

State of Florida



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# Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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

**DATE:** August 7, 2008

**TO:** Rosanne Gervasi, Senior Attorney, Office of the General Counsel

**FROM:** William F. Coston, Operations Review Specialist, Division of Regulatory Compliance *WFC*

**RE:** 080439-EI - Request for confidential classification of portions of staff's workpapers on *Review of Fuel Procurement Hedging Practices of Florida's Investor-Owned Electric Utilities* by Gulf Power Company.  
Documents: 05515-08 & 05516-08

Attached is a June 25, 2008 request (documents 05515-08 & 05516-08) from Gulf Power Company counsel, Susan Ritnour. This document includes the company's request for Specified Confidential Classification on portions of staff's workpapers on the *Review of Fuel Procurement Hedging Practices of Florida's Investor-Owned Electric Utilities*. The company cites §366.0963(3)(b), §366.0963(3)(d), and §366.0963(3)(e), F.S.—which address auditing, contractual data, and competitive interests, respectively—as the basis for the request.

Staff has reviewed this request and believes that the specified information is covered by §366.0963(3)(b), (3)(d), and (3)(e), F.S. Staff recommends the approval of Gulf Power Company's Request for Confidential Classification on portions of staff's workpapers on the *Review of Fuel Procurement Hedging Practices of Florida's Investor-Owned Electric Utilities*.

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

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080439

REDACTED



June 25, 2008

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

Dear Ms. Cole:

RE: Undocketed

Enclosed are an original and fifteen copies of Gulf Power Company's Request for Confidential Classification regarding certain documents produced by Commission Staff and Gulf Power in connection with a 2008 Management Review of Gulf Power's fuel procurement hedging practices (PA-07-11-007).

Sincerely,

○

*Susan D. Ritenour*

bh

Enclosures

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

63 JUN 25 2008

DOCUMENT NUMBER-DATE  
05515 JUN 26 8

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Public Service Commission  
Management Review of Hedging Practices of  
Investor-Owned Electric Utilities

Docket No.: Undocketed  
Date: June 25, 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 a request that the Florida Public Service Commission enter an order protecting from public disclosure certain documents produced by Commission Staff and Gulf Power in connection with a 2008 Management Review of Gulf Power's fuel procurement hedging practices (PA-07-11-007) (the "Review"). As grounds for this request, the Company states:

1. A portion of the information submitted by Gulf Power in response to Commission Data Requests and also included in Staff's work papers constitutes "proprietary confidential business information" as defined by section 366.093(3), Florida Statutes.
2. Some of the information relates to contractual matters which would cause irreparable harm to Gulf Power, the entities with whom it has entered into contracts and, most importantly, to Gulf's customers if such information was disclosed to the general public. This information contains details concerning Gulf Power's hedging activities, including specific cost information and information relating to the calculation of credit ratings for hedging counterparties. Disclosure of this information would adversely affect Gulf's ability to conduct its hedging activities to the benefit of its customers and would impair Gulf's ability to enter into contracts for the benefit of its customers. The information is entitled to confidential classification pursuant to section 366.093(3) (d) and (e), Florida Statutes.

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3. A portion of the information contains summaries of internal audits regarding the Company's fuel procurement hedging program. This information is specifically protected from disclosure by section 366.093(3)(b), Florida Statutes.

4. A portion of the information contains internal Gulf Power/Southern Company policies and procedures relating to hedging and Generation Risk Management. This material derives independent economic value from not being generally known to, or readily ascertainable by, the public at large. Gulf also considers this material to relate to its "competitive interests" in that public disclosure of this information could impair its ability to compete in the market generally. This information is therefore entitled to confidential classification pursuant to section 366.093(3) (a) and (e), Florida Statutes.

5. Finally, a portion of the information contains details on how Gulf Power has distributed its hedging purchases over time between 2003 and 2007. The information reveals the Company's internal strategy for timing its hedging purchases and public disclosure of this information could potentially affect the pricing and availability of hedging opportunities for Gulf in the market. Gulf therefore considers this information to be competitively sensitive pursuant to section 366.093(3)(e), Florida Statutes.

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

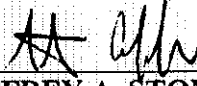
7. Submitted as Exhibit "A" are copies of the subject documents. The information for which confidential classification is requested is highlighted in yellow. Exhibit "A" should be treated as confidential pending a ruling on this request. Attached as Exhibit "B" are two (2) edited copies of the subject documents, which may be made available for public review and inspection. Attached as Exhibit "C" to this request is a line-by-line/field-by-field justification for



the request for confidential classification.

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

Respectfully submitted this 25<sup>th</sup> day of June, 2008.



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(850) 432-2451

**Attorneys for Gulf Power Company**

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Public Service Commission  
Management Review of Hedging Practices of  
Investor-Owned Electric Utilities

Docket No.: Undocketed  
Date: June 25, 2008

REQUEST FOR CONFIDENTIAL CLASSIFICATION

EXHIBIT "A"

Provided to the Commission Clerk under separate cover as confidential  
information.

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**EXHIBIT "B"**

7a. Please provide a list of any internal audits, external audits, or external studies conducted by, or for, the company during the last 48 months regarding any aspect of the utility's fuel procurement hedging program. Please include the report date and title, a summary of the findings, and the name(s) of the auditor(s).

**ANSWER:**

One internal audit was conducted in the specified period relating to Gulf's fuel procurement hedging plan.

Title: 2003 Natural Gas Hedging Financial Review Follow Up

Report Date: December 13, 2004

Summary of Findings: This was a follow up to an audit performed more than 48 months ago. The follow up determined that management had incorporated all of the action items indicated in the prior audit, as follows:

1 [REDACTED]  
2 [REDACTED]  
3 [REDACTED]  
4 [REDACTED]  
5 [REDACTED]  
6 [REDACTED]  
7 [REDACTED]  
8 [REDACTED]  
9 [REDACTED]  
10 [REDACTED]

Name of Auditor: Emi Rahn, SCS System Auditor

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10b. Please provide all management reports produced in the past 36 months which measure, report, and monitor the fuel procurement hedging program.

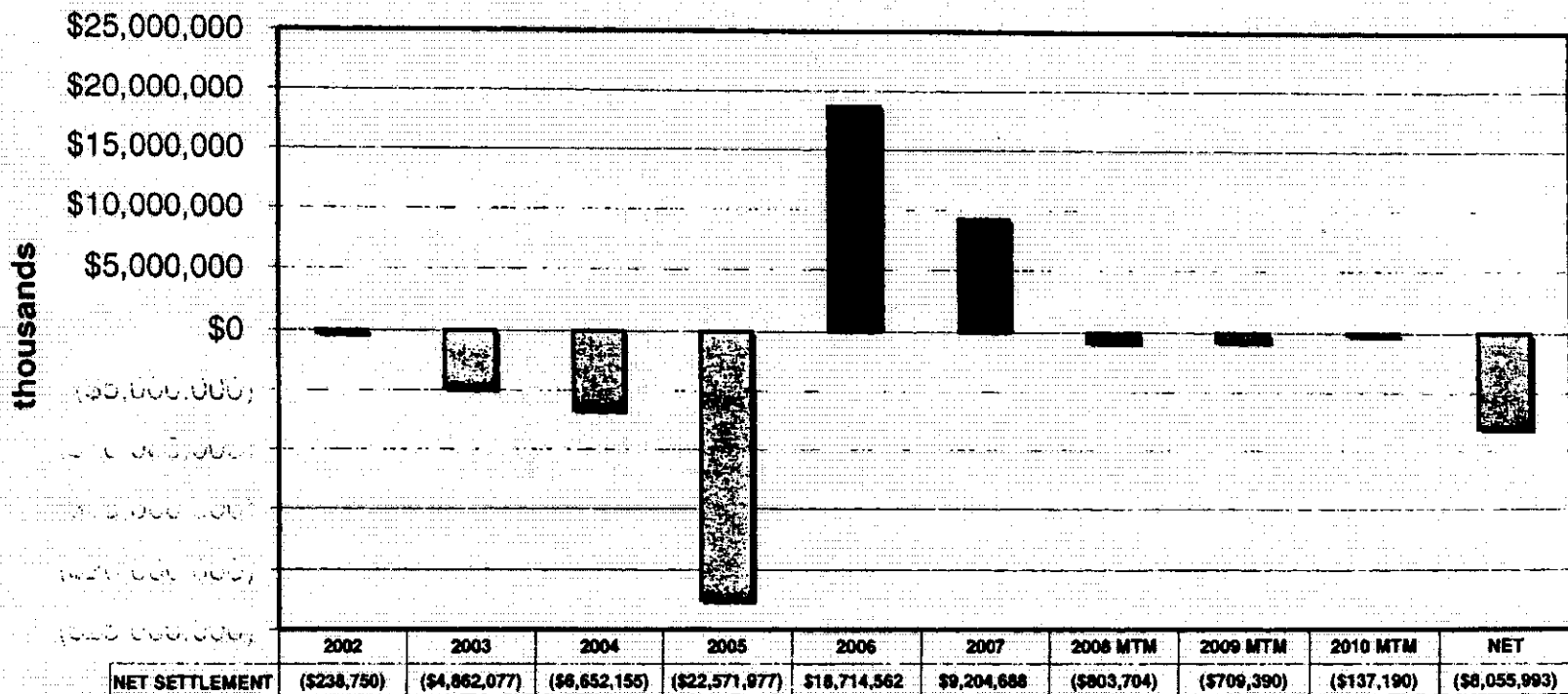
**ANSWER:**

See attachment 10b titled "Gas Hedge Evaluation". This report is updated and reviewed with Gulf's fuel management team each month.

YEAR	2002	2003	2004	2005	2006	2007	2008 MTM	2009 MTM	2010 MTM	NET
NET SETTLEMENT	(\$238,750)	(\$4,862,077)	(\$6,652,155)	(\$22,571,977)	\$18,714,562	\$9,204,688	(\$803,704)	(\$709,390)	(\$137,190)	(\$6,055,993)
SUPPORT COSTS	\$0	\$14,809	\$21,112	\$43,640	\$105,754	\$0	\$0	\$0	\$0	\$185,315
ANNUAL COST	(\$238,750)	(\$4,847,268)	(\$6,631,043)	(\$22,528,337)	\$18,820,316	\$9,204,688	(\$803,704)	(\$709,390)	(\$137,190)	(\$7,870,678)
PROGRAM TO DATE	(\$238,750)	(\$5,086,078)	(\$11,717,061)	(\$34,245,398)	(\$15,425,082)	(\$6,405,703)				

Note: Mark to Market amounts are as of 1/15/2008

## Gulf Power Financial Hedging Settlements Natural Gas



## GULF POWER 2003 GAS HEDGING PROGRAM

### COST OF CURRENT GAS PROGRAM

MONTH	GAS BURN MMBTU	GPIF	ACTUAL	HEDGING	ACTUAL	ACTUAL	NET	
		BUDGET	GAS BURN	(CREDIT)/DEBIT	NET	NET	OVER/(UNDER)	
		\$	\$	\$	\$	\$/MMBTU	\$	
January	1848027	\$8,481,689	\$11,577,860	(\$387,350)	\$11,190,510	\$6.055	\$2,708,821	actual
February	1045376	\$8,451,038	\$7,643,924	\$0	\$7,643,924	\$7.312	(\$807,114)	actual
March	17495	\$6,675,965	\$147,551	\$0	\$147,551	\$8.434	(\$6,528,414)	actual
April	1114093	\$8,554,246	\$8,386,689	(\$885,000)	\$7,501,689	\$6.733	(\$1,052,557)	actual
May	660838	\$6,747,760	\$5,954,939	(\$1,491,945)	\$4,462,994	\$6.754	(\$2,284,766)	actual
June	1145731	\$10,739,284	\$9,139,701	(\$1,510,000)	\$7,629,701	\$6.659	(\$3,109,583)	actual
July	1560996	\$11,938,328	\$11,064,705	(\$1,287,710)	\$9,776,995	\$6.263	(\$2,161,333)	actual
August	1780984	\$11,757,932	\$11,750,965	\$881,898	\$12,632,863	\$7.093	\$874,931	actual
Sept	1163330	\$10,694,810	\$7,881,786	\$55,330	\$7,937,116	\$6.823	(\$2,757,694)	actual
October	849311	\$7,140,425	\$5,919,856	(\$84,550)	\$5,835,106	\$6.870	(\$1,305,319)	actual
November	1279333	\$4,018,639	\$8,015,916	(\$152,750)	\$7,863,166	\$6.146	\$3,844,527	actual
December	1930951	\$5,328,116	\$11,494,816	\$0	\$11,484,816	\$5.953	\$6,165,700	actual
<b>TOTAL</b>	<b>14396465</b>	<b>\$100,529,232</b>	<b>\$98,978,508</b>	<b>(\$4,862,077)</b>	<b>\$94,116,431</b>	<b>\$6.537</b>	<b>(\$6,412,801)</b>	

### VALUE OF CURRENT GAS HEDGE PROGRAM

MONTH	HEDGED GAS MMBTU	HEDGED \$	GPIF	HEDGE	ACTUAL	HEDGE	BUDGET
			BUDGET	Mark to Bud	BURN	Mark to Market	Variance
			\$/MMBTU	\$	\$/MMBTU	\$	\$/MMBTU
January	0	\$0	\$4.942	\$0	\$5.953	(\$387,350)	\$1.011
February	0	\$0	\$4.854	\$0	\$7.114	\$0	\$2.260
March	0	\$0	\$4.705	\$0	\$8.117	\$0	\$3.412
April	600000	\$2,217,000	\$4.578	\$15,000	\$7.431	(\$885,000)	\$2.853
May	600000	\$2,217,000	\$4.558	\$27,000	\$9.174	(\$1,491,945)	\$4.616
June	800000	\$3,265,000	\$4.588	\$321,000	\$7.977	(\$1,510,000)	\$3.389
July	1000000	\$4,313,000	\$4.658	\$563,000	\$7.088	(\$1,287,710)	\$2.430
August	2000000	\$10,275,500	\$4.698	\$2,695,500	\$6.598	\$881,898	\$1.900
Sept	1800000	\$9,227,500	\$4.557	\$2,659,300	\$6.484	\$55,330	\$1.927
October	600000	\$2,217,000	\$4.578	\$15,000	\$7.100	(\$84,550)	\$2.522
November	0	\$0	\$4.769	\$0	\$6.439	(\$152,750)	\$1.670
December	0	\$0	\$4.966	\$0	\$5.953	\$0	\$0.987
<b>TOTAL</b>	<b>7400000</b>	<b>\$33,732,000</b>	<b>\$4.755</b>	<b>\$6,295,800</b>	<b>\$6.875</b>	<b>(\$4,862,077)</b>	<b>\$2.121</b>

**GULF 2004 GAS HEDGE TRANSACTIONS**

DATE	Counterparty	Gulf Price \$/MMBTU	JAN MMBTU	FEB MMBTU	MAR MMBTU	APR MMBTU	MAY MMBTU	JUN MMBTU	JUL MMBTU	AUG MMBTU	SEP MMBTU	OCT MMBTU	NOV MMBTU	DEC MMBTU	TOTAL MMBTU
7/14/2003	CIBC	\$4.770													750000
7/16/2003	BankAmerica	\$4.780				150000		150000	150000	150000	150000				150000
7/16/2003	BankAmerica	\$4.680										150000			150000
8/28/2003	CIBC	\$5.465	150000	150000	150000										450000
8/28/2003	Mitsui	\$4.835				150000	150000	150000	150000	150000	150000	150000			1050000
9/2/2003	BankAmerica	\$5.265	100000	100000	100000										300000
9/17/2003	CIBC	\$5.290	100000	100000	100000										300000
9/18/2003	BankAmerica	\$5.200	100000	100000	100000										300000
9/18/2003	CIBC	\$4.695				100000	100000	100000	100000	100000	100000	100000			700000
9/25/2003	Mitsui	\$5.090	100000	100000	100000										300000
10/1/2003	Mitsui	\$5.150	100000	100000	200000										400000
10/1/2003	Mitsui	\$4.710					50000	50000	50000	50000	50000				250000
10/20/2003	Mitsui	\$4.610				100000	100000	100000	100000	100000	100000	100000			700000
11/17/2003	Mitsui	\$4.600				100000	100000	100000	100000	100000	100000	100000			700000
1/26/2004	BankAmerica	\$5.695			250000										250000
4/15/2004	CIBC	\$5.890						50000	50000	50000	50000	50000			200000
4/19/2004	Mitsui	\$5.775						50000	50000	50000	50000	50000			200000
5/7/2004	Mitsui	\$6.240						100000	100000	100000					300000
6/8/2004	Mitsui	\$6.650											100000	100000	200000
6/28/2004	Barclays	\$6.745											50000	50000	100000
6/28/2004	Barclays	\$6.300									50000	50000			100000
6/28/2004	CIBC	\$6.760											50000	50000	100000
7/1/2004	Mitsui	\$6.600											50000	50000	100000
7/8/2004	Barclays	\$6.800											50000	50000	100000
7/15/2004	Mitsui	\$6.590											100000	100000	200000
7/27/2004	Mitsui	\$6.700											50000	50000	100000
8/2/2004	BankAmerica	\$6.700											50000	50000	100000
8/6/2004	BankAmerica	\$5.670								100000					100000
8/16/2004	CIBC	\$6.600											50000	50000	100000
TOTAL QUANTITY			650000	650000	1000000	600000	650000	650000	850000	850000	1000000	750000	550000	550000	8750000
TOTAL \$			\$3,419,250	\$3,419,250	\$5,358,000	\$2,832,750	\$3,066,750	\$3,066,750	\$4,274,000	\$4,274,000	\$5,156,000	\$3,716,000	\$3,669,250	\$3,669,250	\$45,921,250
AVG \$/MMBTU			\$5.26	\$5.26	\$5.36	\$4.72	\$4.72	\$4.72	\$5.03	\$5.03	\$5.16	\$4.95	\$6.67	\$6.67	\$5.25



**GULF POWER 2004 GAS HEDGING PROGRAM**

**QUANTITY AND PERCENT OF BURN HEDGED**

MONTH	TOTAL HEDGE MMBTU	BUDGET BURN MMBTU	TOTAL HEDGE %	TOTAL HEDGE \$/MMBTU	ACTUAL BURN MMBTU	TOTAL HEDGE %	
January	650000	1336982	48.62%	\$5.260	1384542	46.95%	Actual
February	650000	1272044	51.10%	\$5.260	1567717	41.46%	Actual
March	1000000	1370594	72.96%	\$5.358	874910	114.30%	Actual
April	600000	1056582	56.79%	\$4.721	1807541	33.19%	Actual
May	650000	941743	69.02%	\$4.718	1312682	49.52%	Actual
June	650000	1743997	37.27%	\$4.718	1475599	44.05%	Actual
July	850000	2010221	42.28%	\$5.028	1722915	49.33%	Actual
August	850000	2041644	41.63%	\$5.028	1698957	50.03%	Actual
Sept	1000000	1574206	63.52%	\$5.156	1466235	68.20%	Actual
October	750000	894948	83.80%	\$4.955	1360460	55.13%	Actual
November	550000	818853	67.17%	\$6.671	1491723	36.87%	Actual
December	550000	618601	88.91%	\$6.671	1519236	36.20%	Actual
<b>TOTAL</b>	<b>8750000</b>	<b>15680415</b>	<b>55.80%</b>	<b>\$5.248</b>	<b>17682517</b>	<b>49.48%</b>	

NOTE: Budget burn is from 2004 GPIF Budget Run.

