

Intracompany Correspondence



Date: July 25, 2012

To: D. J. Echols R. S. Moore S. D. Ritenour
M. D. Neyman R. W. Grove C. J. Erickson
J. O. Vick A. C. Reeves K. C. Chaffin
R. L. Hobbs J. L. Hutchinson C. B. Stadler
C. A. Punyko S. L. Williams R. G. Livingston
R. J. McMillan P. C. Caldwell

From: Scott Teel

A handwritten signature in black ink, appearing to read "Scott Teel".

Subject: 2013 Budget Message

Please use the following attachments in preparing your 2013 budget and forecast. A review committee has been established for the 2013 budget process and you will be responsible for presenting your proposed budgets to this committee. In order to assist you with this presentation, Corporate Planning will help coordinate a detailed review and analysis of each planning unit's request. In order to meet the review committee's deadlines, this additional analysis will be due to Corporate Planning on August 22nd for O&M and August 8th for Capital.

All planning units will be using BUDWORKS to submit their 2013 O&M and Capital budgets. Training and individual assistance is available from Corporate Planning. Budgeted merit increase percentages have been sent to the budget coordinators under separate correspondence for use in developing the labor budget for your area.

In developing your monthly spreads for your Budget (especially 2013-2015), I would like to stress the importance of budgeting the dollars in the month you expect them to be booked. Do not spread budget dollars evenly, unless you expect them to be incurred in that manner. This is critical to the Company's financial planning efforts.

BUDWORKS will be closed for O&M on August 31st and for Capital on August 8th. Prior to final submission, please ensure that you have your respective VP's approval.

Your assistance in meeting these deadlines is greatly appreciated. If you have any questions or need assistance, please contact Richard McMillan (6589), Rebecca Garcia (6419) or Bill Buck (6070).

Attachments

Cc: S. W. Connally
P. B. Jacob
B. C. Terry
M. L. Burroughs
R. J. McMillan
R. G. Garcia
W. G. Buck
S. G. Northcutt
J. O. Hamric
J. D. McMahan
J. D. Oerting
A. R. Bryant
P. C. Pratofiorito
J. H. Banks
S. K. Seckinger
V. L. Mack
B. T. Gambill
B. D. Day
C. Stevens
T. A. Davis
A. E. Juull
P. E. Baker
D. P. Deatherage
J. B. Bracewell

GULF POWER COMPANY
Total O&M, ECRC, ECCR, & TRANSMISSION

Planning Unit	2012 Final Budget		
	Gulf Only	SCS Only	Total
CUSTOMER OPERATIONS			
Customer Service	10,776,073	406,249	11,182,322
Customer Operations Support	583,990	5,679	589,669
Power Delivery	26,386,580	1,719,482	28,106,062
Transmission	8,543,477	4,580,537	13,124,014
Marketing	24,520,953	2,362,183	26,883,136
Total Customer Operations	70,811,073	9,074,130	79,885,203
POWER GENERATION			
Power Generation Office	918,180	9,576,252	10,494,432
Plant Crist	55,893,366	1,758,046	57,651,412
Plant Smith	22,143,403	1,450,623	23,594,026
Plant Scholz	4,140,733	266,468	4,407,201
CoGen	456,500	-	456,500
Plant Daniel	22,378,615	-	22,378,615
Plant Scherer	11,919,444	-	11,919,444
Major Generation - Renewables	775,794	-	775,794
Total Power Generation	118,626,035	13,051,389	131,677,424
EXT AFFAIRS & CORPORATE SVCS			
Corporate Services	11,416,441	708,064	12,124,505
Environmental Affairs	3,231,055	3,118,987	6,350,042
Labor Relations	292,831	188,229	481,060
Safety & Health	850,884	16,142	867,026
Governmental Affairs	-	21,488	21,488
Regulatory Affairs	228,035	1,609	229,644
IT	-	7,424,843	7,424,843
Total Ext Affairs & Corp Svcs	16,019,246	11,479,362	27,498,608
CFO			
Supply Chain Management	1,128,644	702,353	1,830,997
Accounting	4,075,668	11,049,585	15,125,253
Corporate Planning	789,515	380,193	1,169,708
Sec/Treas/Rates	2,714,790	1,118,432	3,833,222
Total CFO	8,708,617	13,250,563	21,959,180
OTHER-PU			
Executive	4,669,810	2,277,941	6,947,751
Auditing - SCS	-	869,242	869,242
Human Resources	3,344,565	2,305,494	5,650,059
Total Other PU	8,014,375	5,452,677	13,467,052
OTHER			
SCS - General To All	-	7,075,999	7,075,999
General To All	11,648,212	172,503	11,820,715
PPP	9,992,490	-	9,992,490
PDP	789,589	-	789,589
Benefits	24,269,931	-	24,269,931
Stock Options Expense	1,723,728	-	1,723,728
Accruals/Reversals	446,298	-	446,298
Total Other	48,870,248	7,248,502	56,118,750
Total	271,049,594	59,556,623	330,606,217
Energy Services			
Marketing	6,930,325	5,866	6,936,191
IT	-	32,085	32,085
Executive	8,000	-	8,000
Accruals/Reversals	9,132	-	9,132
Total Energy Services	6,947,457	37,951	6,985,408
Grand Total	277,997,051	59,594,574	337,591,625

