redacted]

[redacted]

[redacted]

Environmental Risk and Strategy

When procuring coal for a term longer than 12 months, the potential impact from future changes in environmental laws and regulations, which may render the burning of coal as non-economic to our system, is a significant risk that must be mitigated. When executing new long-term coal supply agreements, environmental language will be included that mitigates the risks associated with current, as well as future, environmental issues. This environmental language will continue to allow the company the maximum flexibility and discretion to modify and/or terminate such agreements based on its sole judgment. Environmental language must state clearly that neither coal nor transportation suppliers have the right to review or question our selected environmental compliance strategy.

[redacted]

[redacted]

Strategic Plan

Crist – Crist burns between 900,000 tons and 1.6 million tons of coal a year. All four units at Plant Crist are scrubbed and the plant must comply with a state SO_2 30 day rolling average emission limit of 886 tons of SO_2. Crist has been burning a blend of higher sulfur Illinois Basin coal and lower sulfur coal from the Central Appalachian region. For plant operational reasons the maximum SO_2 content of the blended coal supply has been set at [redacted]. Crist can also burn Colombian import coals, as well as coals from Colorado, Utah and the Central Appalachian regions [redacted]

Smith – Smith burns between 250,000 and 500,000 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 [redacted]

Daniel – 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 an NSPS plant, Daniel must use "compliance" coal with a maximum of 1.2 lbs SO_2/MMBtu (0.6 lbs Sulfur/MMBtu). Daniel can burn import coal in addition to coal from Colorado and the Central Appalachian regions. [redacted]

[redacted]

Tactical Plan

Crist and Smith

The chart below shows a breakdown of the current Crist and Smith suppliers and volume commitments, including options, through 2017.

[redacted]

Source: July DEPS (2013-2014)
2013 Energy Budget June Update (2015-2017)

Crist and Smith are projected to burn, on average, approximately 1.7 million tons of coal annually between 2013 and 2017. The committed volume for these plants equates to 100 percent of Crist and Smith's collective need in 2013. [redacted] This tactical plan will address Gulf's requirements for 2013 and beyond.

In recent years, Plant Crist has undertaken a plan to blend Illinois Basin coal with other low sulfur bituminous coals such as Colombian, Central Appalachian and Colorado coals in order to take advantage of an increased Btu content and decreased sulfur content of the blended product. This practice of blending Illinois Basin coal with lower sulfur coals is scheduled to continue. Crist and Smith's portfolio currently includes coals from the Central Appalachian region and the Illinois Basin region. These coals are being delivered by rail to the Alabama State Docks (ASD) in Mobile, Ala.

[redacted]

[redacted]

[redacted]

Daniel

The chart below shows a breakdown of the current Daniel suppliers and volume commitments, including options, through 2017.

[redacted]

Source: July DEPS (2013-2014)
2013 Energy Budget June Update (2015-2017)

[redacted]

[redacted] 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 other suppliers could continue seamless deliveries to the plant. Gulf will also continue its policy of testing various import as well as domestic coals.

[redacted]

Both Illinois Basin and Central Appalachian coals can be railed directly to Daniel. 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.

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

GULF POWER
COAL TRANSPORTATION STRATEGY FOR 2014

Transportation Program Overview

Plants Crist and Smith

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 Railway (BNSF) or Union Pacific Railroad (UP) to terminals on the Ohio and Mississippi rivers or via interchanges with the Canadian National Railway (CN), Norfolk Southern (NS) or CSX Transportation Inc. (CSXT) to the Alabama State Docks facility in Mobile, Ala., and then barged to the plants. Illinois Basin or Central Appalachian coal can be transported by barge or by a combination of rail and barge to these plants as well.

Eastern coal can be transloaded at the Alabama State Docks facility via interchanges with the Canadian National Railway (CN), CSX Transportation Inc. (CSXT), Alabama and Gulf Coast Railway (AGR), and Norfolk Southern (NS) railroads. Import coal can be delivered by ocean vessel to the Alabama State Docks for barge movement to the plants. Currently, Crist and Smith receive Central Appalachian coal and Illinois Basin coal. Smith also is receiving some import test coal.

NS agreement NS-9679 provides for rail transportation of the Alpha Coal Sales Company, LLC coal to the Alabama State Docks through

Dec. 31, 2014. The agreement has an annual minimum volume requirement [redacted].

CN Agreement CN-517554-AB provides for rail transportation of Illinois Basin coal from Foresight Energy and American Coal Company to the Alabama State Docks through Dec. 31, 2013. [redacted]

Crounse Corporation Agreement (GU12002-B) provides barge transportation for the Argus Energy coal loaded on the Big Sandy River in West Virginia and transported to Mobile, Alabama. The Crounse agreement runs through March 31, 2014.