**COST OF CURRENT GAS PROGRAM**

MONTH	ACT/DEPS BURN MMBTU	BUDGET \$	MARKET \$	HEDGING CREDIT/DEBIT \$	NET MARKET \$	NET MARKET \$/MMBTU	NET OVER/UNDER) \$	
January	1384542	\$9,699,804	\$9,346,088	(\$997,750)	\$8,348,338	\$6.030	(\$1,351,467)	Actual
February	1567717	\$9,035,329	\$9,890,601	(\$164,350)	\$9,726,251	\$6.204	\$690,923	Actual
March	874910	\$9,320,039	\$5,525,372	\$541,100	\$6,066,472	\$6.934	(\$3,253,568)	Actual
April	1807541	\$7,686,634	\$12,414,571	(\$693,600)	\$11,720,971	\$6.484	\$4,034,337	Actual
May	1312682	\$6,984,908	\$10,184,588	(\$744,900)	\$9,439,688	\$7.191	\$2,454,780	Actual
June	1475599	\$10,940,093	\$11,695,642	(\$1,491,210)	\$10,204,432	\$6.915	(\$735,661)	Actual
July	1722915	\$12,354,818	\$13,013,194	(\$892,010)	\$12,121,184	\$7.035	(\$233,634)	Actual
August	1698957	\$12,492,820	\$12,000,158	(\$533,781)	\$11,466,377	\$6.749	(\$1,026,443)	Actual
Sept	1466235	\$10,030,841	\$9,707,869	\$28,796	\$9,736,665	\$6.641	(\$294,176)	Actual
October	1360460	\$6,691,526	\$10,479,691	\$44,000	\$10,523,691	\$7.735	\$3,832,165	Actual
November	1491723	\$5,065,425	\$10,431,664	(\$1,117,600)	\$9,314,064	\$6.244	\$4,248,639	Actual
December	1519236	\$4,143,389	\$11,618,676	(\$630,850)	\$10,987,826	\$7.232	\$6,844,437	Actual
<b>TOTAL</b>	<b>17682517</b>	<b>\$104,445,626</b>	<b>\$126,308,114</b>	<b>(\$6,652,155)</b>	<b>\$119,655,959</b>	<b>\$6.767</b>	<b>\$15,210,332</b>	
			\$7.14	(\$0.38)				

**VALUE OF CURRENT GAS HEDGE PROGRAM**

MONTH	HEDGED MMBTU	HEDGED \$	BUDGET PRICE \$/MMBTU	HEDGE Mark to Bud \$	ACTUAL PRICE \$/MMBTU	HEDGE Mark to Market \$	Market/Budget Variance \$/MMBTU	
January	650000	\$3,419,250	\$7.255	(\$81,500)	\$6.750	(\$997,750)	(\$0.505)	Actual
February	650000	\$3,419,250	\$7.103	(482,700)	\$6.309	(\$164,350)	(\$0.794)	Actual
March	1000000	\$5,358,000	\$6.800	(342,000)	\$6.315	\$541,100	(\$0.485)	Actual
April	600000	\$2,832,750	\$7.275	(872,250)	\$6.868	(\$693,600)	(\$0.407)	Actual
May	650000	\$3,066,750	\$7.417	(1,039,300)	\$7.759	(\$744,900)	\$0.342	Actual
June	650000	\$3,066,750	\$6.273	(295,700)	\$7.926	(\$1,491,210)	\$1.653	Actual
July	850000	\$4,274,000	\$6.146	(15,100)	\$7.553	(\$892,010)	\$1.407	Actual
August	850000	\$4,274,000	\$6.119	7,850	\$7.063	(\$533,781)	\$0.944	Actual
Sept	1000000	\$5,156,000	\$6.372	(116,000)	\$6.621	\$28,796	\$0.249	Actual
October	750000	\$3,716,000	\$7.477	(1,066,750)	\$7.703	\$44,000	\$0.226	Actual
November	550000	\$3,669,250	\$6.186	871,950	\$6.993	(\$1,117,600)	\$0.807	Actual
December	550000	\$3,669,250	\$6.698	590,350	\$7.648	(\$630,850)	\$0.950	Actual
<b>TOTAL</b>	<b>8750000</b>	<b>\$45,921,250</b>	<b>\$6.661</b>	<b>(3,341,150)</b>		<b>(\$6,652,155)</b>		

NOTE: Budget pricing is from 2004 GPIF Budget run (includes transportation & storage).  
Futures contract pricing is NYMEX Henry Hub

Fixed Transportation & Storage Fee = \$1.100

GULF 2005 GAS HEDGE TRANSACTIONS

DATE	Counterparty	Gulf Price \$/MMBTU	JAN MMBTU	FEB MMBTU	MAR MMBTU	APR MMBTU	MAY MMBTU	JUN MMBTU	JUL MMBTU	AUG MMBTU	SEP MMBTU	OCT MMBTU	NOV MMBTU	DEC MMBTU	TOTAL MMBTU
7/11/2003	BankAmerica	\$4.530													750000
5/8/2004	Mitsui	\$6.650	100000	100000	100000										300000
6/28/2004	Barclays	\$6.745	50000	50000	50000										150000
6/28/2004	CIBC	\$6.760	50000	50000	50000										150000
7/1/2004	Mitsui	\$6.600	50000	50000	50000										150000
7/8/2004	Barclays	\$6.600	50000	50000	50000										150000
7/15/2004	Mitsui	\$6.590	100000	100000	100000										300000
7/27/2004	Mitsui	\$6.700	50000	50000	50000										150000
8/2/2004	BankAmerica	\$6.700	50000	50000	50000										150000
8/11/2004	Mitsui	\$6.800	50000	50000	50000										150000
8/11/2004	Barclays	\$6.800	50000	50000	50000										150000
8/13/2004	Barclays	\$6.050				50000	50000	50000	50000	50000	50000	50000			350000
8/13/2004	CIBC	\$6.050				50000	50000	50000	50000	50000	50000	50000			350000
8/16/2004	CIBC	\$6.600	50000	50000	50000										150000
8/17/2004	CIBC	\$5.995				50000	50000	50000	50000	50000	50000	50000			350000
8/19/2004	Mitsui	\$6.010				50000	50000	50000	50000	50000	50000	50000			250000
8/25/2004	Barclays	\$6.050				50000	50000	50000	50000	50000	50000	50000			350000
8/31/2004	CIBC	\$5.980				50000	50000	50000	50000	50000	50000	50000			250000
9/3/2004	Barclays	\$6.555	50000	50000	50000										150000
9/16/2004	CIBC	\$5.890				50000	50000	50000	50000	50000	50000	50000			350000
12/3/2004	CIBC	\$6.300				100000	100000	100000	100000	100000	100000	100000			700000
12/7/2004	Barclays	\$6.900											40000	40000	80000
1/6/2005	BankAmerica	\$5.950				100000			100000	100000					300000
1/6/2005	Mitsui	\$6.730											40000	40000	80000
2/15/2005	Mitsui	\$6.250				100000	100000	100000	100000	100000	100000	100000			700000
4/8/2005	Barclays	\$7.755					50000	50000	50000	50000	50000	50000	50000	50000	350000
4/12/2005	Deutsche	\$7.565					50000	50000	50000	50000	50000	50000	50000	50000	350000
4/21/2005	BankAmerica	\$7.400					50000	50000	50000	50000	50000	50000	50000	50000	350000
4/27/2005	CIBC	\$7.300					50000	50000	50000	50000	50000	50000	50000	50000	350000
5/3/2005	Mitsui	\$7.000					50000	50000	50000	50000	50000	50000	50000	50000	350000
5/27/2005	Mitsui	\$7.620											50000	50000	100000
8/19/2005	Barclays	\$9.630											50000	50000	100000
9/12/2005	BankAmerica	\$10.050											20000	20000	40000
9/15/2005	BankAmerica	\$10.385											20000	20000	40000
9/20/2005	BankAmerica	\$11.200											10000	10000	20000
9/22/2005	CIBC	\$11.400											20000	20000	40000
9/23/2005	CIBC	\$11.200											20000	20000	40000
9/26/2005	CIBC	\$10.900											10000	10000	20000
9/29/2005	Deutsche	\$12.150											20000	20000	40000
9/31/2005	Barclays	\$11.820											20000	20000	40000
10/3/2005	Deutsche	\$11.880											10000	10000	20000
10/5/2005	CIBC	\$11.800											10000	10000	20000
10/5/2005	Mitsui	\$11.335											20000	20000	40000
TOTAL QUANTITY			700000	700000	700000	550000	700000	950000	1050000	1050000	950000	700000	530000	610000	9040000
TOTAL \$			\$4,339,750	\$4,339,750	\$4,339,750	\$3,049,250	\$3,733,250	\$5,584,250	\$6,179,250	\$6,179,250	\$5,584,250	\$4,305,250	\$4,457,100	\$5,283,300	\$57,374,400
AVG \$/MMBTU			\$6.20	\$6.20	\$6.20	\$5.54	\$5.33	\$5.88	\$5.89	\$5.89	\$5.88	\$6.15	\$8.41	\$8.66	\$6.35

**GULF POWER 2005 GAS HEDGING PROGRAM**

**QUANTITY AND PERCENT OF BURN HEDGED**

MONTH	TOTAL HEDGE MMBTU	BUDGET BURN MMBTU	TOTAL HEDGE %	TOTAL HEDGE \$/MMBTU	BURN MMBTU	TOTAL HEDGE %
January	700000	1233067	56.77%	\$6.200	1341376	52.19%
February	700000	1094692	63.94%	\$6.200	1410361	49.63%
March	700000	1745511	40.10%	\$6.200	1905477	36.74%
April	550000	1506173	36.52%	\$5.544	1025313	53.64%
May	700000	1475075	47.46%	\$5.333	846687	82.68%
June	950000	1754654	54.14%	\$5.878	1369014	69.39%
July	1050000	2115179	49.64%	\$5.885	1599101	65.66%
August	1050000	2167099	48.45%	\$5.885	1684034	62.35%
Sept	950000	1779336	53.39%	\$5.878	1282858	74.05%
October	700000	1964484	35.63%	\$6.150	982188	71.27%
November	530000	1114696	47.55%	\$8.410	1421159	37.29%
December	610000	213843	285.26%	\$8.661	426555	143.01%
<b>TOTAL</b>	<b>9190000</b>	<b>18163809</b>	<b>50.60%</b>	<b>\$6.347</b>	<b>15294123</b>	<b>60.09%</b>

NOTE: Budget burn is from 2005 GPIF Budget Run.

**COST OF CURRENT GAS PROGRAM**

MONTH	ACT/DEPS BURN MMBTU	BUDGET \$	MARKET \$	HEDGING CREDIT/DEBIT \$	NET MARKET \$	NET MARKET \$/MMBTU	NET OVER/(UNDER) \$
January	1341376	\$9,598,194	\$9,911,819	\$252,980	\$10,164,799	\$7.578	\$566,606
February	1410361	\$8,535,314	\$9,794,066	\$399,320	\$10,193,386	\$7.228	\$1,658,073
March	1905477	\$12,204,613	\$14,309,156	\$128,230	\$14,437,386	\$7.577	\$2,232,773
April	1025313	\$11,249,608	\$9,210,589	(\$571,755)	\$8,638,834	\$8.426	(\$2,610,772)
May	846687	\$11,946,632	\$7,548,382	(\$432,340)	\$7,116,042	\$8.405	(\$4,830,591)
June	1369014	\$13,807,372	\$12,399,608	(\$921,387)	\$11,478,221	\$8.384	(\$2,329,151)
July	1599101	\$16,779,715	\$14,848,708	(\$1,359,870)	\$13,488,838	\$8.435	(\$3,290,877)
August	1684034	\$17,139,586	\$18,403,932	(\$3,174,482)	\$15,229,450	\$9.043	(\$1,910,136)
Sept	1282858	\$13,385,945	\$20,280,304	(\$5,434,906)	\$14,845,398	\$11.572	\$1,459,454
October	982188	\$14,556,826	\$15,826,833	(\$4,348,549)	\$11,478,184	\$11.686	(\$3,078,642)
November	1421159	\$7,861,951	\$17,901,800	(\$4,447,534)	\$13,454,266	\$9.467	\$5,592,315
December	426555	\$2,303,303	\$5,932,544	(\$2,661,584)	\$3,270,960	\$7.668	\$967,657
<b>TOTAL</b>	<b>15294123</b>	<b>\$139,369,057</b>	<b>\$156,367,742</b>	<b>(\$22,571,977)</b>	<b>\$133,795,765</b>	<b>\$8.748</b>	<b>(\$5,573,292)</b>

(\$1.476)

**VALUE OF CURRENT GAS HEDGE PROGRAM**

MONTH	HEDGED MMBTU	HEDGED \$	BUDGET Price \$/MMBTU	HEDGE Mark to Bud \$	MARKET Price \$/MMBTU	HEDGE Mark to Market \$	Market/Budget Variance \$/MMBTU
January	700000	\$4,339,750	\$7.784	(1,109,050)	\$7.389	\$252,980	(\$0.395)
February	700000	\$4,339,750	\$7.797	(1,118,150)	\$6.944	\$399,320	(\$0.853)
March	700000	\$4,339,750	\$6.992	(554,650)	\$7.509	\$128,230	\$0.517
April	550000	\$3,049,250	\$7.469	(1,058,700)	\$8.983	(\$571,755)	\$1.514
May	700000	\$3,733,250	\$8.099	(1,936,050)	\$8.915	(\$432,340)	\$0.816
June	950000	\$5,584,250	\$7.869	(1,891,300)	\$9.057	(\$921,387)	\$1.188
July	1050000	\$6,179,250	\$7.933	(2,150,400)	\$9.286	(\$1,359,870)	\$1.353
August	1050000	\$6,179,250	\$7.909	(2,125,200)	\$10.928	(\$3,174,482)	\$3.019
Sept	950000	\$5,584,250	\$7.523	(1,562,600)	\$15.809	(\$5,434,906)	\$8.286
October	700000	\$4,305,250	\$7.410	(891,750)	\$16.114	(\$4,348,649)	\$8.704
November	530000	\$4,457,100	\$7.053	719,010	\$12.597	(\$4,447,534)	\$5.544
December	610000	\$5,283,300	\$10.771	(1,287,010)	\$13.908	(\$2,661,584)	\$3.137
<b>TOTAL</b>	<b>9190000</b>	<b>\$57,374,400</b>	<b>\$7.673</b>	<b>(14,955,850)</b>	<b>\$10.224</b>	<b>(\$22,571,977)</b>	

NOTE: Budget pricing is from 2005 GPIF Budget run (includes transportation & storage).  
Market price includes transportation and storage cost.

**GULF 2006 GAS HEDGE TRANSACTIONS**

DATE	Counterparty	Gulf Price \$/MMBTU	JAN MMBTU	FEB MMBTU	MAR MMBTU	APR MMBTU	MAY MMBTU	JUN MMBTU	JUL MMBTU	AUG MMBTU	SEP MMBTU	OCT MMBTU	NOV MMBTU	DEC MMBTU	TOTAL MMBTU
8/16/2003	Barclays	\$5.600													350000
8/17/2004	Mitsui	\$5.600				50000	50000	50000	50000	50000	50000	50000			350000
8/18/2004	CIBC	\$5.570					100000	100000	100000	100000	100000				500000
12/7/2004	Barclays	\$6.900	40000	40000	40000										120000
1/4/2005	BankAmerica	\$5.750				50000	50000	50000	50000	50000	50000	50000			350000
1/6/2005	Mitsui	\$6.730	40000	40000	40000										120000
4/8/2005	Mitsui	\$8.560	50000	50000	50000										150000
4/12/2005	Deutsche	\$8.410	50000	50000	50000										150000
4/21/2005	BankAmerica	\$8.305	50000	50000	50000										150000
4/27/2005	CIBC	\$8.300	50000	50000	50000										150000
5/3/2005	Mitsui	\$7.990	50000	50000	50000										150000
5/27/2005	Mitsui	\$7.620	50000	50000	50000										150000
8/18/2005	Barclays	\$9.630	50000	50000	50000	50000									200000
9/12/2005	BankAmerica	\$10.050	20000	20000	20000	20000	20000	40000	40000	40000	40000	20000			280000
9/15/2005	BankAmerica	\$10.385	20000	20000	20000	20000	20000	30000	30000	30000	30000	20000			240000
9/20/2005	BankAmerica	\$11.200	10000	10000	10000	40000	40000	30000	30000	30000	30000	30000			260000
9/22/2005	CIBC	\$11.400	20000	20000	20000	20000	30000	30000	30000	30000	30000	20000			250000
9/23/2005	CIBC	\$11.200	20000	20000	20000	20000	20000	40000	40000	40000	40000	30000			290000
9/26/2005	CIBC	\$10.900	10000	10000	10000	40000	30000	30000	30000	30000	30000	20000			240000
9/29/2005	Deutsche	\$12.150	20000	20000	20000	30000	30000	30000	30000	30000	30000	20000			260000
9/31/2005	Barclays	\$11.820	20000	20000	20000	20000	20000	40000	40000	40000	40000	20000			280000
10/3/2005	Deutsche	\$11.880	10000	10000	10000	30000	30000	30000	30000	30000	30000	30000			240000
10/5/2005	CIBC	\$11.800	10000	10000	10000	10000	10000	10000	30000	30000	30000	30000	30000		210000
10/6/2005	Mitsui	\$11.335	20000	20000	20000	20000	30000	30000	30000	30000	30000	30000	20000		280000
12/27/2005	CIBC	\$10.250							100000	160000					260000
12/27/2005	CIBC	\$11.500										60000		60000	120000
12/27/2005	Mitsui	\$10.150						40000							40000
12/27/2005	Mitsui	\$11.250											20000	20000	40000
1/4/2006	CIBC	\$11.200											20000	20000	40000
1/4/2006	BankAmerica	\$9.900						30000	30000	30000					60000
1/5/2006	CIBC	\$9.650						30000	30000	30000					60000
1/5/2006	CIBC	\$11.000										20000	20000		40000
1/9/2006	Barclays	\$9.350						10000	10000						20000
1/9/2006	Barclays	\$10.850										10000	10000		20000
1/12/2006	Deutsche	\$9.340						20000	20000						40000
1/12/2006	Deutsche	\$10.795										10000	10000		20000
2/15/2006	JPMorgan	\$9.100									100000				400000
3/2/2006	JPMorgan	\$7.290											10000	10000	20000
3/8/2006	Barclays	\$9.840											10000	10000	20000
4/28/2006	Barclays	\$7.095						100000	100000	100000	100000				400000
5/24/2006	Mitsui	\$10.400											10000	10000	20000
5/25/2006	BankAmerica	\$9.750											20000	20000	40000
7/6/2006	Deutsche	\$9.420											10000	10000	20000
7/15/2006	Deutsche	\$9.750											10000	10000	20000
7/18/2006	JPMorgan	\$9.230											10000	10000	20000
8/1/2006	Susaa	\$10.950											10000	10000	20000
8/4/2006	Susaa	\$10.500											10000	10000	20000
8/11/2006	JPMorgan	\$10.590											10000	10000	20000
<b>TOTAL QUANTITY</b>			<b>610000</b>	<b>610000</b>	<b>610000</b>	<b>470000</b>	<b>530000</b>	<b>790000</b>	<b>1040000</b>	<b>1060000</b>	<b>810000</b>	<b>420000</b>	<b>300000</b>	<b>250000</b>	<b>7500000</b>
<b>TOTAL \$</b>			<b>\$5,510,550</b>	<b>\$5,510,550</b>	<b>\$5,510,550</b>	<b>\$4,376,200</b>	<b>\$4,570,050</b>	<b>\$6,561,800</b>	<b>\$9,195,800</b>	<b>\$9,404,600</b>	<b>\$6,897,800</b>	<b>\$3,904,550</b>	<b>\$3,249,150</b>	<b>\$2,568,450</b>	<b>\$67,459,850</b>
<b>AVG \$/MMBTU</b>			<b>\$9.0337</b>	<b>\$9.0337</b>	<b>\$9.0337</b>	<b>\$9.3111</b>	<b>\$8.6227</b>	<b>\$8.4327</b>	<b>\$8.6419</b>	<b>\$8.8723</b>	<b>\$8.5158</b>	<b>\$9.2965</b>	<b>\$10.8305</b>	<b>\$10.6738</b>	<b>\$8.9946</b>

**GULF POWER 2006 GAS HEDGING PROGRAM**

**QUANTITY AND PERCENT OF BURN HEDGED**

MONTH	TOTAL HEDGE MMBTU	BUDGET BURN MMBTU	TOTAL HEDGE %	TOTAL HEDGE \$/MMBTU	ACTUAL BURN MMBTU	TOTAL HEDGE %
January	610000	1316564	46.33%	\$9.03	555215	109.87%
February	610000	1282985	47.55%	\$9.03	1016433	60.01%
March	610000	1412314	43.19%	\$9.03	882523	69.12%
April	470000	600720	78.24%	\$9.31	873666	53.80%
May	530000	1076985	49.21%	\$8.62	1311118	40.42%
June	790000	1776528	44.47%	\$8.43	1311272	60.25%
July	1040000	2151411	48.34%	\$8.84	1653598	62.89%
August	1060000	2130417	49.76%	\$8.87	1986673	53.36%
Sept	810000	1614572	50.17%	\$8.52	1607983	50.37%
October	420000	1356141	30.97%	\$9.30	1821678	23.06%
November	300000	1197181	25.06%	\$10.83	1248574	24.03%
December	250000	1081197	23.56%	\$10.67	1072748	23.30%
<b>TOTAL</b>	<b>7500000</b>	<b>16977015</b>	<b>44.18%</b>	<b>\$8.995</b>	<b>15341481</b>	<b>48.89%</b>

NOTE: Budget burn is from 2006 GPIF Budget Run.

**COST OF CURRENT GAS PROGRAM**

MONTH	ACTUAL BURN MMBTU	BUDGET \$	ACTUAL \$	HEDGING CREDIT/DEBIT \$	NET ACTUAL \$	NET ACTUAL \$/MMBTU	NET OVER/(UNDER) \$
January	555215	\$15,430,130	\$6,226,661	\$52,040	\$6,278,701	\$11.309	(\$9,151,429)
February	1016433	\$15,049,414	\$10,382,373	\$894,967	\$11,277,340	\$11.095	(\$3,772,074)
March	882523	\$16,241,811	\$8,181,991	\$2,369,750	\$10,551,741	\$11.956	(\$5,689,870)
April	873666	\$8,145,763	\$8,356,478	\$976,400	\$9,332,878	\$10.682	\$1,187,114
May	1311118	\$12,471,486	\$11,405,311	\$1,348,845	\$12,754,156	\$9.728	\$282,669
June	1311272	\$19,044,380	\$11,270,787	\$1,879,290	\$13,150,077	\$10.028	(\$5,894,303)
July	1653598	\$22,654,358	\$13,976,135	\$3,020,757	\$16,996,892	\$10.279	(\$5,657,466)
August	1986673	\$22,561,116	\$18,697,899	\$1,960,976	\$20,658,875	\$10.399	(\$1,902,241)
Sept	1607983	\$17,679,563	\$12,054,557	\$2,816,400	\$14,870,957	\$9.248	(\$2,808,606)
October	1821678	\$15,324,393	\$13,390,918	\$1,515,633	\$14,906,551	\$8.183	(\$417,842)
November	1248574	\$12,845,752	\$10,026,661	\$856,611	\$10,883,272	\$8.717	(\$1,962,480)
December	1072748	\$11,917,242	\$8,706,830	\$1,022,893	\$9,729,723	\$9.070	(\$2,187,519)
<b>TOTAL</b>	<b>15341481</b>	<b>\$189,365,210</b>	<b>\$132,676,601</b>	<b>\$18,714,562</b>	<b>\$151,391,163</b>	<b>\$9.868</b>	<b>(\$37,974,047)</b>

\$1.220

**VALUE OF CURRENT GAS HEDGE PROGRAM**

MONTH	HEDGED MMBTU	HEDGED \$	BUDGET Price \$/MMBTU	HEDGE Mark to Bud \$	ACTUAL Price \$/MMBTU	HEDGE Mark to Market \$	Market/Budget Variance \$/MMBTU
January	610000	\$5,510,550	\$11.720	(1,638,650)	\$11.215	\$52,040	(\$0.505)
February	610000	\$5,510,550	\$11.730	(1,644,750)	\$10.215	\$894,967	(\$1.515)
March	610000	\$5,510,550	\$11.500	(1,504,450)	\$9.271	\$2,369,750	(\$2.229)
April	470000	\$4,376,200	\$13.560	(1,997,000)	\$9.565	\$976,400	(\$3.995)
May	530000	\$4,570,050	\$11.580	(1,567,350)	\$8.699	\$1,348,845	(\$2.881)
June	790000	\$6,661,800	\$10.720	(1,807,000)	\$8.595	\$1,879,290	(\$2.125)
July	1040000	\$9,195,600	\$10.530	(1,755,600)	\$8.452	\$3,020,757	(\$2.078)
August	1060000	\$9,404,600	\$10.590	(1,820,800)	\$9.412	\$1,960,976	(\$1.178)
Sept	810000	\$6,897,800	\$10.950	(1,971,700)	\$7.497	\$2,816,400	(\$3.453)
October	420000	\$3,904,550	\$11.300	(841,450)	\$7.351	\$1,515,633	(\$3.949)
November	300000	\$3,249,150	\$10.730	30,150	\$8.030	\$856,611	(\$2.700)
December	250000	\$2,668,450	\$11.230	(139,050)	\$8.116	\$1,022,893	(\$3.114)
<b>TOTAL</b>	<b>7500000</b>	<b>\$67,459,850</b>	<b>\$11.154</b>	<b>(16,657,650)</b>	<b>\$8.648</b>	<b>\$16,714,562</b>	

**NOTES:**

Budget pricing filed with FPSC is from 2006 GPIF Budget run (includes transportation & storage).  
Market pricing includes transportation and storage cost.