GULF POWER COMPANY
O&M (Excluding ECCR, ECRC, & Transmission)

Planning Unit	2012 Final Budget		
	Gulf Only	SCS Only	Total
CUSTOMER OPERATIONS			
Customer Service	10,776,073	406,249	11,182,322
Customer Operations Support	583,990	5,679	589,669
Power Delivery	26,368,330	1,719,482	28,087,812
Transmission	8,543,477	4,580,537	13,124,014
Marketing	7,349,833	1,777,360	9,127,193
Total Customer Operations	53,621,703	8,489,307	62,111,010
POWER GENERATION			
Power Generation Office	918,180	9,576,252	10,494,432
Plant Crist	39,167,275	1,521,935	40,689,210
Plant Smith	19,940,751	1,363,774	21,304,525
Plant Scholz	3,867,833	205,260	4,073,093
CoGen	450,000	-	450,000
Plant Daniel	22,170,906	-	22,170,906
Plant Scherer	11,919,444	-	11,919,444
Major Generation - Renewables	770,794	-	770,794
Total Power Generation	99,205,183	12,667,221	111,872,404
EXT AFFAIRS & CORPORATE SVCS			
Corporate Services	10,299,281	708,064	11,007,345
Environmental Affairs	790,282	2,448,547	3,238,829
Labor Relations	292,831	188,229	481,060
Safety & Health	850,884	16,142	867,026
Governmental Affairs	-	21,488	21,488
Regulatory Affairs	228,035	1,609	229,644
IT	-	7,210,181	7,210,181
Total Ext Affairs & Corp Svcs	12,461,313	10,594,260	23,055,573
CFO			
Supply Chain Management	1,128,644	702,353	1,830,997
Accounting	4,075,668	11,049,585	15,125,253
Corporate Planning	789,515	380,193	1,169,708
Sec/Treas/Rates	2,714,790	1,118,432	3,833,222
Total CFO	8,708,617	13,250,563	21,959,180
OTHER-PU			
Executive	4,609,810	2,277,941	6,887,751
Auditing - SCS	-	869,242	869,242
Human Resources	3,344,565	2,305,494	5,650,059
Total Other PU	7,954,375	5,452,677	13,407,052
OTHER			
SCS - General To All	-	7,075,999	7,075,999
General To All	5,300,331	172,503	5,472,834
PPP	9,140,679	-	9,140,679
PDP	789,589	-	789,589
Benefits	22,964,315	-	22,964,315
Stock Options Expense	1,723,728	-	1,723,728
Accruals/Reversals	408,214	-	408,214
Total Other	40,326,856	7,248,502	47,575,358
Total	222,278,047	57,702,530	279,980,577
Energy Services			
Marketing	6,930,325	5,866	6,936,191
IT	-	32,085	32,085
Executive	8,000	-	8,000
Accruals/Reversals	9,132	-	9,132
Total Energy Services	6,947,457	37,951	6,985,408
Grand Total	229,225,504	57,740,481	286,965,985

GULF POWER COMPANY

ECCR

Planning Unit	2012 Final Budget		
	Gulf Only	SCS Only	Total
CUSTOMER OPERATIONS			
Customer Service	-	-	-
Customer Operations Support	-	-	-
Power Delivery	-	-	-
Transmission	-	-	-
Marketing	17,171,120	584,823	17,755,943
Total Customer Operations	17,171,120	584,823	17,755,943
POWER GENERATION			
Power Generation Office	-	-	-
Plant Crist	-	-	-
Plant Smith	-	-	-
Plant Scholz	-	-	-
CoGen	-	-	-
Plant Daniel	-	-	-
Plant Scherer	-	-	-
Major Generation - Renewables	-	-	-
Total Power Generation	-	-	-
EXT AFFAIRS & CORPORATE SVCS			
Corporate Services	1,117,160	-	1,117,160
Environmental Affairs	-	-	-
Labor Relations	-	-	-
Safety & Health	-	-	-
Governmental Affairs	-	-	-
Regulatory Affairs	-	-	-
IT	-	214,662	214,662
Total Ext Affairs & Corp Svcs	1,117,160	214,662	1,331,822
CFO			
Supply Chain Management	-	-	-
Accounting	-	-	-
Corporate Planning	-	-	-
Sec/Treas/Rates	-	-	-
Total CFO	-	-	-
OTHER-PU			
Executive	30,000	-	30,000
Auditing - SCS	-	-	-
Human Resources	-	-	-
Total Other PU	30,000	-	30,000
OTHER			
SCS - General To All	-	-	-
General To All	-	-	-
PPP	550,702	-	550,702
PDP	-	-	-
Benefits	883,734	-	883,734
Stock Options Expense	-	-	-
Accruals/Reversals	25,178	-	25,178
Total Other	1,459,614	-	1,459,614
Total	19,777,894	799,485	20,577,379
Energy Services			
Marketing	-	-	-
IT	-	-	-
Executive	-	-	-
Accruals/Reversals	-	-	-
Total Energy Services	-	-	-
Grand Total	19,777,894	799,485	20,577,379