Fuel movement to Crist and Smith from Mobile, Alabama is primarily by a single barge carrier, Marquette Transportation Company, LLC (Marquette). The Marquette agreement (SC09006-T) provides for transportation of coal to both plants from the Alabama State Docks and Mobile Bay and River area. The Marquette agreement expires Dec. 31, 2014.

Plant Scholz

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 and then transloaded into railcars for movement to the plant.

Scholz has an agreement with the CSXT railroad (CSXT-C-83791) that expires Dec. 31, 2014. This agreement specifies that [redacted] of all deliveries must move on the CSXT railroad, with an annual maximum [redacted]

Coal deliveries to Scholz will cease at the end of 2014 and the plant will consume inventory prior to the plant's retirement in April 2015.

<u>Plant Daniel</u>

Daniel is served by the Mississippi Export Railroad (MSE) that interchanges with the CSXT and the CN. Daniel accesses Powder River Basin (PRB) and Colorado coal sources via multiple rail hauls to the MSE from the BNSF, UP and CN railroads.

Daniel can also take advantage of import coals, when economical, through the Alabama State Docks. Import coal is transloaded from an ocean vessel at the Alabama State Docks facility to railcars for shipment to the plant by the CN and interchanged with the MSE. Daniel can also receive Central Appalachian coal via the CSXT and interchange with the MSE. Another potential source of Central Appalachian coal is via the NS railroad through an interchange agreement with the CN railroad.

UP agreement UP-55105 provides for rail transportation of Colorado coal to Memphis in conjunction with CN-523746-AA for final delivery to Daniel through Dec. 31, 2013. The agreement has an annual minimum volume requirement of [redacted] and a maximum [redacted] of coal that can be shipped.

BNSF agreement BNSF-12677 provides for rail transportation of PRB coal to Memphis, TN where BNSF interchanges with CN to deliver the PRB coal to Daniel. The BNSF agreement expires Dec. 31, 2014 [redacted]

CN/MSE agreement CN-523746-AA provides for rail transportation of PRB and Colorado coal from Memphis, TN to Daniel. The CN/MSE agreement expires Dec. 31, 2013. [redacted]

Budget

During the next 10 years, Gulf is budgeted to transport approximately 2-3 million tons of coal per year. There is a decrease in transportation costs from 2013 to 2015 that is directly tied to the loss of burn during this period.

From 2014 to 2021, the majority of the uncommitted coal requirements are projected to be met by purchasing a [redacted] blend of Illinois Basin coal and Central Appalachian coal. The increase in transportation costs are directly related to the increase of the volume of coal to be transported and changes related to the forecast for rail rates. Actual coal purchases may be different than current projections based on economic evaluations.

The chart below shows the forecasted coal volume and transportation costs for Gulf's coal-fueled plants.

[redacted]

2013 (Jan - May) Actual Tons
2013 Energy Budget - June Update

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 addresses these areas and identifies tactical plans to manage them.

Tactical Plan

Plants Crist and Smith

NS agreement NS-9679 provides for rail transportation of Central Appalachian coal to the Alabama State Docks through Dec. 31, 2014. [redacted]

CN Agreement CN-517554-AB provides for rail transportation of Illinois Basin coal to the Alabama State Docks through Dec. 31, 2013[redacted]

Crounse Corporation Agreement (GU12002-B) provides barge transportation for Central Appalachian coal loaded on the Big Sandy River in West Virginia and transported to Mobile, Alabama for final movement to Plant Smith by Marquette Transportation Company, LLC (Marquette). The Crounse agreement runs through December 31, 2013. [redacted]

Marquette agreement (SC09006-T) provides primary barge transportation of coal from the Alabama State Docks to Crist and Smith. Marquette agreement (SC09004-T) and Heartland Barge Management agreement (SC09005-T) provide a supply of barges to move coal to Crist and Smith. These agreements expire Dec. 31, 2014.

[redacted]

[redacted]

Plant Scholz

Scholz has an agreement with the CSXT railroad (CSXT-C-83791) that expires Dec. 31, 2014.

Plant Daniel

UP agreement UP-55105 provides for rail transportation of Colorado coal to Memphis in conjunction with CN-523746-AA for final delivery to Daniel through Dec. 31, 2013. [redacted].

BNSF agreement BNSF-12677 provides for rail transportation of PRB coal to Memphis, TN where BNSF interchanges with CN to deliver the PRB coal to Daniel. The BNSF agreement expires Dec. 31, 2014.

CN/MSE agreement CN-523746-AA provides for rail transportation of PRB and Colorado coal from Memphis, TN to Daniel. The CN/MSE agreement expires Dec. 31, 2013. [redacted]

Gulf Power 2014 Natural Gas Procurement Strategy

<u>Gas Program Overview</u>

Natural Gas is used for primary fuel at the Smith 3 combined cycle unit, boiler lighter fuel at Crist Units 4-7, and for generation secured under purchased 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.