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GULF 2007 GAS HEDGE TRANSACTIONS

DATE	COMMENTS	JAN MONTHLY	FEB MONTHLY	MAR MONTHLY	APR MONTHLY	MAY MONTHLY	JUN MONTHLY	JUL MONTHLY	AUG MONTHLY	SEP MONTHLY	OCT MONTHLY	NOV MONTHLY	DEC MONTHLY	TOTAL MONTHLY	TOTAL DOLLAR
1-4-2007	Deutsche				30000	30000	30000	30000	30000	30000	30000	30000	30000	30000	\$1,800,000
1-9-2007	CIBC				30000	30000	30000	30000	30000	30000	30000	30000	30000	30000	\$1,800,000
1-16-2007	Deutsche				30000	30000	30000	30000	30000	30000	30000	30000	30000	30000	\$1,800,000
1-23-2007	Alcoa				30000	30000	30000	30000	30000	30000	30000	30000	30000	30000	\$1,800,000
1-30-2007	Deutsche				30000	30000	30000	30000	30000	30000	30000	30000	30000	30000	\$1,800,000
2-6-2007	BankAmerica				30000	30000	30000	30000	30000	30000	30000	30000	30000	30000	\$1,800,000
2-13-2007	Deutsche				30000	30000	30000	30000	30000	30000	30000	30000	30000	30000	\$1,800,000
2-20-2007	CIBC				30000	30000	30000	30000	30000	30000	30000	30000	30000	30000	\$1,800,000
2-27-2007	Alcoa				30000	30000	30000	30000	30000	30000	30000	30000	30000	30000	\$1,800,000
3-6-2007	CIBC				30000	30000	30000	30000	30000	30000	30000	30000	30000	30000	\$1,800,000
3-13-2007	Deutsche				30000	30000	30000	30000	30000	30000	30000	30000	30000	30000	\$1,800,000
3-20-2007	Alcoa				30000	30000	30000	30000	30000	30000	30000	30000	30000	30000	\$1,800,000
3-27-2007	JP Morgan				30000	30000	30000	30000	30000	30000	30000	30000	30000	30000	\$1,800,000
4-3-2007	Deutsche				30000	30000	30000	30000	30000	30000	30000	30000	30000	30000	\$1,800,000
4-10-2007	CIBC				30000	30000	30000	30000	30000	30000	30000	30000	30000	30000	\$1,800,000
4-17-2007	Alcoa				30000	30000	30000	30000	30000	30000	30000	30000	30000	30000	\$1,800,000
4-24-2007	Deutsche				30000	30000	30000	30000	30000	30000	30000	30000	30000	30000	\$1,800,000
4-30-2007	JP Morgan				30000	30000	30000	30000	30000	30000	30000	30000	30000	30000	\$1,800,000
5-7-2007	Deutsche				30000	30000	30000	30000	30000	30000	30000	30000	30000	30000	\$1,800,000
5-14-2007	Alcoa				30000	30000	30000	30000	30000	30000	30000	30000	30000	30000	\$1,800,000
5-21-2007	JP Morgan				30000	30000	30000	30000	30000	30000	30000	30000	30000	30000	\$1,800,000
5-28-2007	Deutsche				30000	30000	30000	30000	30000	30000	30000	30000	30000	30000	\$1,800,000
6-4-2007	Alcoa				30000	30000	30000	30000	30000	30000	30000	30000	30000	30000	\$1,800,000
6-11-2007	CIBC				30000	30000	30000	30000	30000	30000	30000	30000	30000	30000	\$1,800,000
6-18-2007	Deutsche				30000	30000	30000	30000	30000	30000	30000	30000	30000	30000	\$1,800,000
6-25-2007	Alcoa				30000	30000	30000	30000	30000	30000	30000	30000	30000	30000	\$1,800,000
7-2-2007	BankAmerica				30000	30000	30000	30000	30000	30000	30000	30000	30000	30000	\$1,800,000
7-9-2007	JP Morgan				30000	30000	30000	30000	30000	30000	30000	30000	30000	30000	\$1,800,000
7-16-2007	Deutsche				30000	30000	30000	30000	30000	30000	30000	30000	30000	30000	\$1,800,000
7-23-2007	Alcoa				30000	30000	30000	30000	30000	30000	30000	30000	30000	30000	\$1,800,000
7-30-2007	JP Morgan				30000	30000	30000	30000	30000	30000	30000	30000	30000	30000	\$1,800,000
8-6-2007	Deutsche				30000	30000	30000	30000	30000	30000	30000	30000	30000	30000	\$1,800,000
8-13-2007	Alcoa				30000	30000	30000	30000	30000	30000	30000	30000	30000	30000	\$1,800,000
8-20-2007	JP Morgan				30000	30000	30000	30000	30000	30000	30000	30000	30000	30000	\$1,800,000
8-27-2007	Deutsche				30000	30000	30000	30000	30000	30000	30000	30000	30000	30000	\$1,800,000
9-3-2007	Alcoa				30000	30000	30000	30000	30000	30000	30000	30000	30000	30000	\$1,800,000
9-10-2007	JP Morgan				30000	30000	30000	30000	30000	30000	30000	30000	30000	30000	\$1,800,000
9-17-2007	Deutsche				30000	30000	30000	30000	30000	30000	30000	30000	30000	30000	\$1,800,000
9-24-2007	Alcoa				30000	30000	30000	30000	30000	30000	30000	30000	30000	30000	\$1,800,000
10-1-2007	JP Morgan				30000	30000	30000	30000	30000	30000	30000	30000	30000	30000	\$1,800,000
10-8-2007	Deutsche				30000	30000	30000	30000	30000	30000	30000	30000	30000	30000	\$1,800,000
10-15-2007	Alcoa				30000	30000	30000	30000	30000	30000	30000	30000	30000	30000	\$1,800,000
10-22-2007	JP Morgan				30000	30000	30000	30000	30000	30000	30000	30000	30000	30000	\$1,800,000
10-29-2007	Deutsche				30000	30000	30000	30000	30000	30000	30000	30000	30000	30000	\$1,800,000
11-5-2007	Alcoa				30000	30000	30000	30000	30000	30000	30000	30000	30000	30000	\$1,800,000
11-12-2007	JP Morgan				30000	30000	30000	30000	30000	30000	30000	30000	30000	30000	\$1,800,000
11-19-2007	Deutsche				30000	30000	30000	30000	30000	30000	30000	30000	30000	30000	\$1,800,000
11-26-2007	Alcoa				30000	30000	30000	30000	30000	30000	30000	30000	30000	30000	\$1,800,000
12-3-2007	JP Morgan				30000	30000	30000	30000	30000	30000	30000	30000	30000	30000	\$1,800,000
12-10-2007	Deutsche				30000	30000	30000	30000	30000	30000	30000	30000	30000	30000	\$1,800,000
12-17-2007	Alcoa				30000	30000	30000	30000	30000	30000	30000	30000	30000	30000	\$1,800,000
12-24-2007	JP Morgan				30000	30000	30000	30000	30000	30000	30000	30000	30000	30000	\$1,800,000
12-31-2007	Deutsche				30000	30000	30000	30000	30000	30000	30000	30000	30000	30000	\$1,800,000
TOTAL MONTHLY		30000	30000	30000	30000	30000	30000	30000	30000	30000	30000	30000	30000	30000	\$1,800,000
TOTAL DOLLAR		\$1,800,000	\$1,800,000	\$1,800,000	\$1,800,000	\$1,800,000	\$1,800,000	\$1,800,000	\$1,800,000	\$1,800,000	\$1,800,000	\$1,800,000	\$1,800,000	\$1,800,000	\$21,600,000
AVG DOLLAR		\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000

**GULF POWER 2007 GAS HEDGING PROGRAM**

**QUANTITY AND PERCENT OF BURN HEDGED**

MONTH	TOTAL HEDGE MMBTU	BUDGET BURN MMBTU	TOTAL HEDGE %	TOTAL HEDGE \$/MMBTU	ACTUAL BURN MMBTU	TOTAL HEDGE %
January	300000	887,632	33.80%	\$10.39	1,455,118	20.62%
February	360000	877,192	41.04%	\$10.02	1,778,614	20.24%
March	360000	756,343	47.60%	\$10.02	2,007,564	17.93%
April	350000	705,194	49.63%	\$7.87	1,347,980	25.96%
May	320000	857,724	37.31%	\$7.88	839,389	38.12%
June	560000	1,324,691	42.27%	\$7.87	1,369,325	40.90%
July	680000	1,708,630	39.80%	\$8.00	1,610,002	42.24%
August	680000	1,724,464	39.43%	\$7.96	1,829,495	37.17%
Sept	480000	1,134,686	42.30%	\$7.96	1,336,646	35.91%
October	290000	1,076,187	26.95%	\$8.10	1,498,332	19.35%
November	390000	738,002	52.85%	\$8.90	1,333,799	29.24%
December	390000	711,586	54.81%	\$8.90	1,000,739	38.97%
<b>TOTAL</b>	<b>5,160,000</b>	<b>12,502,331</b>	<b>41.27%</b>	<b>\$8.834</b>	<b>17,407,003</b>	<b>29.64%</b>

NOTE: Budget burn is from 2007 GPIF Budget Run.

**COST OF CURRENT GAS PROGRAM**

MONTH	ACT/DEPS BURN MMBTU	BUDGET \$	MARKET \$	MARKET \$/MMBTU	HEDGING CREDIT/DEBIT \$	NET MARKET \$	NET MARKET \$/MMBTU	NET OVER/(UNDER) \$
January	1455118	\$10,618,153	\$11,434,957	\$7.858	\$1,221,103	\$12,656,060	\$8.698	\$2,037,907
February	1778614	\$10,537,877	\$16,432,601	\$9.239	\$894,967	\$17,327,568	\$9.742	\$6,789,691
March	2007564	\$9,038,833	\$16,029,099	\$7.984	\$1,030,480	\$17,059,579	\$8.498	\$8,020,746
April	1347980	\$8,380,592	\$11,643,998	\$8.638	\$103,000	\$11,746,998	\$8.715	\$3,366,406
May	839389	\$9,561,988	\$8,004,625	\$9.536	\$71,000	\$8,075,625	\$9.621	(\$1,486,363)
June	1369325	\$13,743,063	\$12,893,236	\$9.416	\$336,800	\$13,230,036	\$9.662	(\$513,027)
July	1610002	\$17,298,154	\$14,019,741	\$8.708	\$1,179,680	\$15,199,421	\$9.441	(\$2,098,734)
August	1829495	\$17,611,204	\$16,966,609	\$9.274	\$1,299,000	\$18,265,609	\$9.984	\$654,405
Sept	1336646	\$12,451,159	\$11,499,203	\$8.603	\$1,119,300	\$12,618,503	\$9.440	\$167,343
October	1498332	\$12,101,773	\$13,177,972	\$8.795	\$441,225	\$13,619,197	\$9.090	\$1,517,424
November	1333799	\$8,256,260	\$10,896,189	\$8.169	\$688,000	\$11,584,189	\$8.685	\$3,327,929
December	1000739	\$8,537,642	\$8,375,816	\$8.370	\$820,133	\$9,195,949	\$9.189	\$658,307
<b>TOTAL</b>	<b>17407003</b>	<b>\$138,136,700</b>	<b>\$151,374,045</b>	<b>\$8.696</b>	<b>\$9,204,688</b>	<b>\$160,578,733</b>	<b>\$9.225</b>	<b>\$22,442,033</b>

\$0.529

**VALUE OF CURRENT GAS HEDGE PROGRAM**

MONTH	HEDGED MMBTU	HEDGED \$	BUDGET Price \$/MMBTU	HEDGE Mark to Bud \$	MARKET Price \$/MMBTU	HEDGE Mark to Market \$	Market/Budget Variance \$/MMBTU
January	300000	\$3,117,650	11.962	(471,052)	\$7.858	\$1,221,103	(\$4,104)
February	360000	\$3,607,850	12.013	(716,901)	\$9.239	\$894,967	(\$2,774)
March	360000	\$3,607,850	11.951	(694,404)	\$7.984	\$1,030,480	(\$3,966)
April	350000	\$2,755,500	11.884	(1,403,931)	\$8.638	\$103,000	(\$3,246)
May	320000	\$2,521,200	11.148	(1,046,190)	\$9.536	\$71,000	(\$1,612)
June	560000	\$4,408,800	10.375	(1,400,942)	\$9.416	\$336,800	(\$0,959)
July	680000	\$5,442,004	10.124	(1,442,310)	\$8.708	\$1,179,680	(\$1,416)
August	680000	\$5,410,700	10.213	(1,533,846)	\$9.274	\$1,299,000	(\$0,939)
Sept	480000	\$3,819,318	10.973	(1,447,829)	\$8.603	\$1,119,300	(\$2,370)
October	290000	\$2,347,731	11.245	(913,332)	\$8.795	\$441,225	(\$2,450)
November	390000	\$3,469,800	11.187	(893,253)	\$8.169	\$688,000	(\$3,018)
December	390000	\$3,469,800	11.998	(1,209,440)	\$8.370	\$820,133	(\$3,628)
<b>TOTAL</b>	<b>5160000</b>	<b>\$43,978,202</b>	<b>\$11.049</b>	<b>(13,173,431)</b>	<b>\$8.696</b>	<b>\$9,204,688</b>	

**NOTES:**

Budget pricing is from 2007 GPIF and includes transportation & storage cost.  
Market pricing includes transportation and storage cost.

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GULF 2008 GAS HEDGE TRANSACTIONS

DATE	Counterparty	JAN MONTHLY	FEB MONTHLY	MAR MONTHLY	APR MONTHLY	MAY MONTHLY	JUN MONTHLY	JUL MONTHLY	AUG MONTHLY	SEP MONTHLY	OCT MONTHLY	NOV MONTHLY	DEC MONTHLY	TOTAL MONTHLY
10/5/2005	CBC				30000	30000	30000	30000	30000	30000	30000			210000
10/5/2005	Deutsche				30000	30000	30000	30000	30000	30000	30000			210000
10/6/2005	Mitsui						30000	30000	30000	30000	30000			120000
10/12/2005	Barclays					30000	30000	30000	30000	30000				120000
11/2/2005	BankAmerica						80000	80000	80000	80000				320000
11/4/2005	Deutsche				40000	40000	40000	40000	40000	40000	40000			280000
2/14/2006	Mitsui	10000	10000	10000										30000
2/15/2006	JPMorgan	10000	10000	10000										30000
3/4/2006	Barclays					10000	30000	30000	10000	10000				80000
4/25/2006	BankAmerica	10000	10000	10000										30000
5/2/2006	CBC	10000	10000	10000										30000
5/18/2006	Deutsche	10000	10000	10000										30000
5/17/2006	Barclays	10000	10000	10000										30000
5/24/2006	Suisse	10000	10000	10000										30000
5/25/2006	CBC				10000	10000	10000	10000	10000	10000	10000			70000
5/26/2006	CBC				10000	10000	10000	10000	10000	10000	10000			70000
5/31/2006	Mitsui					10000	10000	10000	10000	10000				50000
6/8/2006	Mitsui	10000	10000	10000										30000
6/9/2006	Suisse						10000	10000	10000	10000	10000			40000
6/19/2006	JPMorgan						10000	20000	20000	10000				60000
6/19/2006	BankAmerica	10000	10000	10000										30000
6/12/2006	JPMorgan	10000	10000	10000										30000
6/13/2006	Barclays	10000	10000	10000										30000
6/14/2006	Barclays				10000	10000	10000	10000	10000	10000	10000			70000
6/16/2006	Deutsche	10000	10000	10000										30000
6/21/2006	ABNAMRO	10000	10000	10000										30000
12/4/2006	JPMorgan											30000	30000	60000
12/4/2006	Suisse	20000	20000	20000										60000
12/21/2006	Mitsui	10000	10000	10000										30000
12/29/2007	CBC	20000	20000	20000										60000
12/29/2007	Mitsui											10000	10000	20000
6/26/2007	Mitsui	10000	10000	10000										30000
6/26/2007	CBC				10000	10000	10000	10000	10000	10000	10000			70000
6/26/2007	JPMorgan											10000	10000	20000
6/26/2007	JPMorgan	10000	10000	10000										30000
7/2/2007	CBC	10000	10000	10000										30000
7/4/2007	Deutsche	20000	20000	20000										60000
7/6/2007	Mitsui				10000	10000	10000	20000	20000	10000	10000			60000
7/12/2007	Barclays	20000	20000	20000										60000
7/12/2007	Morgan				10000	10000	10000	20000	20000	10000	10000			60000
7/13/2007	Morgan											20000	20000	40000
7/25/2007	Morgan	20000	20000	20000										60000
8/20/2007	Barclays	20000	20000	20000										60000
8/20/2007	ABNAMRO				10000	10000	10000	20000	20000	10000	10000			60000
8/21/2007	Suisse	20000	20000	20000										60000
8/21/2007	BankAmerica				10000	10000	10000	20000	20000	10000	10000			60000
8/21/2007	Barclays											20000	20000	40000
8/29/2007	CBC	20000	20000	20000										60000
8/29/2007	Suisse				10000	10000	10000	20000	20000	10000	10000			60000
8/7/2007	CBC				10000	10000	10000	20000	20000	10000	10000			60000
8/11/2007	Suisse											20000	20000	40000
8/18/2007	ABNAMRO	20000	20000	20000										60000
8/18/2007	JPMorgan	20000	20000	20000										60000
8/18/2007	Mitsui											20000	20000	40000
8/18/2007	JPMorgan	10000	10000	10000										30000
8/18/2007	CBC				10000	10000	20000	20000	30000	10000	10000			140000
9/20/2007	JPMorgan	10000	10000	10000										30000
9/20/2007	BankAmerica	10000	10000	10000										30000
9/26/2007	Suisse											10000	10000	20000
9/27/2007	CBC				10000	10000	10000	20000	30000	10000	10000			100000
9/28/2007	Mitsui							20000	20000					40000
10/1/2007	CBC							20000	20000	20000	20000			80000
10/15/2007	Mitsui				20000	20000	20000	40000	40000	20000	20000			120000
10/23/2007	CBC				20000	20000	20000	40000	40000	20000	20000			120000
10/23/2007	Deutsche											20000	20000	40000
10/23/2007	Deutsche				20000	20000	20000	40000	40000	20000	20000			120000
10/23/2007	JPMorgan				10000	10000	10000	20000	20000	10000	10000			60000
11/6/2007	CBC				10000	10000	10000	10000	10000	10000	10000			60000
11/20/2007	Deutsche				10000	10000	10000	20000	20000	10000	10000			60000
11/20/2007	CBC				10000	10000	10000	20000	20000	10000	10000			60000
11/20/2007	Barclays											10000	10000	20000
11/20/2007	CBC				10000	10000	10000	20000	10000	10000	10000			60000
11/28/2007	CBC				10000	10000	10000	20000	10000	10000	10000			60000
11/28/2007	JPMorgan				10000	10000	10000	20000	10000	10000	10000			60000
11/29/2007	Suisse											40000	40000	80000
11/29/2007	CBC											10000	10000	20000
12/12/2007	Mitsui												10000	10000
12/28/2007	Suisse				20000	20000	10000		10000	10000				60000

TOTAL QUANTITY	400000	400000	400000	350000	400000	350000	750000	800000	490000	340000	230000	230000	5340000
TOTAL \$	\$3,549,300	\$3,549,300	\$3,549,300	\$2,700,200	\$3,087,850	\$4,246,150	\$5,801,700	\$6,179,800	\$3,777,100	\$2,826,400	\$2,015,000	\$2,015,000	\$43,097,000
AVG MONTHLY	\$8.8733	\$8.8733	\$8.8733	\$7.7148	\$7.7198	\$7.7263	\$7.7356	\$7.7245	\$7.7064	\$7.7247	\$8.7809	\$8.7408	\$8.0706



**GULF POWER 2008 GAS HEDGING PROGRAM**

**QUANTITY AND PERCENT OF BURN HEDGED**

MONTH	TOTAL HEDGE MMBTU	BUDGET BURN MMBTU	TOTAL HEDGE %	TOTAL HEDGE \$/MMBTU	DEC 07 DEPS BURN MMBTU	TOTAL HEDGE %
January	400000	1,769,330	22.61%	\$8.87	1,714,090	23.34%
February	400000	1,369,802	29.20%	\$8.87	1,096,428	36.48%
March	400000	2,037,612	19.63%	\$8.87	1,892,195	21.14%
April	350000	1,581,411	22.13%	\$7.71	1,665,213	21.02%
May	400000	1,150,817	34.76%	\$7.72	1,296,918	30.84%
June	550000	1,524,970	36.07%	\$7.71	1,706,273	32.23%
July	750000	1,860,210	40.32%	\$7.72	2,075,611	36.13%
August	800000	2,025,075	39.50%	\$7.74	2,129,925	37.56%
Sept	490000	1,561,125	31.39%	\$7.72	1,492,883	32.82%
October	340000	2,151,322	15.80%	\$7.71	2,022,706	16.81%
November	230000	1,981,810	11.61%	\$8.76	1,911,179	12.03%
December	230000	1,940,206	11.85%	\$8.76	1,738,713	13.23%
<b>TOTAL</b>	<b>5,340,000</b>	<b>20,953,690</b>	<b>25.48%</b>	<b>\$8.071</b>	<b>20,742,134</b>	<b>25.74%</b>

NOTE: Budget burn is from 2007 GPIF Budget Run.