GULF POWER COMPANY
ECRC

Planning Unit	2012 Final Budget		
	Gulf Only	SCS Only	Total
CUSTOMER OPERATIONS			
Customer Service	-	-	-
Customer Operations Support	-	-	-
Power Delivery	18,250	-	18,250
Transmission	-	-	-
Marketing	-	-	-
Total Customer Operations	18,250	-	18,250
POWER GENERATION			
Power Generation Office	-	-	-
Plant Crist	16,726,091	236,111	16,962,202
Plant Smith	2,202,652	86,849	2,289,501
Plant Scholz	272,900	61,208	334,108
CoGen	6,500	-	6,500
Plant Daniel	207,709	-	207,709
Plant Scherer	-	-	-
Major Generation - Renewables	5,000	-	5,000
Total Power Generation	19,420,852	384,168	19,805,020
EXT AFFAIRS & CORPORATE SVCS			
Corporate Services	-	-	-
Environmental Affairs	2,440,773	670,440	3,111,213
Labor Relations	-	-	-
Safety & Health	-	-	-
Governmental Affairs	-	-	-
Regulatory Affairs	-	-	-
IT	-	-	-
Total Ext Affairs & Corp Svcs	2,440,773	670,440	3,111,213
CFO			
Supply Chain Management	-	-	-
Accounting	-	-	-
Corporate Planning	-	-	-
Sec/Treas/Rates	-	-	-
Total CFO	-	-	-
OTHER-PU			
Executive	30,000	-	30,000
Auditing - SCS	-	-	-
Human Resources	-	-	-
Total Other PU	30,000	-	30,000
OTHER			
SCS - General To All	-	-	-
General To All	-	-	-
PPP	301,109	-	301,109
PDP	-	-	-
Benefits	421,882	-	421,882
Stock Options Expense	-	-	-
Accruals/Reversals	12,906	-	12,906
Total Other	735,897	-	735,897
Total	22,645,772	1,054,608	23,700,380
Energy Services			
Marketing	-	-	-
IT	-	-	-
Executive	-	-	-
Accruals/Reversals	-	-	-
Total Energy Services	-	-	-
Grand Total	22,645,772	1,054,608	23,700,380

GULF POWER COMPANY
Transmission (565-00200 & 567-00119)

Planning Unit	2012 Final Budget		
	Gulf Only	SCS Only	Total
CUSTOMER OPERATIONS			
Customer Service	-	-	-
Customer Operations Support	-	-	-
Power Delivery	-	-	-
Transmission	-	-	-
Marketing	-	-	-
Total Customer Operations	-	-	-
POWER GENERATION			
Power Generation Office	-	-	-
Plant Crist	-	-	-
Plant Smith	-	-	-
Plant Scholz	-	-	-
CoGen	-	-	-
Plant Daniel	-	-	-
Plant Scherer	-	-	-
Major Generation - Renewables	-	-	-
Total Power Generation	-	-	-
EXT AFFAIRS & CORPORATE SVCS			
Corporate Services	-	-	-
Environmental Affairs	-	-	-
Labor Relations	-	-	-
Safety & Health	-	-	-
Governmental Affairs	-	-	-
Regulatory Affairs	-	-	-
IT	-	-	-
Total Ext Affairs & Corp Svcs	-	-	-
CFO			
Supply Chain Management	-	-	-
Accounting	-	-	-
Corporate Planning	-	-	-
Sec/Treas/Rates	-	-	-
Total CFO	-	-	-
OTHER-PU			
Executive	-	-	-
Auditing - SCS	-	-	-
Human Resources	-	-	-
Total Other PU	-	-	-
OTHER			
SCS - General To All	-	-	-
General To All	6,347,881	-	6,347,881
PPP	-	-	-
PDP	-	-	-
Benefits	-	-	-
Stock Options Expense	-	-	-
Accruals/Reversals	-	-	-
Total Other	6,347,881	-	6,347,881
Total Company	6,347,881	-	6,347,881
Energy Services			
Marketing	-	-	-
IT	-	-	-
Executive	-	-	-
Accruals/Reversals	-	-	-
Total Energy Services	-	-	-
Grand Total	6,347,881	-	6,347,881