<u>Projected Natural Gas Purchases</u>

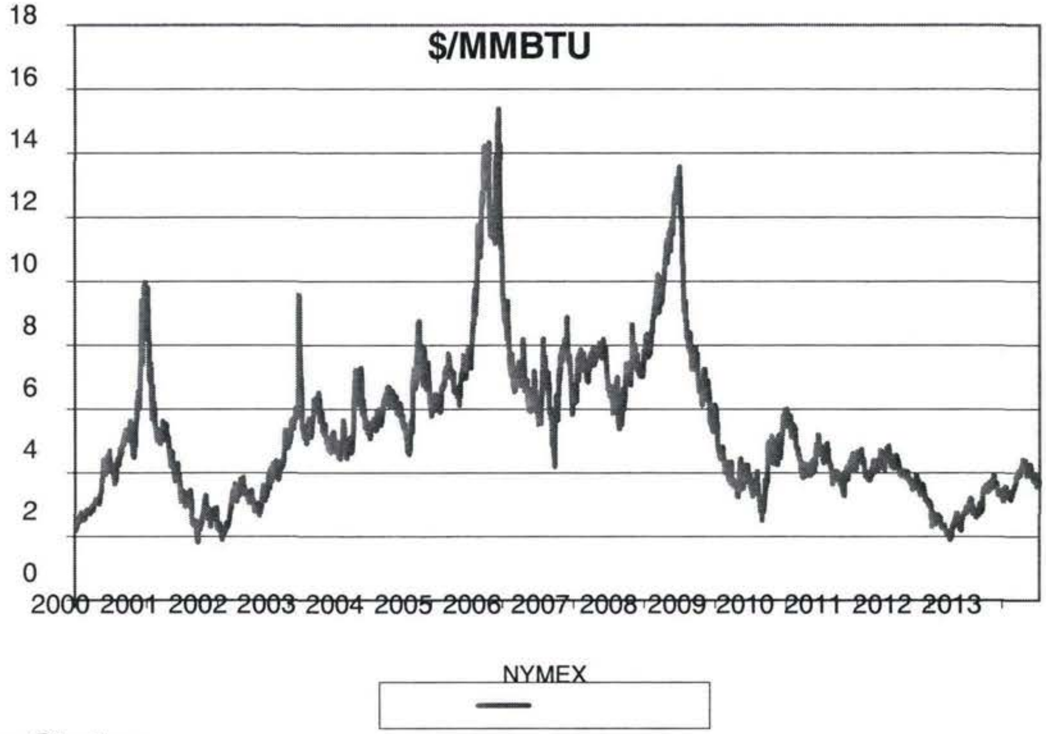
Southern Company Services (SCS) as agent for Gulf purchases natural gas to be delivered to Plant Crist for lighter purposes on the coal fired units and to Plant Smith as primary fuel for Unit 3 which is a combined cycle generating unit. SCS will also purchase natural gas to serve as primary fuel for the Coral (Baconton), Southern Power (Dahlberg) and Shell (Central Alabama) purchased power agreements. Gulf has contracted for storage capacity at Bay Gas Storage near Mobile, AL and at Southern Pines Energy Center near Hattiesburg, MS and will purchase natural gas to maintain targeted quantities of gas in storage during the year.

<u>Procurement Strategy</u>

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



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, generally between [redacted] percent 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] percent hedge 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. Gulf Power will secure natural gas hedges over a time period not to exceed [redacted] months, per the following schedule:

Period	Lower Target Hedge %	Upper Target Hedge %
Prompt Year (2014)	[redacted]	[redacted]
Year 2 (2015)	[redacted]	[redacted]
Year 3 (2016)	[redacted]	[redacted]
Year 4 (2017)	[redacted]	[redacted]
Year 5 (2018)	[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, SCS may accelerate or decelerate the plan accordingly based on market conditions. 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 units being 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.

SCS, working in partnership with Gulf Power, develops short-term hedge strategies based on current and projected market conditions [redacted] SCS will employ both technical and fundamental analysis to determine appropriate times to hedge. However, the objective is not to speculate on market price or attempt to outguess or "beat the market". [redacted]

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 [redacted] percent of the projected fuel burn for the upcoming year. In addition, Gulf Power will limit option priced hedges to [redacted] percent of its projected burn. Finally, in order to protect its customers from market exposure in subsequent years, Gulf Power will take forward hedge positions for up to [redacted] months into the future.

Gulf Power's 2014 Oil Procurement Strategy

<u>Oil Program Overview</u>

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 and as back-up fuel at the Coral (Baconton) and Southern Power (Dahlberg) CT units and the Shell (Central Alabama) CC Plant currently under purchase power agreements with Gulf. Overall, oil use is projected to be a small portion of Gulf's overall fuel budget.