**COST OF CURRENT GAS PROGRAM**

MONTH	ACT/DEPS BURN MMBTU	BUDGET \$	MARKET \$	MARKET \$/MMBTU	HEDGING CREDIT/DEBIT \$	NET MARKET \$	NET MARKET \$/MMBTU	NET OVER/(UNDER) \$
January	1714090	\$18,793,764	\$16,455,264	\$9.600	\$309,300	\$16,764,564	\$9.780	(\$2,029,200)
February	1096428	\$14,626,990	\$10,561,891	\$9.633	\$296,100	\$10,857,991	\$9.903	(\$3,768,999)
March	1892195	\$20,734,689	\$18,089,384	\$9.560	\$325,300	\$18,414,684	\$9.732	(\$2,320,005)
April	1665213	\$16,339,591	\$15,857,823	\$9.523	(\$107,850)	\$15,749,973	\$9.458	(\$589,618)
May	1296918	\$12,504,853	\$12,386,864	\$9.551	(\$132,450)	\$12,254,414	\$9.449	(\$250,439)
June	1706273	\$16,149,947	\$16,421,171	\$9.624	(\$225,029)	\$16,196,143	\$9.492	\$46,196
July	2075611	\$19,549,971	\$20,127,200	\$9.697	(\$357,545)	\$19,769,654	\$9.525	\$219,683
August	2129925	\$21,255,823	\$20,796,588	\$9.764	(\$422,720)	\$20,373,868	\$9.566	(\$881,955)
Sept	1492883	\$16,620,316	\$14,588,453	\$9.772	(\$268,275)	\$14,320,178	\$9.592	(\$2,300,138)
October	2022706	\$21,925,619	\$19,915,563	\$9.846	(\$216,795)	\$19,698,768	\$9.739	(\$2,226,851)
November	1911179	\$19,787,263	\$19,320,109	\$10.109	\$34,930	\$19,355,039	\$10.127	(\$432,224)
December	1738713	\$20,474,692	\$18,133,038	\$10.429	(\$38,670)	\$18,094,368	\$10.407	(\$2,380,324)
<b>TOTAL</b>	<b>20742134</b>	<b>\$218,763,518</b>	<b>\$202,653,348</b>	<b>\$9.770</b>	<b>(\$803,704)</b>	<b>\$201,849,643</b>	<b>\$9.731</b>	<b>(\$16,913,875)</b>

**VALUE OF CURRENT GAS HEDGE PROGRAM**

MONTH	HEDGED MMBTU	HEDGED \$	BUDGET Price \$/MMBTU	HEDGE Mark to Bud \$	MARKET Price \$/MMBTU	HEDGE Mark to Market \$	Market/Budget Variance \$/MMBTU	Henry Hub Market Price \$/MMBTU
January	400000	\$3,549,300	\$10.622	(99,487)	\$9.600	\$309,300	(\$1.022)	\$8.100
February	400000	\$3,549,300	\$10.678	(121,971)	\$9.633	\$296,100	(\$1.045)	\$8.133
March	400000	\$3,549,300	\$10.176	78,910	\$9.560	\$325,300	(\$0.616)	\$8.060
April	350000	\$2,700,200	\$10.332	(391,100)	\$9.523	(\$107,850)	(\$0.809)	\$8.023
May	400000	\$3,087,950	\$10.866	(658,476)	\$9.551	(\$132,450)	(\$1.315)	\$8.051
June	550000	\$4,243,171	\$10.590	(756,514)	\$9.624	(\$225,029)	(\$0.966)	\$8.124
July	750000	\$5,790,205	\$10.510	(966,958)	\$9.697	(\$357,545)	(\$0.813)	\$8.197
August	800000	\$6,188,480	\$10.496	(1,008,571)	\$9.764	(\$422,720)	(\$0.732)	\$8.264
Sept	490000	\$3,785,005	\$10.646	(696,717)	\$9.772	(\$268,275)	(\$0.874)	\$8.272
October	340000	\$2,620,845	\$10.192	(334,332)	\$9.846	(\$216,795)	(\$0.346)	\$8.346
November	230000	\$2,015,000	\$9.984	63,579	\$10.109	\$34,930	\$0.125	\$8.609
December	230000	\$2,015,000	\$10.553	(67,154)	\$10.429	(\$38,670)	(\$0.124)	\$8.929
<b>TOTAL</b>	<b>5340000</b>	<b>\$43,093,758</b>	<b>\$10.440</b>	<b>(4,958,792)</b>	<b>(\$803,704)</b>	<b>(\$803,704)</b>		

**NOTES:**

Budget pricing is from 2008 GPIF and includes transportation & storage.  
Forecast pricing is NYMEX Henry Hub as of 1/16/2008 plus estimated trans & storage.

Estimated Fixed Transportation & Storage Fee = \$1.500

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GULF 2009 GAS HEDGE TRANSACTIONS

DATE	Counterparty	JAN MMBTU	FEB MMBTU	MAR MMBTU	APR MMBTU	MAY MMBTU	JUN MMBTU	JUL MMBTU	AUG MMBTU	SEP MMBTU	OCT MMBTU	NOV MMBTU	DEC MMBTU	TOTAL MMBTU
7/11/2006	Mitsui					10000	10000	10000	10000					40000
8/8/2006	Barclays				10000	10000	10000	10000	10000					70000
8/16/2006	JPMorgan				10000	10000	10000	10000	10000	10000	10000			70000
8/28/2006	CIBC						10000	10000	10000	10000	10000			40000
9/11/2006	Mitsui						10000	10000	10000	10000				40000
9/14/2006	Mitsui						10000	10000	10000	10000				40000
12/4/2006	JPMorgan	30000	30000	30000										90000
12/26/2006	Mitsui	10000	10000	10000										30000
12/28/2006	BankAmerica						10000	10000	10000	10000	10000			50000
1/25/2007	JPMorgan						10000	10000	10000	20000				50000
6/26/2007	JPMorgan	10000	10000	10000										30000
7/12/2007	Morgan	20000	20000	20000										60000
7/12/2007	ABNAMRO					10000	10000	10000	10000	10000	10000			60000
7/24/2007	Mitsui						10000	10000	10000	10000	10000			60000
8/21/2007	Barclays	20000	20000	20000								10000	10000	20000
8/21/2007	CIBC													60000
8/25/2007	CIBC					10000	10000	10000	10000	10000	10000	10000	10000	20000
9/11/2007	Suisse	20000	20000	20000										60000
9/17/2007	Mitsui													60000
9/18/2007	CIBC				10000	10000	10000	20000	20000	10000	10000	10000	10000	20000
9/18/2007	Mitsui	20000	20000	20000										90000
9/29/2008	Suisse	10000	10000	10000										60000
9/28/2007	Mitsui	10000	10000	10000										30000
10/9/2007	JPMorgan							20000	30000	10000				30000
10/11/2007	CIBC													60000
10/22/2008	Deutsche	20000	20000	20000								20000	20000	40000
11/20/2007	Barclays	10000	10000	10000										60000
11/29/2007	Mitsui				10000	10000	20000	30000	30000	20000	10000			30000
11/29/2007	JPMorgan				10000	10000	10000	10000	10000	10000	10000			130000
11/30/2007	CIBC	40000	40000											70000
12/12/2007	Mitsui	10000	10000	10000										80000
12/18/2007	Barclays											40000	40000	30000
														80000
TOTAL QUANTITY		230000	230000	190000	50000	80000	140000	180000	190000	150000	80000	90000	90000	1700000
TOTAL \$		\$2,015,000	\$2,015,000	\$1,671,400	\$387,900	\$619,400	\$1,058,300	\$1,375,000	\$1,454,100	\$1,133,600	\$617,100	\$786,150	\$786,150	\$13,919,100
AVG \$/MMBTU		\$8.7609	\$8.7609	\$8.7968	\$7.7580	\$7.7425	\$7.5593	\$7.6389	\$7.6532	\$7.5573	\$7.7138	\$8.7350	\$8.7350	\$8.1877

**GULF POWER 2009 GAS HEDGING PROGRAM**

**QUANTITY AND PERCENT OF BURN HEDGED**

MONTH	TOTAL HEDGE	BUDGET BURN	TOTAL HEDGE	TOTAL HEDGE	Budget BURN	TOTAL HEDGE
	MMBTU	MMBTU	%	\$/MMBTU		
January	230000	1,528,153	15.05%	\$8.76	1,528,153	15.05%
February	230000	1,682,487	13.67%	\$8.76	1,682,487	13.67%
March	190000	1,327,610	14.31%	\$8.80	1,327,610	14.31%
April	50000	1,338,413	3.74%	\$7.76	1,338,413	3.74%
May	80000	1,239,728	6.45%	\$7.74	1,239,728	6.45%
June	140000	1,845,952	7.58%	\$7.56	1,845,952	7.58%
July	180000	2,586,081	6.96%	\$7.64	2,586,081	6.96%
August	190000	2,572,833	7.38%	\$7.65	2,572,833	7.38%
Sept	150000	1,346,265	11.14%	\$7.56	1,346,265	11.14%
October	80000	2,115,929	3.78%	\$7.71	2,115,929	3.78%
November	90000	1,631,415	5.52%	\$8.74	1,631,415	5.52%
December	90000	1,156,721	7.78%	\$8.74	1,156,721	7.78%
<b>TOTAL</b>	<b>1,700,000</b>	<b>20,371,587</b>	<b>8.34%</b>	<b>\$8.071</b>	<b>20,371,587</b>	<b>8.34%</b>

NOTE: Budget burn is from 2008 Energy Budget Run.

**COST OF CURRENT GAS PROGRAM**

MONTH	ACT/DEPS	BUDGET	MARKET	MARKET	HEDGING	NET	NET	NET
	BURN							
	MMBTU							
January	1528153	\$17,163,000	\$16,283,998	\$10.656	(\$90,880)	\$16,193,118	\$10.597	(\$969,882)
February	1682487	\$17,425,000	\$17,936,994	\$10.661	(\$92,030)	\$17,844,964	\$10.606	\$419,964
March	1327610	\$13,449,000	\$13,861,576	\$10.441	(\$27,390)	\$13,834,186	\$10.420	\$385,186
April	1338413	\$13,723,000	\$12,836,719	\$9.591	(\$16,650)	\$12,820,069	\$9.579	(\$902,931)
May	1239728	\$12,439,000	\$11,874,115	\$9.578	(\$26,840)	\$11,847,275	\$9.556	(\$591,725)
June	1845952	\$18,173,387	\$17,791,288	\$9.638	(\$81,020)	\$17,710,268	\$9.594	(\$463,119)
July	2586081	\$26,208,210	\$25,092,744	\$9.703	(\$101,540)	\$24,991,204	\$9.664	(\$1,217,006)
August	2572833	\$25,076,780	\$25,105,704	\$9.758	(\$114,920)	\$24,990,784	\$9.713	(\$85,996)
Sept	1346265	\$13,245,812	\$13,150,317	\$9.768	(\$106,600)	\$13,043,717	\$9.689	(\$202,095)
October	2115929	\$18,168,250	\$20,805,930	\$9.833	(\$49,540)	\$20,756,390	\$9.810	\$2,588,140
November	1631415	\$14,098,000	\$16,416,929	\$10.063	\$15,480	\$16,432,409	\$10.072	\$2,334,409
December	1156721	\$12,172,000	\$12,063,443	\$10.429	(\$17,460)	\$12,045,983	\$10.414	(\$126,017)
<b>TOTAL</b>	<b>20371587.3</b>	<b>\$201,341,439</b>	<b>\$203,219,758</b>	<b>\$9.976</b>	<b>(\$709,390)</b>	<b>\$202,510,368</b>	<b>\$9.941</b>	<b>\$1,168,929</b>

**VALUE OF CURRENT GAS HEDGE PROGRAM**

MONTH	HEDGED	HEDGED	BUDGET	HEDGE	MARKET	HEDGE	Market/Budget	Henry Hub
								MMBTU
	MMBTU	\$	\$/MMBTU	Mark to Bud	Price	Mark to Market	Variance	Market
				\$	\$/MMBTU	\$	\$/MMBTU	\$/MMBTU
January	230000	\$2,015,000	\$11.231	(\$223,177)	\$10.656	(\$90,880)	(\$0.575)	\$9.156
February	230000	\$2,015,000	\$10.357	(\$22,039)	\$10.661	(\$92,030)	\$0.304	\$9.161
March	190000	\$1,671,400	\$10.130	\$31,656	\$10.441	(\$27,390)	\$0.311	\$8.941
April	50000	\$387,900	\$10.253	(\$49,759)	\$9.591	(\$16,650)	(\$0.662)	\$8.091
May	80000	\$619,400	\$10.034	(\$63,292)	\$9.578	(\$26,840)	(\$0.456)	\$8.078
June	140000	\$1,058,300	\$9.845	(\$109,999)	\$9.638	(\$81,020)	(\$0.207)	\$8.138
July	180000	\$1,375,000	\$10.134	(\$179,180)	\$9.703	(\$101,540)	(\$0.431)	\$8.203
August	190000	\$1,454,100	\$9.747	(\$112,784)	\$9.758	(\$114,920)	\$0.011	\$8.258
Sept	150000	\$1,133,600	\$9.839	(\$117,240)	\$9.768	(\$106,600)	(\$0.071)	\$8.268
October	80000	\$617,100	\$8.586	\$50,187	\$9.833	(\$49,540)	\$1.247	\$8.333
November	90000	\$786,150	\$8.642	\$143,408	\$10.063	\$15,480	\$1.421	\$8.563
December	90000	\$786,150	\$10.523	(\$25,906)	\$10.429	(\$17,460)	(\$0.094)	\$8.929
<b>TOTAL</b>	<b>1700000</b>	<b>\$13,919,100</b>	<b>\$9.883</b>	<b>(\$678,128)</b>		<b>(\$709,390)</b>		

**NOTES:**

Budget pricing is from 2008 Energy Budget and includes transportation & storage.  
Forecast pricing is NYMEX Henry Hub as of 1/16/2008 plus estimated trans & storage.

Estimated Fixed Transportation & Storage Fee = \$1.500

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**GULF 2010 GAS HEDGE TRANSACTIONS**

DATE	Counterparty	Gulf Price \$/MMBTU	JAN MMBTU	FEB MMBTU	MAR MMBTU	APR MMBTU	MAY MMBTU	JUN MMBTU	JUL MMBTU	AUG MMBTU	SEP MMBTU	OCT MMBTU	NOV MMBTU	DEC MMBTU	TOTAL MMBTU
7/22/2007	Barclays						10000	10000	10000	10000	10000				50000
7/24/2007	Mtoul		10000	10000	10000										30000
8/21/2007	CIBC		10000	10000	10000										30000
8/21/2007	Mtoul						10000	10000	10000	10000	10000				50000
8/17/2007	Mtoul		10000	10000	10000										30000
10/11/2007	CIBC		20000	20000	20000										60000
11/20/2007	JPMorgan					10000	10000	20000	30000	30000	20000	10000			130000
12/18/2007	Barclays		40000	40000	40000										120000
															0
															0
															0
															0
															0
															0
															0
															0
															0
															0
<b>TOTAL QUANTITY</b>			90000	90000	90000	10000	30000	40000	50000	50000	40000	10000	0	0	500000
<b>TOTAL \$</b>			\$786,150	\$786,150	\$786,150	\$78,100	\$231,800	\$309,700	\$367,800	\$367,800	\$309,700	\$78,100	\$0	\$0	\$4,141,250
<b>AVG \$/MMBTU</b>			\$8.7350	\$8.7350	\$8.7350	\$7.8100	\$7.7200	\$7.7425	\$7.3500	\$7.3500	\$7.7425	\$7.8100	\$0.0000	\$0.0000	\$8.2825
<b>NYMEX 1/16/08</b>			\$9.0480	\$9.0530	\$8.8230	\$7.9880	\$7.8500	\$8.0100	\$8.0710	\$8.1210	\$8.1310	\$8.1860	\$8.4010	\$8.6810	
<b>MTM Settlement</b>			(\$28,170)	(\$28,620)	(\$7,920)	(\$1,580)	(\$6,900)	(\$10,700)	(\$15,750)	(\$16,250)	(\$15,540)	(\$3,760)	\$0	\$0	(\$137,190)

Gulf Power Company  
Investor-Owned Electric Utilities  
Fuel Hedging Review  
Attachment 1  
Page 15 of 18

3. Does Gulf Power set counterparty trading limits based on the party's credit rating (e.g. - The counterparty rated AAA has a higher threshold than the counterparty rated AA-). If so, please provide the breakdown of the credit thresholds and the related trading limits.

ANSWER:

Credit is managed at the Southern Company level and is based on a party's credit rating and common equity balance. Attached is a breakdown of the credit thresholds and related trading limits.

		Common Equity Balance			
Credit Rating		<u>Actual</u> <u>&lt; \$1 BB</u>	<u>Actual</u> <u>&gt; \$1 BB</u>	<u>Potential</u> <u>&lt; \$1BB</u>	<u>Potential</u> <u>&gt; \$1BB</u>
1	AA or higher				
2	AA-				
3	A+				
4	A				
5	A-				
6	BBB+				
7	BBB				
8	BBB-				
9	BB+				
10	BB				
11	BB-				
12	B+				
13	B				
14	B-				
15	CCC+ or below or no rating				

4. Please provide a copy of the PowerPoint presentation that was presented by Mr. Paul Hughes during staff's on-site visit, February 19, 2008.

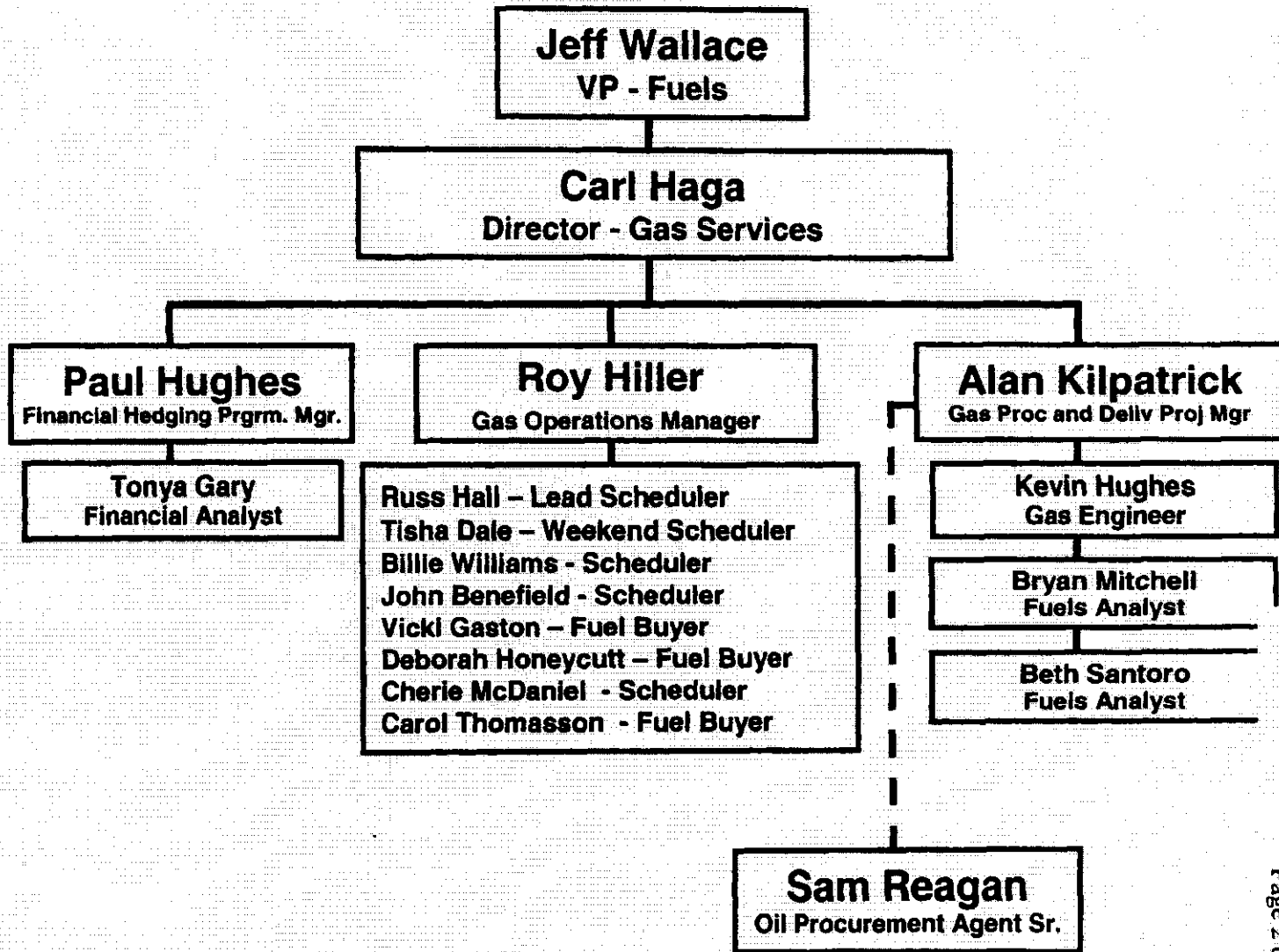
ANSWER:

See attachment 4 titled *Hedging Overview for Gulf Power*.