**GULF POWER COMPANY
CAPITAL EXPENDITURES
(Based on 2012 Budget & Forecast)^A**

	2013	2014	2015	2016	2017	2018	2019	2020	2021 ^B
Production									
Perdido Landfill	120,000	200,000	200,000	120,000	120,000	120,000	120,000	120,000	120,000
Plant Crist	17,874,500	29,205,500	40,110,000	34,740,000	39,250,000	54,465,000	27,485,000	30,385,000	14,250,000
Plant Scholz	420,000	120,000	120,000	150,000	150,000	150,000	150,000	150,000	150,000
Plant Smith excl. LTSA	16,022,237	22,466,253	20,236,253	12,819,000	16,370,000	11,750,000	11,155,000	12,216,400	10,300,000
Smith Long Term Service Agreement	23,339,124	-	-	-	24,685,901	-	-	-	-
Plant Daniel	6,213,793	7,290,648	2,262,765	7,482,888	11,239,000	10,517,000	5,953,000	5,078,000	6,700,000
Plant Scherer	3,860,890	8,842,973	1,210,159	3,898,013	732,500	2,374,500	1,443,500	1,170,000	1,373,000
Environmental Cost Recovery Clause	142,488,393	242,421,152	268,118,216	184,155,409	140,751,789	87,398,984	27,178,000	14,645,000	2,125,000
Total Production (Including ECRC)	210,338,937	310,546,526	332,257,393	243,365,310	233,299,190	166,775,484	73,484,500	63,764,400	35,018,000
Customer Operations									
Transmission	43,489,528	31,406,182	17,342,149	8,850,000	8,412,500	13,045,000	13,575,000	8,750,000	18,190,000
Distribution	57,559,016	59,861,940	58,987,816	57,260,816	58,756,816	60,725,816	67,907,816	70,051,816	71,419,816
Transportation	3,002,000	3,340,000	3,674,000	3,600,000	3,250,000	3,400,000	3,600,000	3,750,000	3,750,000
New Products	189,389	158,490	160,177	142,409	142,409	142,409	142,409	142,409	142,409
Energy Management System	195,000	115,000	115,000	115,000	115,000	115,000	200,000	200,000	200,000
Energy Conservation Cost Recovery	1,618,689	1,669,618	1,725,227	1,784,967	1,784,967	1,784,967	1,784,967	1,784,967	1,784,967
Total Customer Operations (Including ECOR)	106,053,622	96,551,230	82,004,369	71,753,192	72,461,692	79,213,192	87,210,192	84,679,192	95,487,192
Ext. Affairs & Corp. Svcs.									
Security	90,000	180,000	180,000	180,000	180,000	180,000	180,000	180,000	200,000
AV Equip./Print Svcs.	36,000	65,250	33,750	51,750	105,000	105,000	105,000	105,000	105,000
Telecommunications/Mobile Systems/Data Network	2,324,500	2,315,500	2,316,500	2,343,500	1,831,500	1,832,500	2,165,500	2,166,500	2,361,500
CREQ	1,370,880	1,325,610	1,203,930	1,401,750	1,455,000	1,455,000	1,532,000	1,532,000	1,427,000
Total Ext. Affairs & Corp. Svcs.	3,821,380	3,886,360	3,734,180	3,977,000	3,571,500	3,572,500	3,982,500	3,983,500	4,093,500
Accounting & Finance									
Accounting	150,000	150,000	150,000	150,000	0	0	0	0	0
T&D Warehouse Equip Replace.	150,000	150,000	150,000	150,000	-	-	-	-	-
Total Accounting & Finance	300,000	300,000	300,000	300,000	0	0	0	0	0
Total Capital Expenditures	320,363,940	411,134,116	418,145,942	319,245,502	309,332,382	249,561,176	164,677,192	152,427,092	134,598,692

A: Based on 2012 Official Capital Budget & Forecast with updated AFUDC rates per Company's FPSC request filed on June 25, 2012.

B: In developing the forecast for 2022, please use 2021's forecast as a basis.

**GULF POWER COMPANY
2013 Budget Assumptions**

I. Projected Inflation

The following escalation rates are based on the Bureau of Labor Statistics: Consumer Price Index (Urban Consumer); Moody's Analytics. If applicable, these rates may be used for developing your budget.

Escalation Factors	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
	2.7	2.5	2.3	2.3	2.4
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
	2.3	2.3	2.2	2.2	2.2

II. Projected Customer Growth

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
1.0	1.3	1.7	1.6	1.6
<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
1.5	1.4	1.3	1.1	1.1