<u>Procurement Strategy</u>

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

Oil pricing will be indexed to current market prices at the time purchases are made. Since fuel oil is such a small portion of the overall fuel budget, Gulf does not currently plan to financially hedge oil prices.

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.

Southern Company
Energy Trading Risk Management Policy

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CONTENTS

I. Introduction

In August 1997, the Southern Company Risk Oversight Committee ("SROC") 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 (Alabama Power Company, Georgia Power Company, Gulf Power Company, and Mississippi Power Company), and Southern Power Company ("SPC") 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 SROC approved risk management guidelines in August 1997. As part of this evolution, the SROC was reconstituted, and a Generation Risk Oversight Committee was formed. These groups, along with the Risk Advisory and Controls Committee, replaced the Energy Risk Management Board and assumed its responsibilities.

Effective November 19, 2007, as a result of the Separation Protocol, certain functions for SPC were separated from the Operating Companies and certain communications between them was restricted. It was decided that SPC 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 SPC risk monitoring. The Generation Risk Oversight Committee will continue to monitor the consolidated energy trading risks, including SPC 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 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]

[redacted]

[redacted]

III. Business Objectives

The Approved Business Objectives for the trading activities performed by Authorized Individuals are defined in Appendix A.

IV. Business Strategies

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

[redacted]

[redacted]

Various contract types or financial instruments will be used to achieve the Approved Business Objectives. The Approved Risk Management Instruments are listed in Appendix C. SCS Risk Control must be consulted before the execution of any Approved Risk Management Instruments that have not been previously used. SCS Risk Control must ensure that the requirements set forth in this RMP can be followed with respect to those instruments.

V. Authorizations

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

VI. Segregation of Duties

[redacted]

[redacted]

[redacted]

Appendix E shows the organizational separation of function required by 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]

Settlement: The function of settlement includes the following responsibilities:

[redacted]

[redacted]

<u>Cash Management:</u> SCS Treasury is responsible for receiving and disbursing all funds from or to counterparties and for the delivery of margin / collateral requirements. SCS Treasury will also be responsible for investment of collateral provided by counterparties.

<u>Accounting:</u> SCS Accounting is responsible for posting transactions to the general ledger and reconciling the subledgers to the general ledger.

VII. Market Risk Identification

[redacted]

VIII. Market Risk Measurement and Valuation

[redacted]

[redacted]

[redacted]

[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.
Notifications	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 SCS Risk Control 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]

[redacted]

[redacted]

XIV. Accounting and Tax

[redacted]

[redacted]

XV. Legal

[redacted]

XVI. Monitoring and Reporting

SCS Risk Control personnel will calculate and report the following items on a daily basis:

[redacted]

The Portfolio Management group will prepare regular position reports. The back office will report preliminary gross margins or P&L on a daily basis.

XVII. Personal Trading

[redacted]

XVIII. Business Recovery

[redacted]

XIX. Compliance

[redacted]

[redacted]

[redacted]

XX. Independent Review

[redacted]

XXI. Policy Amendments

[redacted]

[redacted]

[redacted]

XXII. Terminology

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

APPENDIX A
APPROVED BUSINESS OBJECTIVES

Fleet Operations and Trading

The primary objectives of Fleet Operations and Trading are to:

[redacted]

In addition to the primary objectives, Fleet Operations and Trading may execute secondary activities as limited by Appendix H to achieve the following secondary objectives to the extent permitted by all applicable policies and regulations:

[redacted]

Southern Power Company Trading & Asset Management

The primary objectives of the SPC Trading and Asset Management activities are the following:

[redacted]

In addition to the primary objectives, SPC Trading & Asset Management may execute secondary activities as limited by Appendix H to achieve the following secondary objectives to the extent permitted by all applicable policies and regulations (including, but not limited to the IIC and Separation Protocol):

[redacted]

All SPC Secondary Strategies must be approved by the SPC Chief Financial Officer and the SPC Chief Commercial Officer.

Natural Gas Fulfillment Function

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

[redacted]

Secondary activities of the natural gas fulfillment function are restricted to positions intended to hedge secondary power positions, and which have been requested by Fleet Operations and Trading or SPC Trading & Asset Management.

Environmental Products Management Function

The primary objectives of the Environmental Products Management Function are to:

[redacted]

Secondary activities of the Environmental Products Management Function are restricted to positions intended to hedge secondary power positions, and which have been requested by Fleet Operations and Trading or SPC Trading & Asset Management.

Coal Fulfillment Function

The primary objectives of the Coal Fulfillment Function are to:

[redacted]

[redacted]

Secondary activities of the Coal Fulfillment Function are restricted to positions intended to hedge secondary power positions, and which have been requested by Fleet Operations and Trading or SPC Trading & Asset Management.