# Hedging Overview for Gulf Power

February 19th, 2008

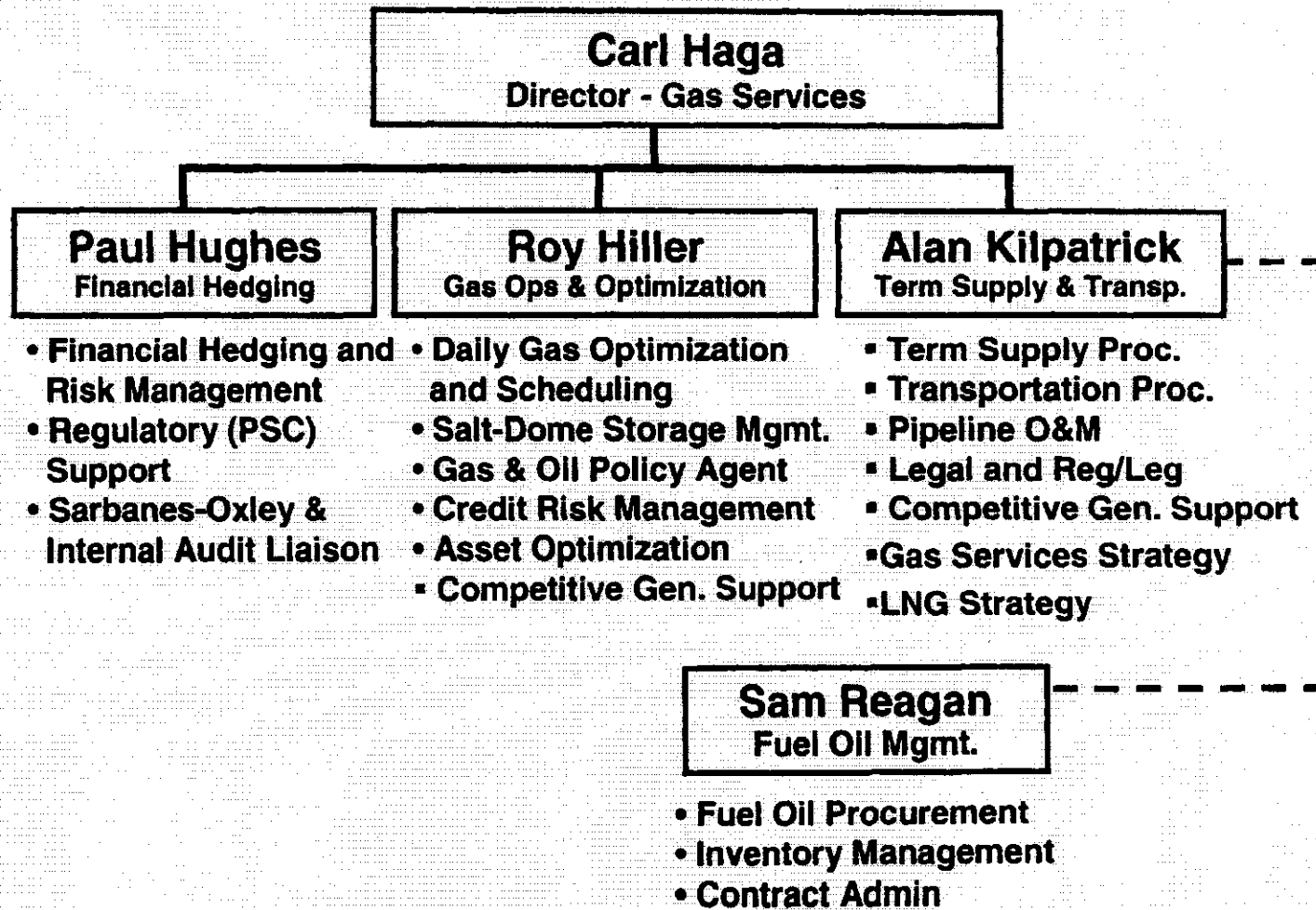
# Gas Services Team





# Gas Services Team

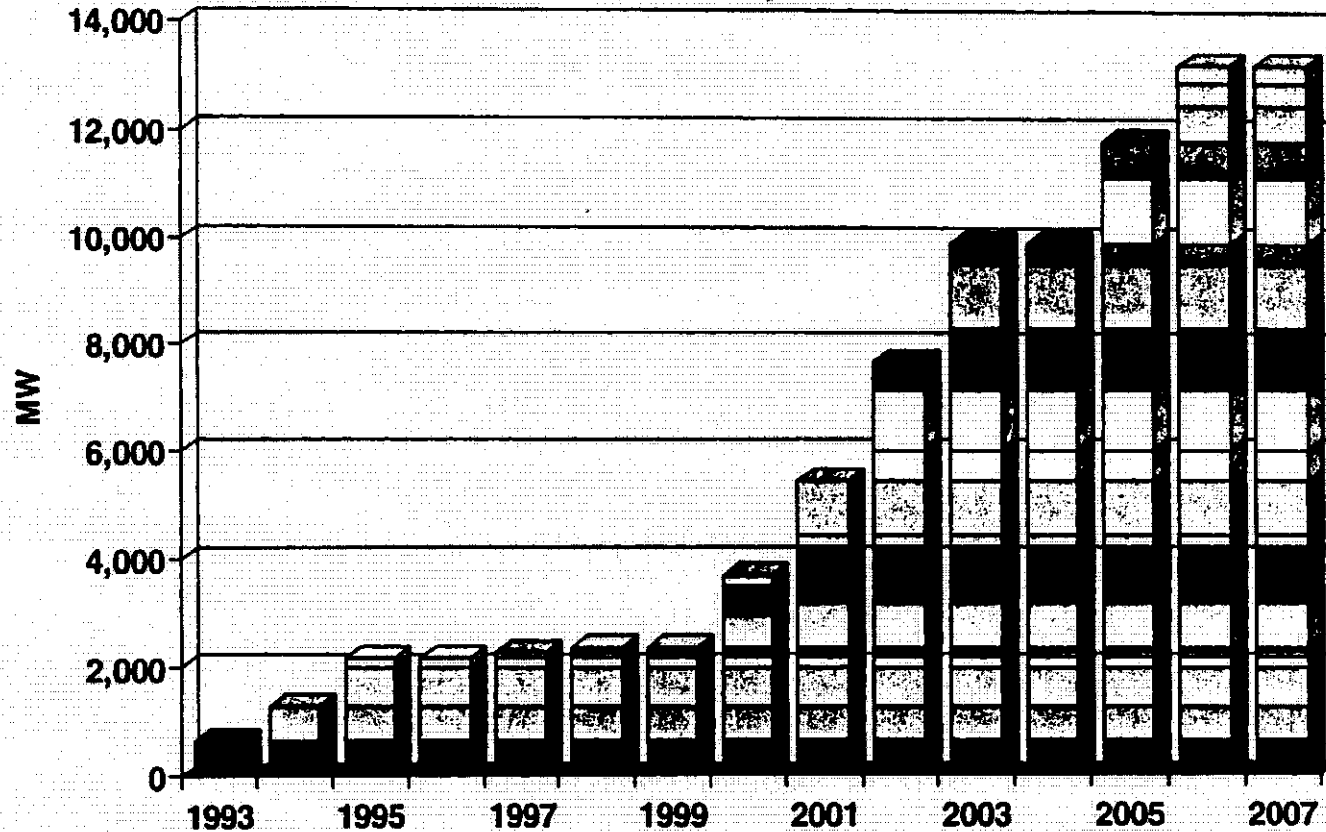
## What We Do...



# Scope of Responsibility

- 237 BCF of gas burn in 2007 from >40 suppliers including LNG
- 1.8 BCFD peak burn down to 0.1 BCFD
- 31 gas fired facilities across 5 states and 5 operating companies
- >1.1 BCFD of firm gas transportation across 5 intra- and-interstate pipelines
- >10 BCF of Salt Dome gas storage (2 facilities)
- Financially hedging over 100 BCF of gas
- Burn 26 M gallons of fuel oil annually in 21 plants

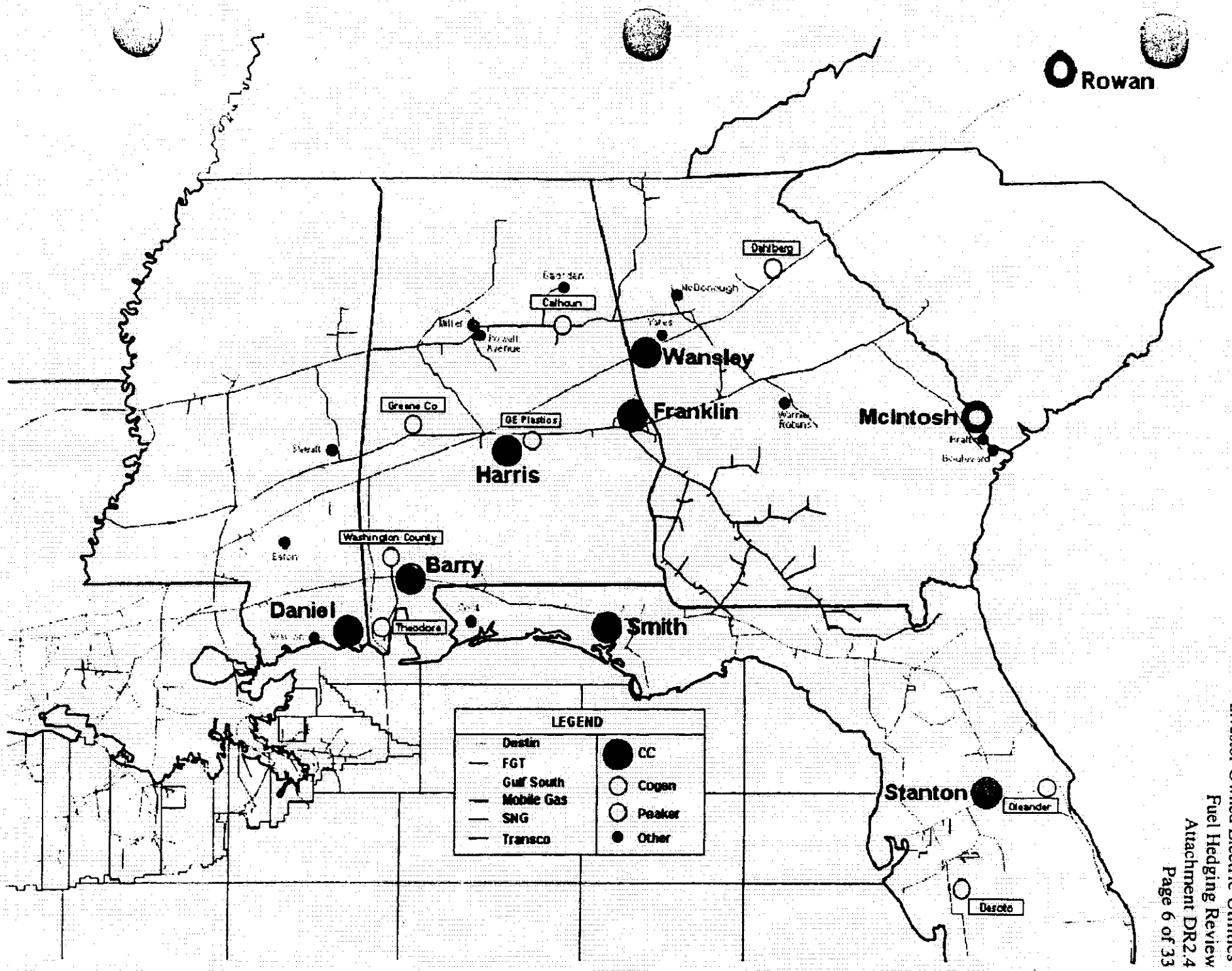
# Southern Company - Gas Fired Fleet



- |                       |                          |                           |
|-----------------------|--------------------------|---------------------------|
| ■ Pre-90 - Steam *    | □ McIntosh - CT          | □ Greene Co. - CT         |
| □ Warner Robins - CT  | □ GE Plastics - Cogen    | □ Olin - Cogen            |
| □ Dahlberg (SPC) - CT | ■ Barry - CC             | □ Theodore - Cogen        |
| □ Daniel - CC         | □ Smith - CC             | □ Wansley (SPC) - CC      |
| ■ Franklin (SPC) - CC | □ Harris (SPC) - CC      | ■ Stanton A (SPC) - CC ** |
| □ McIntosh - CC       | ■ Oleander (SPC) - CT ** | ■ Rowan (SPC) - CC        |
| □ Rowan (SPC) - CT    | □ Desoto (SPC) - CT      |                           |

\* Pre-1990: Atkinson, Kraft, McDonough, Riverside, Sweatt and Watson

\*\* Gas tolling arrangement to third party under PPA.



LEGEND	
— Destin	● CC
— FGT	○ Cogen
— Gulf South	○ Peaker
— Mobile Gas	● Other
— SNG	
— Transco	

# **“Upstairs Group” – Long Term Procurement and Pipeline Operations Support**

- **Reliability of long term supply for combined cycle plants and cogens**
- **Long term supply contracts**
  - **Firm supply at market price, typically 1-3 years or 1-3 summers**
- **Long term gas transportation**
  - **Firm transportation for CC and cogen**
  - **15-20 year contracts negotiated in conjunction with plant construction**
- **Long term storage contracts**
- **Operations support**
  - **Pipeline support and check measurement**
  - **Gas lateral design and operation, troubleshooting**
- **Business development support (outside of core)**

# **“Downstairs Group” - Daily Operations and Financial Risk Management**

- Reliability and deliverability of supply at the lowest reasonable cost
  - Term supply deal implementation
  - Daily procurement/sales in a liquid marketplace
- Asset optimization
  - Supply
  - Transportation
  - Storage
- Risk Management
  - Efficient market participation
  - Paying market prices
- Hedging and Financial Risk Management

# Financial Risk Management

- Physical procurement through long-term contracts, month-ahead contracts, and in the daily market.
- Buy gas at daily index prices because best match with physical dispatch and burn.
- Operating Companies earnings are not directly impacted due to fuel clauses.
- Generation dispatched at marginal costs (*hedges do not impact dispatch decision*).
- Hedging to reduce the volatility of fuel costs for customers.....

# Hedging Philosophy

- *We are not trying to beat the market with our hedge positions.*
  - Real value of hedging comes from limiting upside price risk and providing a degree of price certainty.
  - From a fuel clause standpoint, OPCOs are likely to benefit from hedge losses resulting from lower gas prices.
- *Buying gas at market is ultimately the least expensive approach.*
  - Hedging is likely to be breakeven at best.
  - Hedging adds costs to gas procurement – administrative and transactional costs.
- *We do not have a crystal ball for gas prices.*



# Hedging Program

- We follow a *disciplined* approach to dampen gas price volatility.
  - Volume – How much have we hedged and where do we want to be? Generally shooting for 50% of budget.
  - Price – At what price do we want to enter a hedge position?
- This disciplined approach is set upon the concept of hedging on market declines.
  - Hedging on dips avoids having to explain hedging on peaks.
  - Will supplement with Volume Cost Averaging occasionally
  - At the end of the day, our efforts should provide a certain degree of protection against upward gas price movement.

# Hedge Execution - Mechanics

- SCS Fuels provides the OPCO CFOs with a periodic hedge strategy presentations.
  - Analysis of current hedge position, current price environment and a recommendation for new price and volume targets.
  - Recommendations can be “tweaked” to meet regulatory fuel strategy.
  - Supplement this strategy recommendation with a weekly hedge report.
- Constantly tracking market fundamentals and outside research for potential impact on prices.
  - Storage data (natural gas, crude oil, heating oil), drilling rig activity, CFTC commitment of trader reports, EIA supply/demand data, print media (WSJ, Gas Daily), bank research and consultant research reports (PIRA, Gelber & Assoc., EVA, Wood Mackenzie).

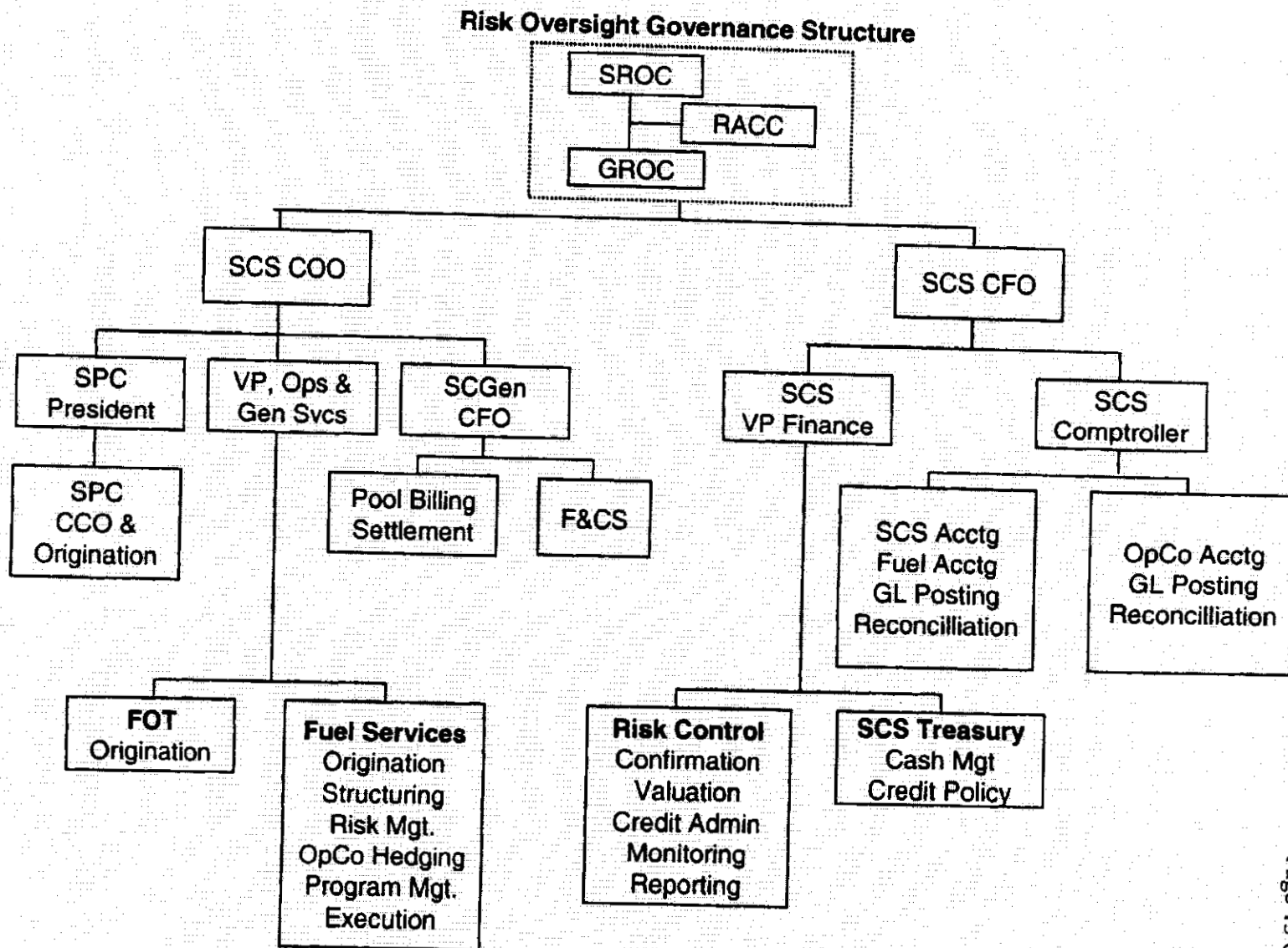
# Hedge Execution

- What financial instruments does SO use to hedge?
  - Financial Instruments – Over the Counter (OTC) Products
  - Swaps (fixed-for-float) & Options (calls/puts)
- With whom does SO hedge?
  - Counterparties
    - Bank of America
    - Barclays Capital
    - CIBC
    - Credit Suisse
    - Deutsche Bank
    - JPMorgan
    - Mitsui Energy Risk Management
    - Morgan Stanley

# General Hedging Controls

- All transactions executed via recorded phone line or recorded Instant message
- Deals recorded immediately in log book and SCS deal capture system
- Traders physically sign all confirmations of trades.  
(Confirmations reviewed by mid-office)
- All new transactions are communicated to appropriate OPCO personnel.
- Transactions are only completed for pre-approved hedging strategies (volume & price)
- Quarterly testing (Sarbanes-Oxley) to monitor effectiveness of controls
- Constant monitoring by Risk Control (mid-office) – i.e. daily mark to market, credit review, & accounting treatment verification
- Weekly communication of hedge positions and market data to OPCOs.

# General Hedging Controls



# Selected Fuel Procurement Tools

- **Attaché** – Physical Gas Management System
- **ProphetX** – real-time tool used to monitor energy markets
- **ICE** – real-time price discovery tool using the Intercontinental Exchange
- **SWETrader** – Internal proprietary system which stores all gas hedge transactions for reporting & analysis purposes.
- **Bloomberg Professional** – Used for in-depth analysis & measuring volatilities
- **GasBook** – Internal System used to track and maintain mark to market information on Gas Deals.
- **FuTrak** – Used to document all hedges for proper classification and accounting.