APPENDIX B
APPROVED COMMODITIES

The approved commodities for this RMP are:

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

APPENDIX C
APPROVED INSTRUMENTS

The approved instruments are:

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

APPENDIX D
AUTHORIZATIONS

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

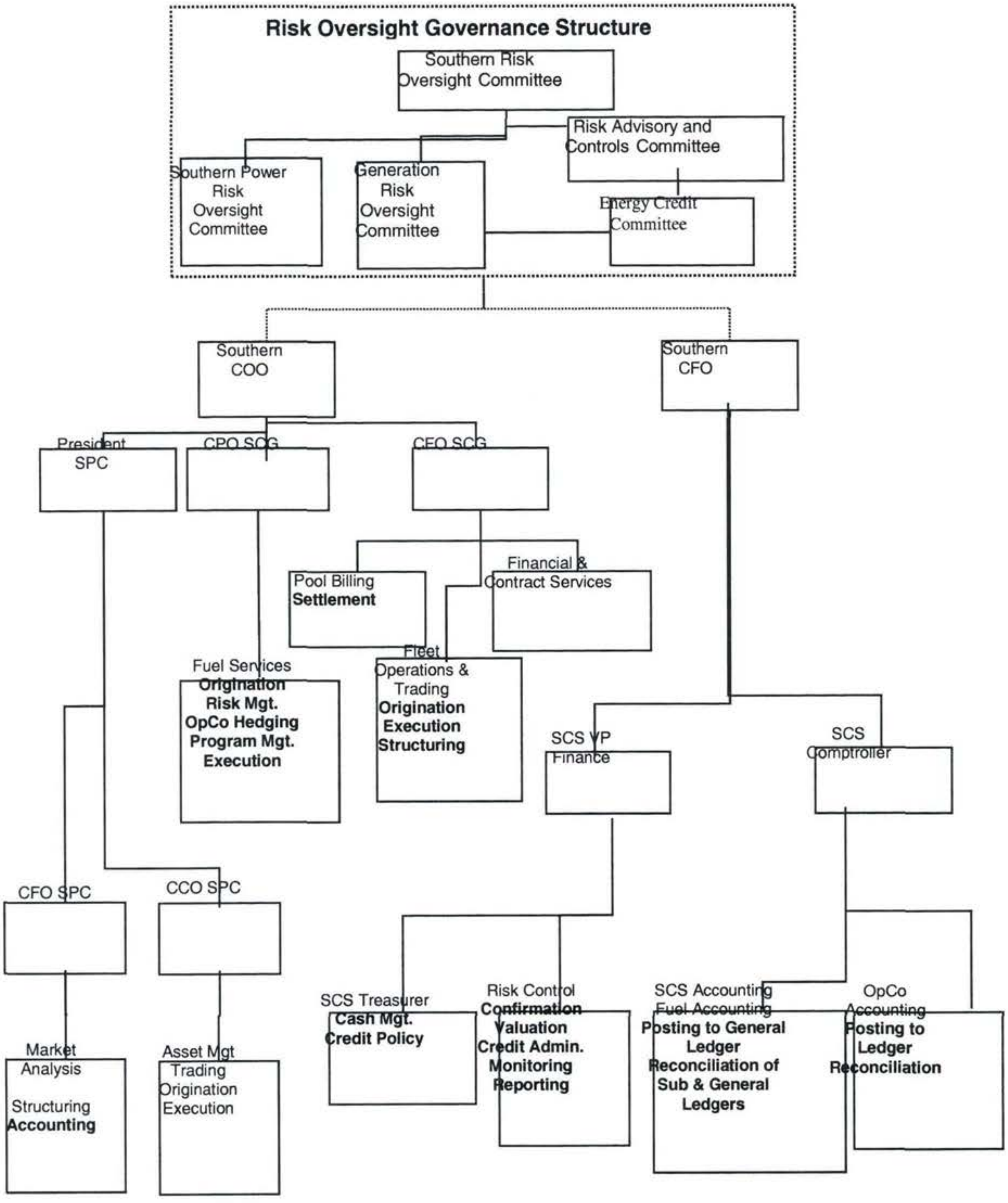
APPENDIX D
AUTHORIZATIONS (continued)
SCS Fuel Services

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

Parametric VaR Methodology

Formula Components

Component	Symbol	Comments
Value at Risk	VaR	See Equation Below
Position	PSN	Given in Applicable Measurement Units
Daily Standard Deviation of Price Change	ΔP	Given in $/Applicable Measurement Units
Holding Period – Business Days	HP	Taken From Parameters Table Shown Below
Confidence Interval Multiplier	CI	For Example: CI = 1.65 for 95-% Confidence Interval

Equation

$$VaR = PSN * \Delta P * \text{Square Root of } HP * CI$$

ParametersCommodity	Holding Period (HP)	Multiplier (CI)
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]

APPENDIX F
STRESS TESTING METHODOLOGY

The purpose of stress testing is to generate percentage price changes for the forward curve that answer this question:

> If an extreme event occurs, what can we expect to happen to prices and the portfolio value?

The stress test is designed to capture the expected value of an extreme event as defined by an extreme value distribution. To differentiate, there is a downward and an upward stress test.

Specifically, the expected downward stress is calculated as

$E[\Delta p/p \mid \Delta p/p < \Theta]$ = the Integral of $f(x)xdx$ from negative infinity to Θ

and the expected upward stress is calculated as

$E[\Delta p/p \mid \Delta p/p > \Theta]$ = the Integral of $f(x)xdx$ from Θ to infinity

where Θ is the threshold that defines classification as an extreme event, $f(x)$ is an extreme value distribution fitted to a specific contract, and x is a percentage price change.

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

Ad Hoc Stress Testing

Ad hoc stress testing will be performed as appropriate based on price scenarios determined using alternative methods including, but not limited to, the following:

- specific historical scenarios;
- rating agency defined price changes;
- analysis of out-of-the money option trading; and
- subjectively determined price changes.

APPENDIX G
NOTIFICATION LEVELS

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

APPENDIX G
NOTIFICATION LEVELS

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

APPENDIX G
NOTIFICATION LEVELS

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

<u>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.</u>

APPENDIX G
NOTIFICATION LEVELS

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

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

Net Open Position Limits

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

NOTE: Although the value-at-risk limit applies to positions marked to market through income, VaR is calculated and monitored for all positions, and there are notification requirements as defined in Appendix G.

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

APPENDIX I
INCUMBENT LISTING; AUTHORIZED INDIVIDUALS

Incumbent Listing

Title
Chief Financial Officer, Southern Company Chairman, Southern Risk Oversight Committee Chairman, Risk Advisory and Controls Committee
Chief Operating Officer, Southern Company
Chief Financial Officer, Operations
President, Southern Power Company
Chief Commercial Officer, Southern Power Company
Chief Financial Officer, Southern Power Company Chairman, Southern Power Risk Oversight Committee
Vice President, Fuel Services
Vice President, Fleet Operations and Trading
Manager, Risk Control
Manager, Energy Trading
Manager, Southern Power Trading & Asset Management
Coal Services Director
Gas Services Director
Gas Trading Manager
Gas Operations Manager

Southern Company Risk Oversight Committee

Title
CFO & CRO, Southern Company
Chairman, President, and CEO, Southern Company
EVP, President & CEO, SCS
EVP & COO, SCS
EVP, Southern Company & President & CEO, APC
EVP, Southern Company & President & CEO, GPC
EVP, Southern Company & President & CEO, MPC
EVP, Southern Company & President & CEO, Gulf
EVP, Southern Company & President External Affairs
EVP, General Counsel, and Corporate Secretary, Southern Company
EVP, Finance & Treasurer – invited guest

APPENDIX I
INCUMBENT LISTING; AUTHORIZED INDIVIDUALS

Southern Company Risk Advisory & Controls Committee

Title
CFO & CRO, Southern Company
CFO, APC
CFO, GPC
CFO, Gulf Power Company
CFO, MPC
CFO, Operations
CFO, SPC
CFO, VP & Treasurer Southern Communications
VP Comptroller & Treasurer, SNC
Comptroller, CAO, & SVP, SCS
EVP Finance & Treasurer, SCS
VP & Associate General Counsel, SCS
Internal Auditing Director – invited guest

Southern Company Generation Risk Oversight Committee

Title
Regulatory Affairs & Energy Policy Director, SCS
EVP of E&CS, SCG
Chief Production Officer, SCG
Legal Counsel, Balch & Bingham – invited guest
CFO, Operations
Enterprise Risk Management Director
Internal Auditing Director – invited guest

Southern Power Risk Oversight Committee

Title
CFO, SPC
President, SPC
Chief Commercial Officer, SPC
Senior Production Officer, SPC
Compliance & Corporate Affairs Director, SPC

APPENDIX I
INCUMBENT LISTING; AUTHORIZED INDIVIDUALS

Southern Company Generation Energy Credit Committee

Title
Assistant Treasurer, SCS
VP, Fuel Services
VP, Fleet Operations & Trading, SCG
Enterprise Risk Management Director

APPENDIX I

INCUMBENT LISTING; AUTHORIZED INDIVIDUALS (continued)