# Prophet X - NYMEX & Access

ProphetX - PC3 Workbook

File View Name Quotes Charts Option Analysis Alerts Trader Window Help

Quote Sheet Display

NG Quote Sheet
  CL Access Quote Sheet
  HO Access Quote Sheet
  RSCB Access Quote Sheet
  Quote Meter

Tickers	Description	Month	Last	Change	High Price	Low Price	Previous Price	Trade Time	Trade Date	Bid Price	Strip	Month	Strip	May 09	Apr 08
1	NGH8	NATURAL	Mar 08	8.668s	-0.112	8.820	8.680	8.772	1:58 PM	2/15/2008		1 Month	8.660	8.675	
2	NGJ8	NATURAL	Apr 08	8.668s	-0.112	8.810	8.650	8.780	1:58 PM	2/15/2008		2 Month	8.668	8.678	
3	NGK8	NATURAL	May 08	8.680s	-0.112	8.785	8.680	8.792	1:58 PM	2/15/2008		3 Month	8.672	8.698	
4	NGM8	NATURAL	Jun 08	8.730s	-0.112	8.845	8.740	8.842	1:58 PM	2/15/2008		4 Month	8.688	8.728	
5	NGN8	NATURAL	Jul 08	8.806s	-0.112	8.920	8.820	8.918	1:58 PM	2/15/2008		5 Month	8.715	8.776	
6	NGO8	NATURAL	Aug 08	8.872s	-0.112	8.985	8.874	8.984	1:58 PM	2/15/2008		6 Month	8.767	8.814	
7	NGP8	NATURAL	Sep 08	8.985s	-0.111	9.005	9.005	8.996	1:58 PM	2/15/2008		7 Month	8.792	8.851	
8	NGQ8	NATURAL	Oct 08	8.970s	-0.110	9.080	9.070	9.080	1:58 PM	2/15/2008		8 Month	8.827	8.918	
9	NOX8	NATURAL	Nov 08	9.280s	-0.128	---	---	8.388	1:58 PM	2/15/2008		9 Month	8.888	9.000	
10	NOZ8	NATURAL	Dec 08	9.580s	-0.140	8.660	8.660	8.770	1:58 PM	2/15/2008		10 Month	8.966	9.084	
11	NGF9	NATURAL	Jan 09	8.800s	-0.140	---	---	8.840	1:58 PM	2/15/2008		11 Month	8.955	9.168	
12	NGG9	NATURAL	Feb 09	8.785s	-0.140	8.900	8.900	8.925	1:58 PM	2/15/2008		12 Month	9.125	9.209	
13	NGH9	NATURAL	Mar 09	8.535s	-0.135	---	---	8.670	1:58 PM	2/15/2008		13 Month	9.167	9.146	
14	NGJ9	NATURAL	Apr 09	8.285s	-0.105	---	---	8.390	1:58 PM	2/15/2008		14 Month	9.112	9.087	
15	NGK9	NATURAL	May 09	8.215s	-0.105	---	---	8.320	1:58 PM	2/15/2008		15 Month	8.958	9.036	
16	NGM9	NATURAL	Jun 09	8.265s	-0.103	8.350	8.350	8.370	1:58 PM	2/15/2008		16 Month	8.912	8.998	
17	NGN9	NATURAL	Jul 09	8.325s	-0.105	---	---	8.430	1:58 PM	2/15/2008		17 Month	8.978	8.968	
18	NGO9	NATURAL	Aug 09	8.380s	-0.105	---	---	8.485	1:58 PM	2/15/2008		18 Month	8.950	8.941	
19	NGP9	NATURAL	Sep 09	8.382s	-0.105	---	---	8.497	1:58 PM	2/15/2008		19 Month	8.927	8.922	
20	NGQ9	NATURAL	Oct 09	8.460s	-0.105	---	---	8.565	1:58 PM	2/15/2008		20 Month	8.908	8.918	
												21 Month	8.905	8.929	
												22 Month	8.916	8.864	
												23 Month	8.855	8.883	
												24 Month	8.874	8.891	
												25 Month	8.881	8.858	
												26 Month	8.851	8.827	
												27 Month	8.821	8.800	
												28 Month	8.798	8.777	
												29 Month	8.773	8.757	
												30 Month	8.754	8.739	
												31 Month	8.736	8.724	
												32 Month	8.722	8.718	
												33 Month	8.716	8.723	
												34 Month	8.721	8.733	
												35 Month	8.731	8.744	
												36 Month	8.741	8.747	
												37 Month	8.744	8.726	
												38 Month	8.724	8.706	
												39 Month	8.705	8.689	
												40 Month	8.688	8.674	
												41 Month	8.673	8.661	
												42 Month	8.661	8.648	
												43 Month	8.648	8.638	
												44 Month	8.639	8.635	

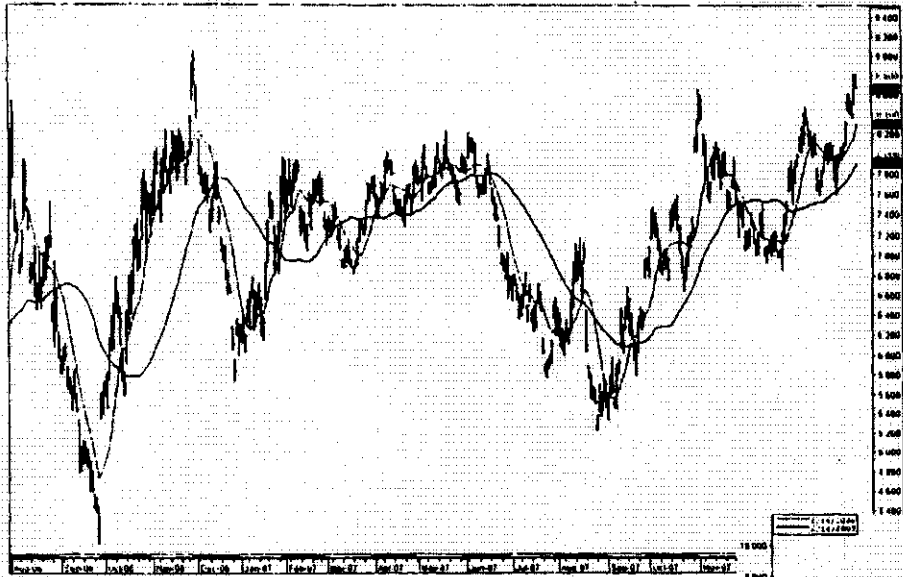
  

Tickers	Description	Last	Change	High Price	Low Price	Previous Price	Trade Time	Trade Date	Volume	
1	QNGH8	NATURAL GAS Mar 2008	8.864	-0.108	8.847	8.838	8.772	3:51 PM	2/15/2008	58077
2	QNGJ8	NATURAL GAS Apr 2008	8.872	-0.108	8.880	8.843	8.780	3:27 PM	2/15/2008	26170
3	QNGK8	NATURAL GAS May 2008	8.888	-0.112	8.885	8.860	8.792	3:07 PM	2/15/2008	7239
4	QNGM8	NATURAL GAS Jun 2008	8.732	-0.118	8.900	8.782	8.842	3:20 PM	2/15/2008	3111
5	QNGN8	NATURAL GAS Jul 2008	8.809	-0.108	8.970	8.788	8.918	3:13 PM	2/15/2008	1754
6	QNGO8	NATURAL GAS Aug 2008	8.876	-0.112	8.913	8.860	8.984	3:21 PM	2/15/2008	1291
7	QNGP8	NATURAL GAS Sep 2008	8.685	-0.111	8.935	8.866	8.986	3:06 PM	2/15/2008	698
8	QNGQ8	NATURAL GAS Oct 2008	8.964	-0.118	9.130	8.843	8.988	2:13 PM	2/15/2008	6228
9	QNGX8	NATURAL GAS Nov 2008	9.240	-0.148	9.410	8.240	9.388	3:27 PM	2/15/2008	1076
10	QNGZ8	NATURAL GAS Dec 2008	9.565	-0.155	9.758	8.554	9.720	2:55 PM	2/15/2008	1027
11	QNGF9	NATURAL GAS Jan 2009	9.785	-0.144	9.954	9.758	9.940	3:14 PM	2/15/2008	1481
12	QNGG9	NATURAL GAS Feb 2009	9.788	-0.139	8.900	8.750	8.925	3:10 PM	2/15/2008	283
13	QNGH9	NATURAL GAS Mar 2009	9.515	-0.155	8.680	8.515	8.870	2:58 PM	2/15/2008	1608
14	QNGJ9	NATURAL GAS Apr 2009	8.279	-0.141	8.374	8.282	8.390	2:58 PM	2/15/2008	806
15	QNGK9	NATURAL GAS May 2009	8.215	-0.105	8.301	8.197	8.320	1:58 PM	2/15/2008	116
16	QNGM9	NATURAL GAS Jun 2009	8.265	-0.105	8.310	8.276	8.370	1:58 PM	2/15/2008	67

Quote Sheet | Charts | NEWS | Heat Map Mode | Strips | Options | Web Pages | Stocks | Weather | Forward Curves | New Page

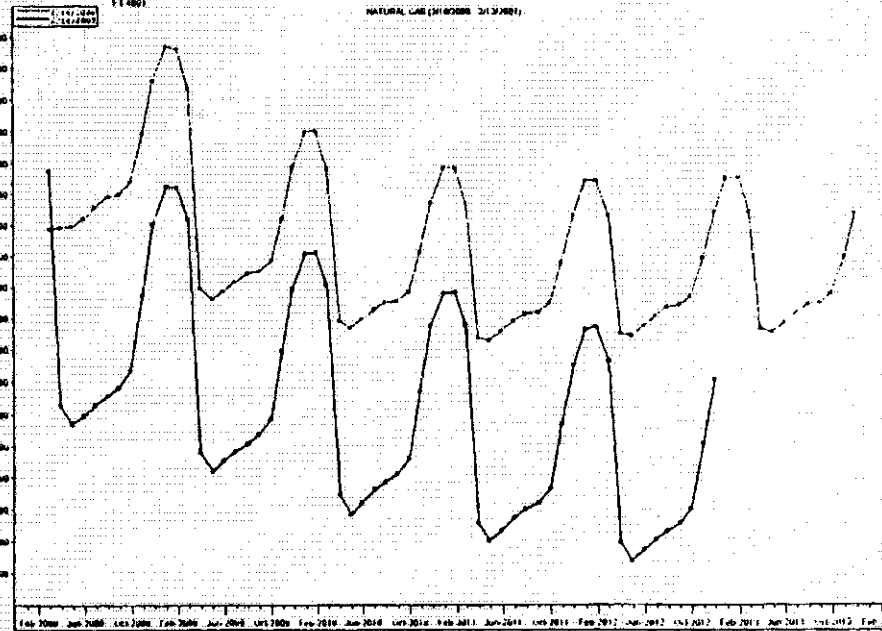
Ready

# Prophet X – Charting Tools



Real-time & Historical analysis

Forward Curves





# ICE - Price Discovery

Intercontinental Exchange (ICE) - Hughes & Southern Company Services, Inc.

ICE

All Analysts All Live Only Trade Stop Hold All Read Orders

Order	Details	Product	Hub	Begin Date	End Date	Strip	+	S	Qty	Est	Order	Qty	Limit
		NG Firm Phys, FP	Henry	20Feb08	20Feb08	Next Day Gas							
		NG Firm Phys, FP	Henry	20Feb08	29Feb08	Bal Month Gas							
		NG Fin SWP for FP for LD1	Henry	20Feb08	29Feb08	Bal Month Gas							8.6
		NG Fin, FP for LD1	Henry	1Apr08	31Oct08	Apr08-Oct08	+						8.79
		NG Fin, FP for LD1	Henry	1Nov08	31Mar09	Nov08-Mar09	+						9.58
		NG Fin, FP for LD1	Henry	1Jan09	31Dec09	Cal 09	+						8.75
		NG Fin, FP for LD1	Henry	1Apr09	31Oct09	Apr09-Oct09	+						8.32
		NG Fin, FP for LD1	Henry	1Nov09	31Mar10	Nov09-Mar10	+						9.10
		NG Fin, FP for LD1	Henry	1Jan10	31Dec10	Cal 10	+						8.48
		NG Fin, FP for LD1	Henry	1Apr10	31Oct10	Apr10-Oct10	+						8.15
		NG Fin, FP for LD1	Henry	1Nov10	31Mar11	Nov10-Mar11							
		NG Fin, FP for LD1	Henry	1Apr11	31Oct11	Apr11-Oct11							
		NG Fin, FP for LD1	Henry	1Nov11	31Mar12	Nov11-Mar12							
		NG Fin, FP for LD1	Henry	1Jan12	31Dec12	Cal 12							
		NG Fin, FP for LD1	Henry	1Apr12	31Oct12	Apr12-Oct12							
		NG Fin, FP for LD1	Henry	1Nov12	31Mar13	Nov12-Mar13							
		NG Fin, FP for LD1	Henry	1Jan13	31Dec13	Cal 13							
		NG Fin, FP for LD1	Henry	1Apr13	31Oct13	Apr13-Oct13							
		NG Fin, FP for LD1	Henry	1Nov13	31Mar14	Nov13-Mar14							
		NG Fin, FP for LD1	Henry	1Jan14	31Dec14	Cal 14							
		NG Fin, FP for LD1	Henry	1Apr14	31Oct14	Apr14-Oct14							
		NG Fin, FP for LD1	Henry	1Nov14	31Mar15	Nov14-Mar15							
		NG Fin, FP for LD1	Henry	1Jan15	31Dec15	Cal 15							
		NG Fin, FP for LD1	Henry	1Apr15	31Oct15	Apr15-Oct15							
		NG Fin, FP for LD1	Henry	1Nov15	31Mar16	Nov15-Mar16							
		NG Fin, FP for LD1	Henry	1Jan16	31Dec16	Cal 16							
		NG Fin, FP for LD1	Henry	1Apr16	31Oct16	Apr16-Oct16							
		NG Fin, FP for LD1	Henry	1Nov16	31Mar17	Nov16-Mar17							
		NG Fin, FP for LD1	Henry	1Jan17	31Dec17	Cal 17							
		NG Fin, FP for LD1	Henry	1Apr17	31Oct17	Apr17-Oct17							
		NG Fin, FP for LD1	Henry	1Nov17	31Mar18	Nov17-Mar18							
		NG Fin, FP for LD1	Henry	1Jan18	31Dec18	Cal 18							
		NG Fin, FP for LD1	Henry	1Apr18	31Oct18	Apr18-Oct18							
		NG Fin, FP for LD1	Henry	1Nov18	31Mar19	Nov18-Mar19							
		NG Fin, FP for LD1	Henry	1Jan19	31Dec19	Cal 19							
		NG Fin, FP for LD1	Henry	1Apr19	31Oct19	Apr19-Oct19							
		NG Fin, FP for LD1	Henry	1Nov19	31Mar20	Nov19-Mar20							
		NG Fin, FP for LD1	Henry	1Jan20	31Dec20	Cal 20							
		NG Fin, FP for LD1	Henry	1Apr20	31Oct20	Apr20-Oct20							
		NG Fin, FP for LD1	Henry	1Nov20	31Mar21	Nov20-Mar21							
		NG Fin, FP for LD1	Henry	1Jan21	31Dec21	Cal 21							
		NG Fin, FP for LD1	Henry	1Apr21	31Oct21	Apr21-Oct21							
		NG Fin, FP for LD1	Henry	1Nov21	31Mar22	Nov21-Mar22							
		NG Fin, FP for LD1	Henry	1Jan22	31Dec22	Cal 22							
		NG Fin, FP for LD1	Henry	1Apr22	31Oct22	Apr22-Oct22							
		NG Fin, FP for LD1	Henry	1Nov22	31Mar23	Nov22-Mar23							
		NG Fin, FP for LD1	Henry	1Jan23	31Dec23	Cal 23							
		NG Fin, FP for LD1	Henry	1Apr23	31Oct23	Apr23-Oct23							
		NG Fin, FP for LD1	Henry	1Nov23	31Mar24	Nov23-Mar24							
		NG Fin, FP for LD1	Henry	1Jan24	31Dec24	Cal 24							
		NG Fin, FP for LD1	Henry	1Apr24	31Oct24	Apr24-Oct24							
		NG Fin, FP for LD1	Henry	1Nov24	31Mar25	Nov24-Mar25							
		NG Fin, FP for LD1	Henry	1Jan25	31Dec25	Cal 25							
		NG Fin, FP for LD1	Henry	1Apr25	31Oct25	Apr25-Oct25							
		NG Fin, FP for LD1	Henry	1Nov25	31Mar26	Nov25-Mar26							
		NG Fin, FP for LD1	Henry	1Jan26	31Dec26	Cal 26							
		NG Fin, FP for LD1	Henry	1Apr26	31Oct26	Apr26-Oct26							
		NG Fin, FP for LD1	Henry	1Nov26	31Mar27	Nov26-Mar27							
		NG Fin, FP for LD1	Henry	1Jan27	31Dec27	Cal 27							
		NG Fin, FP for LD1	Henry	1Apr27	31Oct27	Apr27-Oct27							
		NG Fin, FP for LD1	Henry	1Nov27	31Mar28	Nov27-Mar28							
		NG Fin, FP for LD1	Henry	1Jan28	31Dec28	Cal 28							
		NG Fin, FP for LD1	Henry	1Apr28	31Oct28	Apr28-Oct28							
		NG Fin, FP for LD1	Henry	1Nov28	31Mar29	Nov28-Mar29							
		NG Fin, FP for LD1	Henry	1Jan29	31Dec29	Cal 29							
		NG Fin, FP for LD1	Henry	1Apr29	31Oct29	Apr29-Oct29							
		NG Fin, FP for LD1	Henry	1Nov29	31Mar30	Nov29-Mar30							
		NG Fin, FP for LD1	Henry	1Jan30	31Dec30	Cal 30							
		NG Fin, FP for LD1	Henry	1Apr30	31Oct30	Apr30-Oct30							
		NG Fin, FP for LD1	Henry	1Nov30	31Mar31	Nov30-Mar31							

19:08:00 1782

# GEM Trader - Gas Deal Entry

**Commodity Deal Edit**

File Options Help

**Deal**

Deal Type  \*  
 Sub Type Swap \*  
 Buy / Sell  \*  
 Phy / Fin  Fin  Phy \*  
 Business Obj P2 \*  
 SWE Trader Sarah Trotter \*  
 Strategy Hedge \*

**Counterparty**

Counterparty CIBC \*  
 Cpty Contact David Alessio \*  
 Contract ISDA - GULF \*  
 Broker \*  
 Broker Contact \*

**Mid Office**

Status      
 Oral Confirm  No  Yes  N/A  
 Confirmed With: \_\_\_\_\_  
 Rec Confirm  No  Yes  
 Sent Confirm  No  Yes  
 Special Provisions: \_\_\_\_\_

**Dates**

Start 04/01/08 \* Zone Central \* FASB RegAsset \*  
 Stop 04/30/08 \* Create Date 10/06/05 22:33:07  
 CP Fwd Credit Linked? No Link

Price Profile		History		Misc. Charges		Natural Gas					
Start	Stop	Hedge Month	Qty	Cpty Pays [Fixed]	[Index]	[Adder]	[Mult]	SOCO Pays [Fixed]	[Index]	[Adder]	[Mult]
▶ 04/01/08	04/30/08	04/01/08	30,000		NYMEX LD			7.7500			
*											

Populate Grid









Deal # 2005.36145 or New Deal Update Bust

# Derivative Accounting System

**Futrak - The Hedge Management System** [ - ] [ □ ] [ X ]

File View Options Help

## FUTRAK

-  Accounting
-  Administration
-  Derivative Hedg...
-  Housekeeping
-  Market Rates
-  Position
-  Report Print Engine
-  Trade Capture

System Date: 29 Feb 08      Copyright © 2005 INSSINC      Period Close Date: 29 Feb 08

Logout

Hedge Documentation

Futrage Period Close Date: 31 Jan 08  
Report Printed On: 10 Jan 08 10:44 am

Southern Company Services, Inc.

Page No: 55  
User: alghera, J

Hedge: 223

Created on: 31 Dec 2006

Revised on: 31 Jan 2008

Status: ACT

GUL-G-R GUL-G-REGASSETHEDGE APR 2008 D

Regulatory: Portfolio: GUL-G-R Effectiveness Test: N/A

Tax Hedge Yes: per: RC Reg: 11/12/07

Date of Designation: Per trade date

Entity: As per company, identify in portfolio reference

Type of Hedge: Regulatory asset hedge

Hedged Item:

Associated on order purchases of gas on Bay Gas, Florida Gas, GulfSouth, Southward, Transco pipelines for the periods and quantities described below

Hedge Instrument:

The instrument(s) or class of instrument(s), identified below

Pay fixed price Receive NYmer LD

If the hedge instrument is a pay fixed receive NYmer LD then it increases the hedge position, otherwise if the hedge instrument is a pay NYmer LD receive fixed then it decreases the hedge

Face Value at Designation:

\$0 unless stated otherwise

Strategy: Objective and Nature of Risk Being Hedged:

The entity is using the derivatives identified above to eliminate or minimize the variability in the cash flows arising from purchases of gas for its electric power generation requirements attributable to changes in market prices for natural gas during the hedge period

Gas Strategy: "Fixed Hedge" - The entity anticipates physical gas purchases to meet budgeted gas burns at its electric generation plants during the hedge month. The entity will initially purchase the derivatives at prices and volumes previously approved by each operating company, such positions are identified by the strategy field in the gas book as "hedge". Prior to the hedge month the entity will determine whether to convert the existing hedge position to either a month-ahead position via the "Roll" strategy or to a "Flat" (Gas Daily) strategy

Assessment of Hedge Effectiveness:

Conclusion: Effectiveness at inception is based on the historical correlation for a rolling 12-month period between the forward price of natural gas at Henry Hub and the forward price of natural gas at the supply points along the gas pipeline listed above effective for the period. However, the hedge will not be completely effective since the supply points are different. Effectiveness for the month prior to the month that this hedge was entered into. The R-squared is greater than or equal to 0.6 indicating high correlation. It also contains the slope and other statistical tests supporting this conclusion

Ongoing: Correlation will be evaluated on a monthly basis for a rolling 12-month historical period. To the extent the price of natural gas at Henry Hub is no longer expected to be highly correlated to the price of gas at these supply points the entity may discontinue hedge accounting, but is not required to as this is a regulatory hedge and is recoverable through the fuel clause

Measurement of Hedge Effectiveness:

The hedge is not effective due to basis difference and any ineffectiveness is expected to be immaterial due to the high correlation. However, because this is a regulatory hedge no ineffectiveness will be booked as it would be recoverable

Hedge Documentation

Contract Period Close Date: 31 Jan 25  
Report Printed On: 10 Jan 25 10:41 am

Southern Company Services, Inc.