Authorized Individuals

		Approved Commodities								
		Electricity		Natural Gas						
Title	Name	Energy	Trans.	Gas	Trans-port	Storage	Coal	Oil	Allow-ances	RECs
Southern Company Generation										
Energy Term Trading Mgr.	David Hansen	X	X	(2)			(2)	(2)	(2)	(2)
Term Trader	Tim Taylor	X	X	(2)						
Term Trader	Kyo Kelly	X	X	(2)						
Term Trader	Frank Harris	X	X	(2)			(2)	(2)	(2)	(2)
Term Trader	Rodrick Ingram	X	X	(2)			(2)	(2)	(2)	(2)
Trading Operations Mgr.	Daryl McGee	(1)	(1)							
Hourly Trading Mgr.	Steve Lowe	X	X							
Energy Coordinator	Bill Brown	X	X							
Energy Coordinator	Blair Ellington	X	X							
Energy Coordinator	Shannon Gunnells	X	X							
Energy Coordinator	Brian Calhoun	X	X							
Energy Coordinator	Jacob Key	X	X							
Energy Coordinator	Larry Savage	X	X							
Energy Coordinator	Michael Turberville	X	X							
Scheduler	Matt Bauman	(1)	X							
Scheduler	Bobby Brown	(1)	X							
Scheduler	Dana Booze	(1)	X							
Scheduler	Brian Elliott	(1)	X							
Scheduler	Brian Calhoun	(1)	X							
Scheduler	Stacey Pruitt	(1)	X							
Scheduler	Michael Roper	(1)	X							
Scheduler	Stacey Smith	(1)	X							
Scheduler	Robby Wentz	(1)	X							
Trading Analyst	Susan Olive	(1)	(1)							
Trading Analyst	Martha Russell	(1)	(1)							
Team Leader	Stephen Stepkoski	(1)	(1)							
Team Leader	Christopher Strong	(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

Title	Name	Approved Commodities: Electricity: Energy	Electricity: Trans.	Natural Gas: Gas	Natural Gas: Trans-port	Natural Gas: Storage	Coal	Oil	Allow-ances	RECs
SCS Fuel Services										
Gas Services, Director	Carl Haga			X	X	X		X		
Gas Operations Mgr.	Roy Hiller			X	X	X				
NG Buyer - Physical	John Benefield			X	X	X				
NG Buyer - Physical	Karen Gandy			X	X	X		X		
NG Buyer - Physical	Carol Thomasson			X	X	X				
NG Buyer - Physical NG Buyer - Financial	Vicki Gaston			X	X	X				
Gas Trading Mgr.	Bronson Kilgore			X				X		
NG Buyer - Financial	Tonya Gary			X	X	X		X		
NG Buyer - Physical NG Buyer - Financial	Joshua Hutto			X				X		
NG Scheduler	Tisha Dale				X	X				
NG Scheduler	Russ Hall				X	X				
NG Scheduler	Shelanda Augustus			X	X	X				
NG Scheduler	David Sokira				X	X				
NG Scheduler	Billie Williams				X	X				
Coal & Transport Procure Manager	Tony Reed						X			
Emissions Trader	Vacant								X	X
Emissions Trading Mgr	Vallery Brown								X	X
Emissions Trader	Richard Taylor								X	X

Title	Name	Approved Commodities: Electricity: Energy	Electricity: Trans.	Natural Gas: Gas	Natural Gas: Trans-port	Natural Gas: Storage	Coal	Oil	Allow-ance	RECs
Southern Power Company										
Manager - Trading & Asset Management	Joe Styslinger	X		(2)			(2)	(2)	(2)	(2)
Asset Management	Tracy Ellis			(2)						
Asset Management	Vacant			(2)						
Asset Management	Ty Story			(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)
Asset Manager	Bryan Mitchell			(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]

[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. I understand that failure to comply with the RMP or associated or related policies can result in disciplinary actions up to and including termination of employment.

____
Printed Name

____
Signature

Date: ________________ ____, 200_

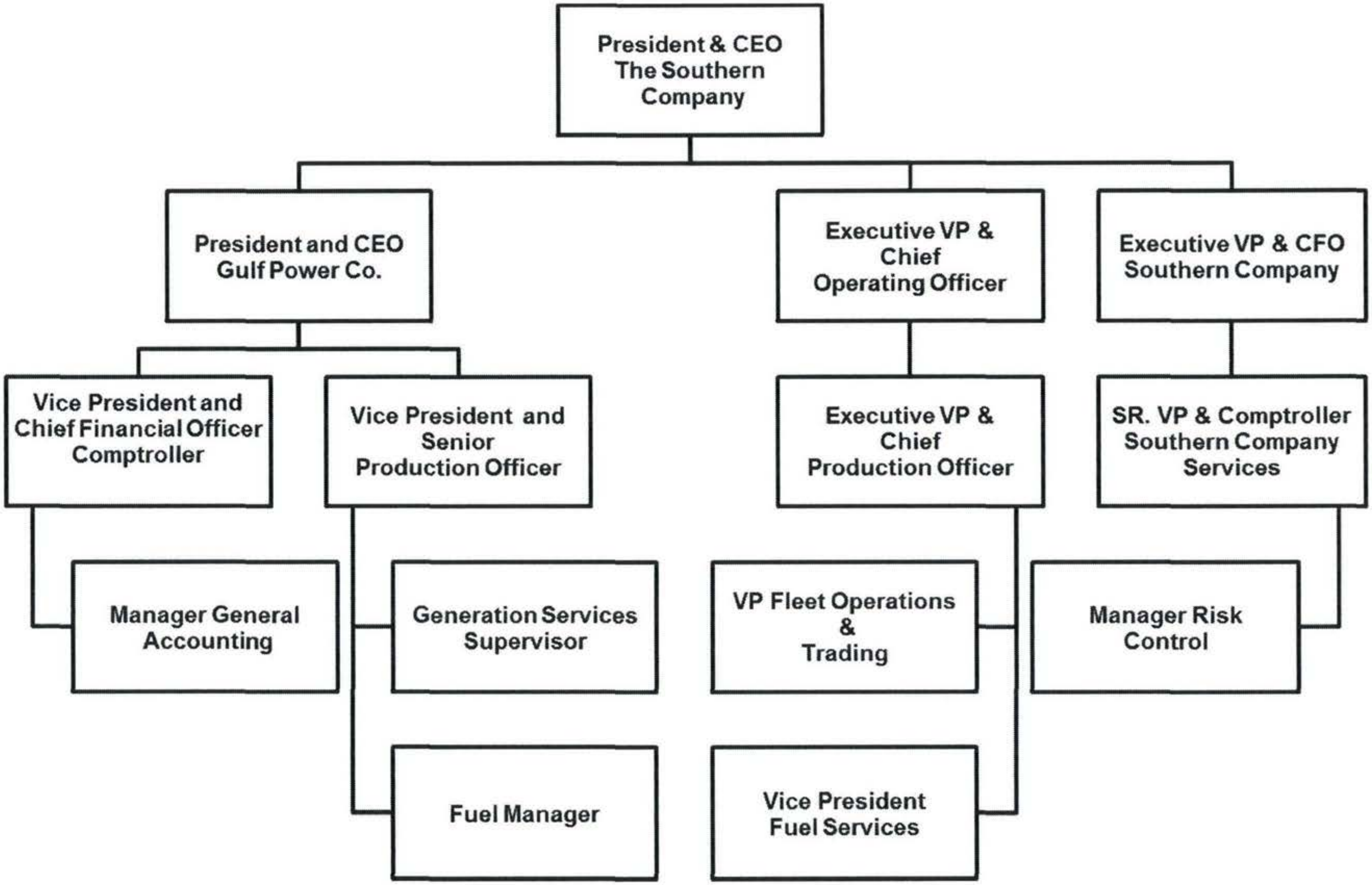
APPENDIX L
DEFINITIONS

Allowances	An authorization to emit chemical pollutants, including but not limited to sulfur dioxide, nitrous oxide, or green house gases. These are usually traded in over-the-counter markets via brokers with one allowance permitting the emission of one ton of the pollutant.
Approved Business Objectives	Those business objective defined in Appendix A which have been approved.
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 the Company to agreements with third parties; and/or (2) the authority (or appearance of authority), acting through its various brokers and other representatives, to the Company to exchange-traded futures and option contracts.
Approved Risk Management Instruments	Those instruments listed in Appendix C which have been approved.
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.
Credit Policy	Southern Company Energy Trading Credit Risk Management Policy
Daily Portfolio Value	The net present value on a mark-to-market 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.
Illiquid 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.
Market Positions	Positions taken that are readily liquidated at a readily observable and transparent price.
Net Open Position	The sum of all open positions for the approved commodities on an equivalent basis.
Open Position	The difference between long positions and short positions in any given risk book.
Option	An instrument which provides the holder the right, but not the obligation, to sell to (or buy from) the option seller the underlying commodity at a specified price and time.
Originator	The lead individual responsible for negotiating the transaction with the counterparty.
P&L	Profit and loss
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
Separation Protocol	The separation of SPC functions from the Southern Operating Companies (Alabama Power Company, Georgia Power Company, Gulf Power Company, and Mississippi Power Company) including information sharing and a separation of personnel in order to comply with a Federal Energy Regulatory Commission (FERC) Order.
SCS	Southern Company Services, Inc.
SPC	Southern Power Company
Swaps	An agreement to exchange net future cash flows.
Structured Transaction	Any negotiated transaction not readily traded in the market and the price of which is not easily validated.
Transactions	Futures, forwards, options, swaps, or other instruments conducted over-the-counter or via organized exchanges including long- and short-term agreements involving approved commodities or financial instruments.

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

Risk Management for Fuel and Wholesale Energy



BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: **Fuel and Purchased Power Cost Recovery Clause with Generating Performance Incentive Factor**))) Docket No.: **130001-EI**

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing was furnished by overnight mail this 1st day of August, 2013 to the following:

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