Page No: 230  
User: aljones - J

through the fair value. If the fair value is less, a required to be booked it would be measured based on a comparison of the change in the cash flows of the derivative hedging instrument to the change in the cash flows of the forecasted gas purchases. The change in expected cash flows of the forecasted gas purchases are based on the forward price for natural gas.

Each month the entity will look at the forecasted volumes of gas purchases for each operating company for the hedge month and ensure that the volume of related gas purchase hedges is always less, and is within the approved hedging limits agreed with the Public Service Commission (PSC). If the hedge volumes are greater, then the fair value of the excess hedges will be deferred in the Regulatory Accounts until the delivery month because it is not probable that the forecasted transaction could occur. However, the prospective changes in fair value will go to earnings. The entity may, however enter into "see hedges" to reduce the hedge volume to an amount less than the forecasted delivery volumes.

At the end of the hedge month the entity will look at actual volumes of gas purchases for power plants and ensure that the volume of related gas purchase hedges for that month is always less, and is within the approved hedging limits agreed with the PSC. To the extent actual volumes are less than the hedged volume the over hedged amount will be booked immediately in earnings.

Accounting Treatment

The financial contract will be accounted for as a Regulatory Asset hedge of the entity's anticipated purchases of gas, and the amounts to market through the Regulatory Accounts. Any gains or losses that are deferred in the Regulatory Accounts will be reflected in the fuel costs in the periods the physical gas is purchased.

Derivative Transactions

Trade	Reference	Description	Base Volume	Volume	Price At Completion	Market Price	Allocation	Description to Date P&L	DF	Unrealized Gain/Loss to Date P&L
12562	53-2302-38145-C	Buy 25,000 MMBtus NYMEX/NGOR	25,000	20,000	7.5468	7.5468	100%	-4,102.00	0.9844	-4,102.00
12578	53-2302-38155-C	Buy 25,000 MMBtus NYMEX/NGOR	25,000	20,000	7.5468	7.5468	100%	-4,222.00	0.9844	-1,256.17
12517	53-2302-38165-C	Buy 25,000 MMBtus NYMEX/NGOR	25,000	20,000	7.5468	7.5468	100%	-2,642.00	0.9844	2,596.47
12601	53-2304-37286-C	Buy 12,500 MMBtus NYMEX/NGOR	12,500	10,000	7.5468	7.5468	100%	-7,342.00	0.9844	-7,227.30
12602	53-2304-37315-C	Buy 12,500 MMBtus NYMEX/NGOR	12,500	10,000	7.5468	7.5468	100%	-4,842.00	0.9844	-4,274.83
12562	53-2304-38002-C	Buy 12,500 MMBtus NYMEX/NGOR	12,500	10,000	7.5468	7.5468	100%	3,442.00	0.9844	3,456.84
14438	53-2307-39225-C	Buy 10,000 MMBtus NYMEX/NGOR	10,000	10,000	7.5468	7.5468	100%	-3,742.00	0.9844	-3,851.67
14422	53-2307-39236-C	Buy 10,000 MMBtus NYMEX/NGOR	10,000	10,000	7.5468	7.5468	100%	-3,742.00	0.9844	-3,882.73
14437	53-2307-39286-C	Buy 10,000 MMBtus NYMEX/NGOR	10,000	10,000	7.5468	7.5468	100%	-2,242.00	0.9844	-1,803.83
15114	53-2307-39483-C	Buy 10,000 MMBtus NYMEX/NGOR	10,000	10,000	7.5468	7.5468	100%	-4,242.00	0.9844	-3,777.87
15127	53-2307-39483-C	Buy 10,000 MMBtus NYMEX/NGOR	10,000	10,000	7.5468	7.5468	100%	-2,242.00	0.9844	-2,206.68
15164	53-2307-39792-C	Buy 10,000 MMBtus NYMEX/NGOR	10,000	10,000	7.5468	7.5468	100%	742.00	0.9844	744.33
15704	53-2307-39808-C	Buy 10,000 MMBtus NYMEX/NGOR	10,000	10,000	7.5468	7.5468	100%	212.00	0.9844	202.77
15738	53-2307-39863-C	Buy 10,000 MMBtus NYMEX/NGOR	10,000	10,000	7.5468	7.5468	100%	-1,442.00	0.9844	-1,817.50
15793	53-2307-39732-C	Buy 10,000 MMBtus NYMEX/NGOR	10,000	10,000	7.5468	7.5468	100%	-1,542.00	0.9844	-1,814.82
16141	53-2307-39796-C	Buy 20,000 MMBtus NYMEX/NGOR	20,000	20,000	7.5468	7.5468	100%	-3,242.00	0.9844	-3,229.84
16783	53-2307-39824-C	Buy 20,000 MMBtus NYMEX/NGOR	20,000	20,000	7.5468	7.5468	100%	-4,682.00	0.9844	-4,277.94
16784	53-2307-39824-C	Buy 20,000 MMBtus NYMEX/NGOR	20,000	20,000	7.5468	7.5468	100%	-4,282.00	0.9844	-4,117.34
16787	53-2307-39916-C	Buy 10,000 MMBtus NYMEX/NGOR	10,000	10,000	7.5468	7.5468	100%	-2,742.00	0.9844	-2,877.93
16789	53-2307-39922-C	Buy 10,000 MMBtus NYMEX/NGOR	10,000	10,000	7.5468	7.5468	100%	-2,982.00	0.9844	-2,250.23
16724	53-2307-39954-C	Buy 10,000 MMBtus NYMEX/NGOR	10,000	10,000	7.5468	7.5468	100%	242.00	0.9844	-2,796.39
16732	53-2307-39977-C	Buy 10,000 MMBtus NYMEX/NGOR	10,000	10,000	7.5468	7.5468	100%	-2,442.00	0.9844	-2,632.54
16735	53-2307-40001-C	Buy 10,000 MMBtus NYMEX/NGOR	10,000	10,000	7.5468	7.5468	100%	-1,242.00	0.9844	-1,124.23
16737	53-2307-40121-C	Buy 20,000 MMBtus NYMEX/NGOR	20,000	20,000	7.5468	7.5468	100%	1,122.00	0.9844	1,289.02
16742	53-2307-40121-C	Buy 20,000 MMBtus NYMEX/NGOR	20,000	20,000	7.5468	7.5468	100%	1,122.00	0.9844	1,181.25

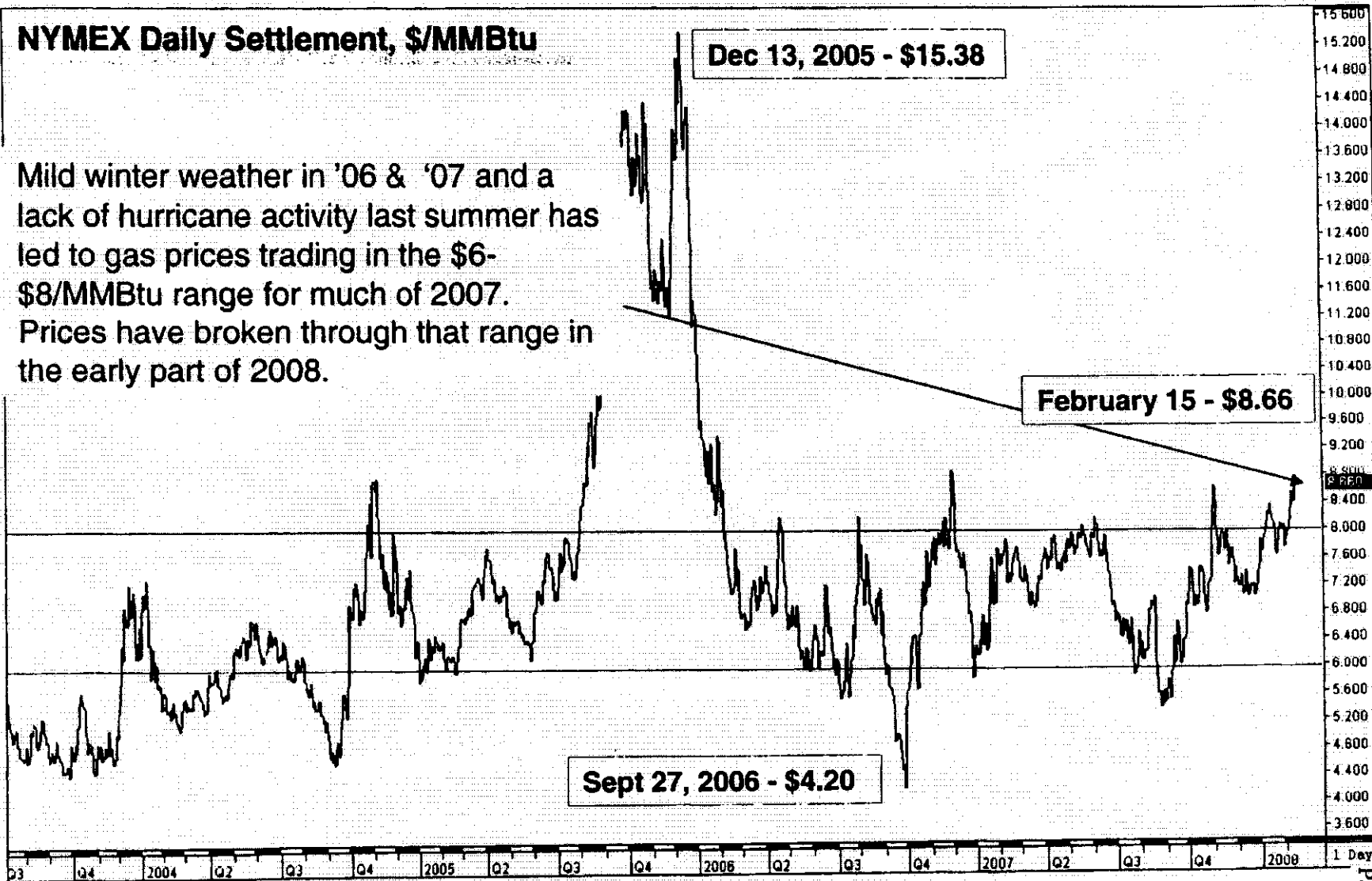
# How do we measure hedging success?

- In a rising gas price environment, have we provided price protection?
  - For hedged volumes in 2005 (high price period), 25 percent savings to market prices.
- CFO/OPCO satisfaction level – we work very hard to make certain that we are meeting their expectations.
  - Good feedback provided by CFOs and OPCO Fuel Managers
- PSC relations – what sort of feedback are we receiving from Public Service Commissions and Staff?
  - Good feedback from APC, MPC, and Gulf
  - Successfully defended GPC's hedging program in the recent fuel filings.

# Historical Natural Gas Prices

## NYMEX Daily Settlement, \$/MMBtu

Mild winter weather in '06 & '07 and a lack of hurricane activity last summer has led to gas prices trading in the \$6-\$8/MMBtu range for much of 2007. Prices have broken through that range in the early part of 2008.



# Hedge Execution Summary

- Each OPCO has a PSC approved hedge order.
- Disciplined approach to hedging on market declines.
- Several Hedge strategies can be implemented.
- Although hedge strategies may involve several different transactions, the underlying “hedged” volume remains the same.



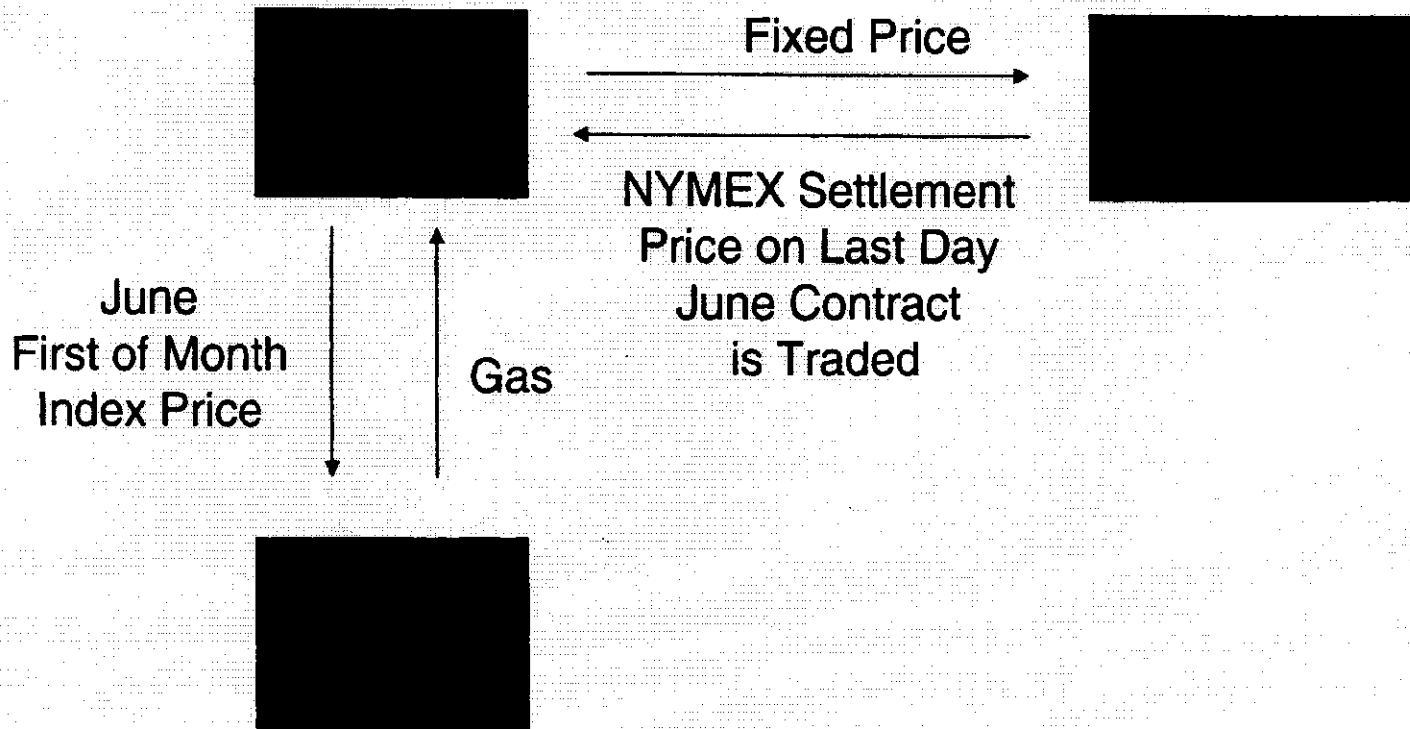
# Hedging Execution Strategies

Deal Mechanics

(Optional)

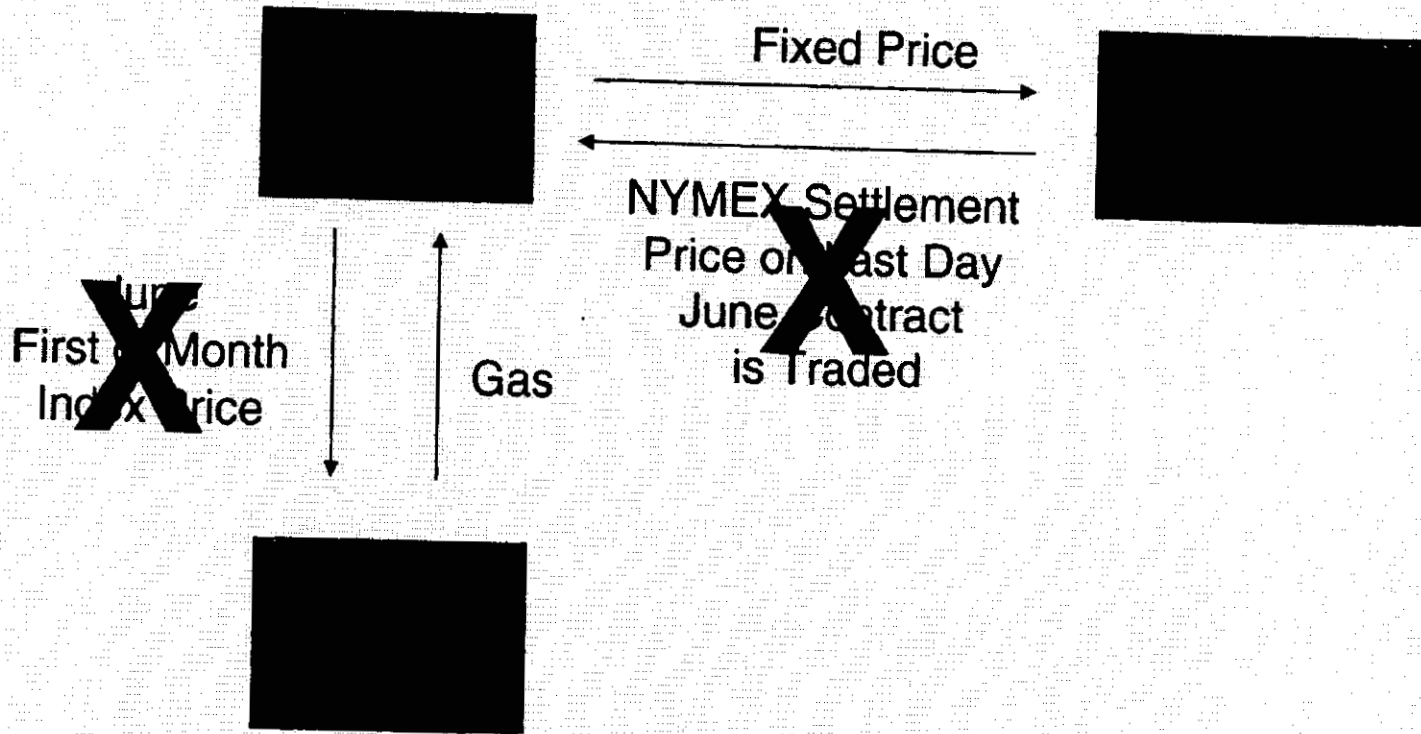
# Hedge Execution

## Strategy 1 Example - Hedging June Gas Cost



# Hedge Execution

## Strategy 1 Example - Hedging June Gas Cost

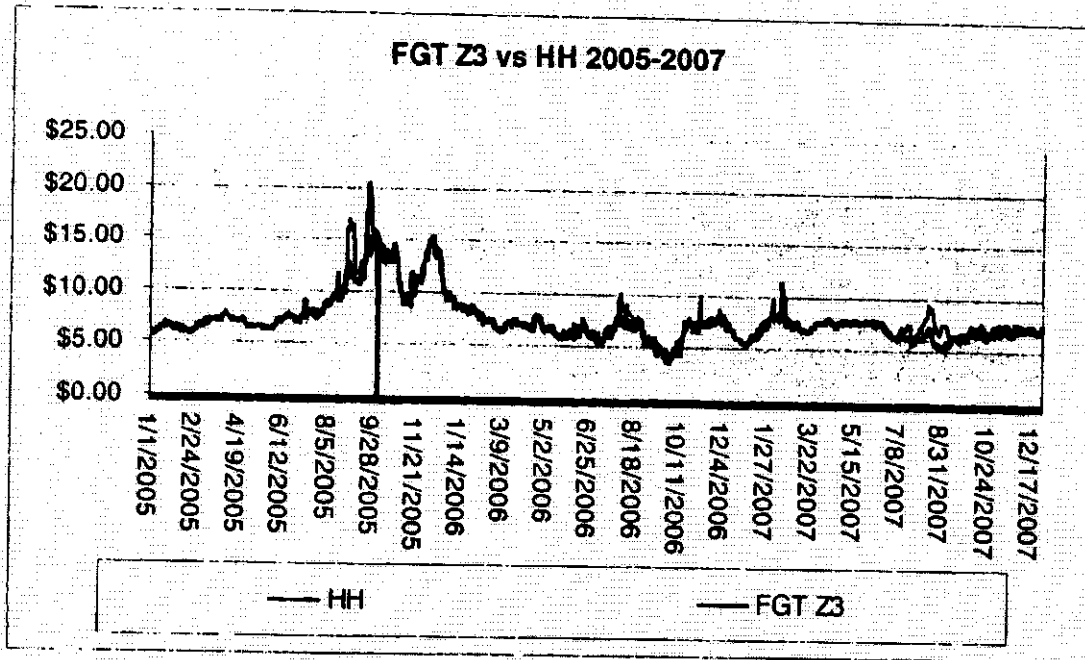


# Hedge Execution

## Strategy 1 Notes

- **Net cost of gas to SO = Fixed Price minus (NYMEX Settle less FOM Index)**
- **Effectiveness of Hedge is dependent upon correlation between the NYMEX settlement price and the FOM Index Price.**
  - **Correlation measured at .999.**
  - **Poses problems when physical gas must be resold.**
- **The basis differential can also be hedged, but due to supply point locations, not considered to be a material risk.**

# Quick Note about Basis



- The basis differential can also be hedged, but due to supply point locations, not considered to be a material risk.

<u>Point Location</u>	<u>Correlation to Henry Hub (2005-2007)</u>
GD FGT Z3 – Avg	0.962
GD Sonat – Avg	0.987
GD Transco St 65 Avg	0.992
Transco Sta 85 Avg	0.986
GD Transco Z6 NNY Avg	0.945

# Contact Information

- Carl Haga 8-257-7580, 205-903-7379
- Paul Hughes 8-257-3035, 205-531-0046
- Tonya Gary 8-257-1278, 205-613-2193

# Questions?

5. Please provide a copy of the updated *Gulf Power Company Risk Management Plan*, including updated Appendices.

**ANSWER:**

Per follow-up discussion with the audit staff, attached is an updated version of the *Southern Company Generation Risk Management Policy*, with updated Appendices.



Southern Company Generation (SCG)  
Energy Trading & Marketing Risk Management Policy

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Southern Company Generation Risk Management Policy  
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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.

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

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- [REDACTED]

Notwithstanding anything to the contrary contained in this Policy, compliance with all legal and regulatory requirements, pronouncements, orders, etc. is required.

## III. Business Objectives

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[REDACTED]

## IV. Business Strategies

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[REDACTED]

1 [REDACTED]  
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3 [REDACTED]  
4 [REDACTED]  
5 [REDACTED]  
6 [REDACTED]  
7 [REDACTED]

V. Authorizations

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

VI. Segregation of Duties

8 [REDACTED]  
9 [REDACTED]  
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VII. Market Risk Identification

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VIII. Market Risk Measurement and Valuation

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IX. Market Risk Limits

12 [REDACTED]  
13 [REDACTED]  
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X. Credit Risk

19 [REDACTED]  
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22 [REDACTED]  
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24 [REDACTED]

XI. New Products

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27 [REDACTED]

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**XII. Funding Liquidity**

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**XIII. Operating Procedures and Systems**

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XIV. Accounting and Tax

SECTION 101

[REDACTED]

XV. Legal

[REDACTED]

XVI. Monitoring and Reporting

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XVII. Personal Trading

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[REDACTED]



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XVIII. Business Recovery

12 [REDACTED]

XIX. Compliance

15 [REDACTED]

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XX. Independent Review

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XXI. Policy Amendments

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[REDACTED]

XXII. Terminology

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[REDACTED]

APPENDIX A  
APPROVED BUSINESS OBJECTIVES

ENERGY TRADING AND MARKETING

Fleet Operations and Trading and Southern Power Company Trading

- 1 [REDACTED]
- 2 [REDACTED]
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- 14 [REDACTED]

FUEL SERVICES

Natural Gas Fulfillment Function

- 15 [REDACTED]
- 16 [REDACTED]
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- 20 [REDACTED]

Emission Allowance Management Function

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Coal Fulfillment Function

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Gulf Power Company  
Investor-Owned Electric Utilities  
Fuel Hedging Review  
Attachment DR2.  
Page 13 of 31

APPENDIX B  
APPROVED COMMODITIES

The approved commodities for this RMP are:

- Electric power
- Natural gas
- Coal
- Emissions Allowances
- Oil products
- Renewable Energy Certificates (RECs)

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Gulf Power Company  
Investor-Owned Electric Utilities'  
Fuel Hedging Review  
Attachment DR2.5  
Page 14 of 32

**APPENDIX C  
APPROVED INSTRUMENTS**

The approved instruments are:

- Futures
- Forwards
- Options
- Swaps
- Custom bilateral contracts which are not considered derivatives or which qualify for the Normal Purchase Normal Sale exception for accounting purposes

APPENDIX D  
AUTHORIZATIONS

A

B

Name	Authority
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

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APPENDIX D  
AUTHORIZATIONS (continued)

Energy Marketing

Name	Authority
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]



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	A	B
1	[REDACTED]	[REDACTED]
2	[REDACTED]	[REDACTED]
3	[REDACTED]	[REDACTED]
F	[REDACTED]	[REDACTED]

APPENDIX D  
AUTHORIZATIONS (continued)

SCS Fuel Services

Name	Authority

A

B

1

2

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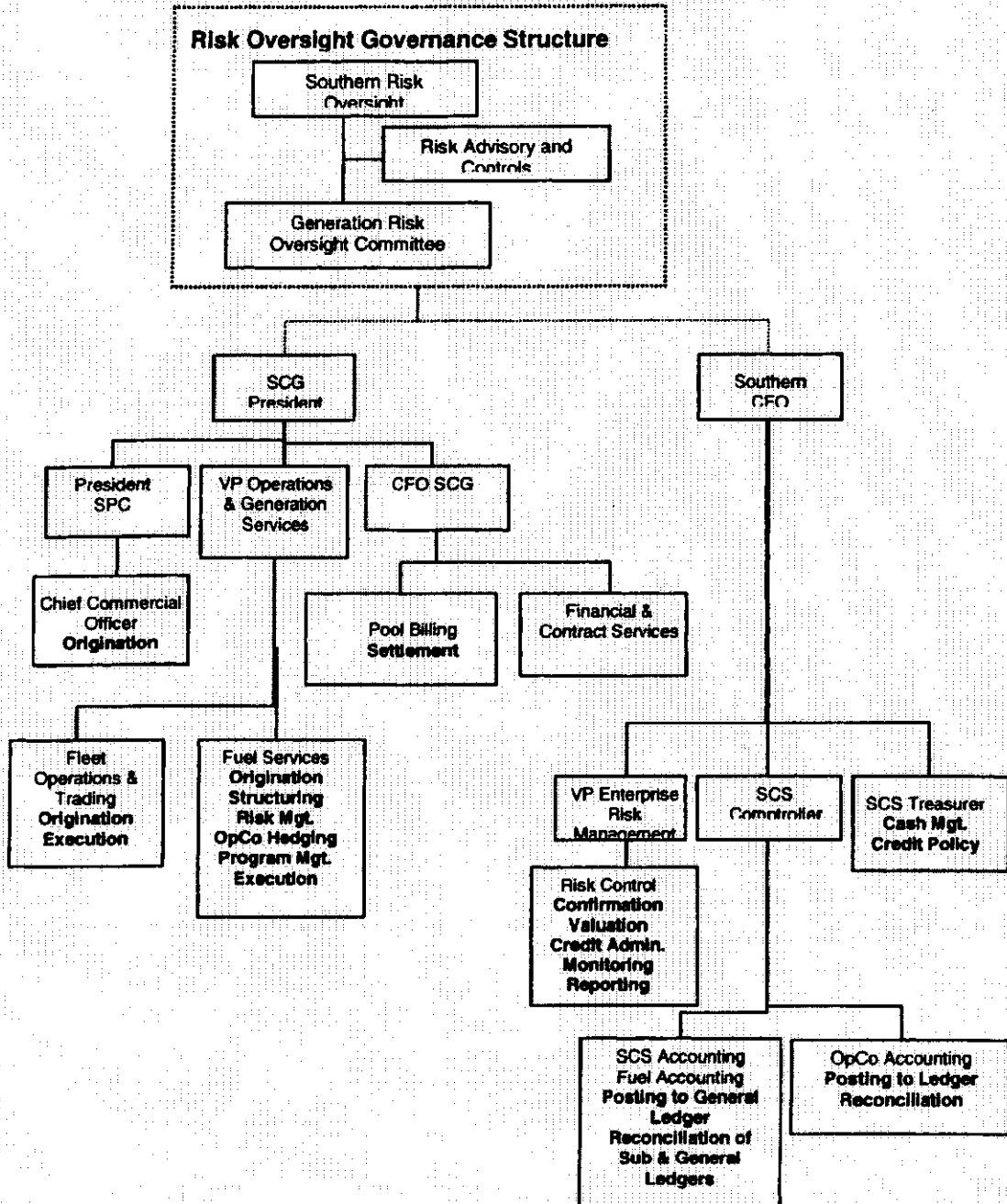
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APPENDIX E  
 SEGREGATION OF DUTIES

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

	A	B
1	[REDACTED]	[REDACTED]
2	[REDACTED]	[REDACTED]
3	[REDACTED]	[REDACTED]
4	[REDACTED]	[REDACTED]

Parametric VaR Methodology

A	B		C
Component	Symbol	Formula Components	
Component	Symbol	Comments	
[REDACTED]	[REDACTED]	[REDACTED]	
[REDACTED]	[REDACTED]	[REDACTED]	
[REDACTED]	[REDACTED]	[REDACTED]	
[REDACTED]	[REDACTED]	[REDACTED]	

Equation

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

A	B		C
Commodity	Holding Period (HP)	Multiplier (CI)	
[REDACTED]	[REDACTED]	[REDACTED]	
[REDACTED]	[REDACTED]	[REDACTED]	

APPENDIX F  
STRESS TESTING METHODOLOGY

6- [REDACTED]  
7- [REDACTED]  
8- [REDACTED]  
9- [REDACTED]

$$E[\Delta p/p \mid \Delta p/p < \Theta] = \int_{-\infty}^{\Theta} f(x) x dx$$

10- [REDACTED]

$$E[\Delta p/p \mid \Delta p/p > \Theta] = \int_{\Theta}^{+\infty} f(x) x dx$$

11- [REDACTED]

	A	B
12	[REDACTED]	[REDACTED]
13	[REDACTED]	[REDACTED]
14	[REDACTED]	[REDACTED]

Ad Hoc Stress Testing

15 [REDACTED]  
16 [REDACTED]  
17 [REDACTED]  
18 [REDACTED]

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APPENDIX G  
 NOTIFICATION LEVELS  
 UPDATED EFFECTIVE 3/28/07

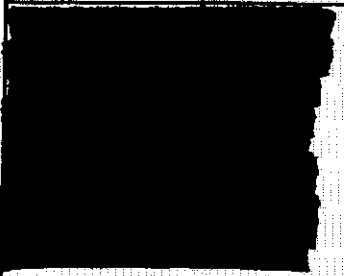

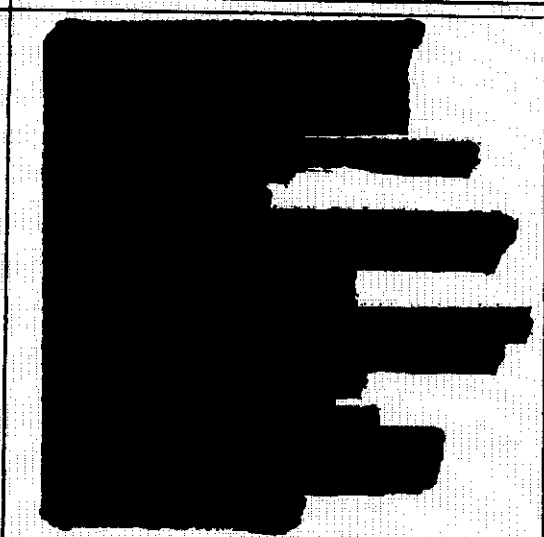
A Position Classification	B Income Change	C Notify
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

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APPENDIX G  
 NOTIFICATION LEVELS  
 UPDATED EFFECTIVE 3/28/07 (continued)

A Position Classification	B Income Change	C Notify
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

APPENDIX G  
NOTIFICATION LEVELS  
UPDATED EFFECTIVE 3/28/07 (continued)

A Position Classification	B Value-at-Risk	C Notify
		



APPENDIX H  
MARKET RISK LIMITS

Net Open Position Limits

	A	B	C
1	[REDACTED]		[REDACTED]
2	[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.

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APPENDIX I  
INCUMBENT LISTING; AUTHORIZED INDIVIDUALS

Incumbent Listing

Name	Title
David Ratcliffe	Chairman, President, and Chief Executive Officer Southern Company
Tom Fanning	Chief Operating Officer
Paul Bowers	Chief Financial Officer, Southern Company Chairman, Southern Risk Oversight Committee Chairman, Risk Advisory and Controls Committee
Scott Teel	Vice President, Southern Company Generation
Phil Saunders	Sr. VP, Operations & Generation Services, SCG
Ronnie Bates	President, Southern Power Company
Ron Hinson	Senior Vice President, Comptroller, and Chief Accounting Officer of SCS
Jeff Wallace	Vice President, Fuel Services
Charley Long	Vice President, Fleet Operations and Trading
Jon Haygood	Manager, Risk Control
Mike Bush	Manager, Energy Trading
Carl Haga	Gas Services Director
Roy Hiller	Gas Operations Manager

Southern Company Generation Energy Credit Committee

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

Fleet Operations & Trading Management Team

Name	Title
Phil Saunders	Sr. VP, Operations & Generation Services, SCG
Charley Long	Vice President, Fleet Operations & Trading, SCG
Mike Bush	Manager, Energy Trading
Greg Darnell	Fleet Operations Manager

SCS Fuel Services Management Team

Name	Title
Phil Saunders	Sr. VP, Operations & Generation Services, SCG
Jeff Wallace	Vice President, Fuel Services
Susan Comensky	Coal Services Director
Carl Haga	Gas Services Director

Southern Company Generation Risk Management Policy  
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APPENDIX I  
 INCUMBENT LISTING; AUTHORIZED INDIVIDUALS (continued)

Authorized Individuals

Title	Name	Approved Commodities						
		Electricity		Natural Gas			Coal	Allowances
		Energy	Trans.	Gas	Transport	Storage		
<b>Southern Company Generation</b>								
Energy Term Trading Mgr.	Bill Norton	X	X					
Term Trader	David Hansen	X	X					
Term Trader	Tony Ankar	X	X					
Term Trader	Stephen Stepkoski	X	X					
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	(2)	(2)					
Trading Analyst	Martha Russell	(2)	(2)					
Trading Analyst	Susan Olive	(2)	(2)					

**Notes:**

- (1) Authority to engage in energy transactions is the same as the energy coordinator position.
- (2) Authority to make changes to transactions.

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APPENDIX I  
INCUMBENT LISTING; AUTHORIZED INDIVIDUALS (continued)

Authorized Individuals

Title	Name	Approved Commodities						
		Electricity		Natural Gas			Coal	Allowances
		Energy	Trans.	Gas	Transport	Storage		
<b>SCS Fuel Services</b>								
Gas Services, Director	Carl Haga			X	X	X		
Gas Operations Manager	Roy Hiller			X	X	X		
NG Buyer - Physical	Vacant							
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 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	
Fuels Environmental & Compliance Manager	Vacant							X
Manager - Emissions	Ashley Robinett							X

Title	Name	Approved Commodities						
		Electricity		Natural Gas			Coal	Allowances
		Energy	Trans.	Gas	Transport	Storage		
<b>Southern Power</b>								
Asset Management Mgr	Joe Stylinger	X						
Project Manager	Kenneth Willis	X						
Term Trader	Scott Morales	X						
Term Trader	John Spratley	X						

APPENDIX J  
ACCOUNTING AND TAX

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[REDACTED]

[REDACTED]

APPENDIX K  
EMPLOYEE ACKNOWLEDGMENT

I have been provided a copy of the Southern Company Generation 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\_

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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 (SO <sub>2</sub> ) see the 1990 Clean Air Act Amendments, Title IV Section 402(3) "an authorization allocated to an affected unit by the Administrator, to emit, during or after a specified calendar year one ton of sulfur dioxide. For NO <sub>x</sub> , the right to emit one ton of Nitrous Oxide during the 5 months ozone season May through September (beginning May 1 <sup>st</sup> 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 CO <sub>2</sub> ) one ton of carbon dioxide emitted on an annual basis.
Approved Commodity Authorities	Those commodities listed in appendix B which have been approved.  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.
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	The value of a financial instrument, or risk book of such instruments, at

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(MTM)	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.
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.)



8. For each year 2003 through 2007, please break-down all the settled Financial Hedging transactions within each of these years as follows:

- Total Number of Annual Settled Transactions
- Percentage of transactions settled within 0-6 months of initiation date
- Percentage of transactions settled within 7-12 months of initiation date
- Percentage of transactions settled within 13-18 months of initiation date
- Percentage of transactions settled within 19-24 months of initiation date
- Percentage of transactions settled greater than 25 months of initiation date.

ANSWER: A B C D E F G

Year	Total Number of Settled Transactions	Percent of Total Settled Within 0-6 Months of Initiation Date	Percent of Total Settled Within 7-12 Months of Initiation Date	Percent of Total Settled Within 13-18 Months of Initiation Date	Percent of Total Settled Within 19-24 Months of Initiation Date	Percent of Total Settled greater than 25 Months of Initiation Date	Total Percent of Hedging Transactions
1 2007	[REDACTED]						
2 2006							
3 2005							
4 2004							
5 2003							

*Note 1: This data assumes that the contract settles in the contract month. Technically, a contract settles 3 days before the contract month.*

*Note 2: A transaction could represent one financial contract (10,000 mmbtu) or many financial contracts.*

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Ref No.	Audit Areas	Audit Task/Questions	Audit Notes	Finding
<b>I. Goals and Objectives</b>				
A	What is the current and historical management philosophy toward fuel procurement hedging activities?	Evolution of the company's hedging program philosophy since 2002. Should be consistent with checklist of program elements included in Order PSC-02-1484.	<p>Based on Gulf Power's fuel mix, the company only initiates financial hedges on its natural gas purchases. Gulf Power and its agent, Southern Company Services, employ a philosophy to purchase hedges for its future burns, with the goal of having a minimum volume of its budgeted natural gas hedged by a certain future date. Currently, Gulf has approval for SCS to initiate financial hedges up to 36 months from the forecast burn. The company has not made any significant changes to its fuel procurement hedging program during the 2003 to 2007 review period.</p> <p>Southern Company Services, using guidelines established by the Southern Company Risk Oversight Committee and with input from the Gulf Power staff, develops an annual hedging strategy. This strategy is presented to the Gulf Power Chief Financial Officer for approval. Once SCS receives approval for the strategy, the Fuel Management division initiates</p>	

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Ref No.	Audit Areas	Audit Task/Questions	Audit Notes	Finding
			<p>financial hedges against the forecasted natural gas consumption. SCS evaluates its annual goals, typically every 30 to 60 days, and presents any recommended changes to Gulf management. Once Gulf Power accepts these changes, SCS updates its trading strategy.</p> <p>Southern Company Services initiates and settles its financial hedging transactions through a group of approved financial counterparties. The company believes there is a greater benefit to using financial counterparties rather than initiating trades directly with the commodity exchange. SCS identifies the greatest benefit to using counterparties as the established collateral agreements between the two parties. These agreements create credit threshold limits that reduce the company's need to allot capital for margin accounts.</p>	
B	What are the current and historical fuel procurement hedging strategies and objectives?	Objectives should be to manage price volatility in the fuel and purchased power it purchases.	Gulf Power believes that the use of financial derivatives allows the company to limit the price volatility of natural gas and protects its customers from unusually large increases in its fuel costs. Gulf	

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Ref No.	Audit Areas	Audit Task/Questions	Audit Notes	Finding
			<p>Power believes that the use of financial hedges are superior to physical hedges for a number of reasons. First, the company believes that physical hedges could present a generation reliability issue if the contractual commitment is not maintained by the supplier. Gulf Power believes that there is not always an economic incentive for the supplier to deliver the quality of fixed-price gas in a timely manner. Therefore, management believes that the greatest incentive to the supplier is to negotiate natural gas contracts for market-price at delivery. This ensures that Gulf Power will maintain a secure supply of fuel.</p>	
C	<p>What volume of each fuel type has been hedged for the period 2002-2007?</p>	<p>Identify types of hedging instruments used, and the volume and type of fuel associated with each type of instrument. See Order No. PSC-02-1484 for data reporting requirements.</p>	<p>Currently, Gulf Power divides its hedging targets into summer and winter periods, with an overall hedging goal of 40 to 60 percent of its natural gas forecast. SCS and Gulf Power establish the annual natural gas hedging targets, and re-evaluate these targets every 30 to 60 days. The current procedures allow SCS to purchase financial hedges 36 months out from the consumption</p>	

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Ref No.	Audit Areas	Audit Task/Questions	Audit Notes	Finding
			<p>date. Gulf Power management believes that distributing its hedging purchases over an extended period of time allows the company to benefit from downturns in the market and volume cost averaging.</p> <p>The Southern Company Risk Oversight Committee establishes an approved list of financial hedging instruments. Currently, Gulf Power's approved strategy allows SCS to initiate both swaps and options with an approved counterparty. Historically, SCS has only initiated swap transactions for Gulf Power. Overall, the company believes that swap transactions provide the best derivative option given the company's natural gas generation needs. There are no premium or transaction costs associated with a swap transaction. During the period, the company has increased its volume of hedging transactions.</p>	
D	Does the fuel procurement hedging program operate in a manner that is non-speculative and where the fuel and other related costs are prudently incurred?	The utility should have in place policies and procedures that ensure its associates and management are effectively evaluating all fuel purchasing options in a non-speculative	The current strategy allows SCS to interject greater subjectivity in the purchasing of financial hedges, and according to company management, its goal is to purchase during downward turns in the	

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Ref No.	Audit Areas	Audit Task/Questions	Audit Notes	Finding
		<p>and unbiased manner, while remaining focused on limiting unnecessary costs; as directed in Commission Rules.</p> <p>The utility should not be hedging more fuel than needed to meet generation demand and sales to other utilities.</p>	<p>market. While this may, at times, provide a benefit to the ratepayer, it can be counterintuitive to the overall hedging goal of stabilizing prices. If SCS delays purchasing financial transactions because of upswings in the market, the company may be under-hedged or reliant upon purchasing more costly hedges in the short term. Gulf Power may consider establishing a purchasing timeline within its strategy to ensure a more consistent, volume-averaging approach to its hedging purchases.</p>	
<b>II. Cost and Benefits</b>				
E	<p>What are the total costs associated with the fuel procurement hedging program?</p>	<p>Evaluate the true cost of fuel hedging by reviewing the transaction costs and the incremental O&amp;M costs:</p> <p>What are the transaction costs for each type of hedging transaction conducted during the period?</p> <p>What are the components of incremental O&amp;M hedging expenses?</p>	<p>Southern Company Services has historically initiated financial swaps through counterparties for Gulf Power fuel hedging strategy. Under this structure, Gulf Power does not incur any direct transaction costs or fees for this service. When an SCS trading associate initiates a hedging transaction, he determines the current futures exchange trading spread and solicits quotes from approved counterparties. SCS trading staff state that the</p>	

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Ref No.	Audit Areas	Audit Task/Questions	Audit Notes	Finding
			<p>company's goal is to accept the best counterparty offer. This offer should be aligned with the current NYMEX or ICE bid-ask spread. There are no other direct costs associated with this purchase; the only expense will be the market gain or loss at settlement.</p> <p>Under the Commission's Hedging Order, Gulf Power recovered incremental hedging operating and maintenance costs through the Commission's Fuel Cost Recovery docket each year through 2006.</p>	
F	What are the benefits associated with the fuel procurement hedging program?	<p>Determine the variability of monthly fuel costs (standard deviations) for the period,</p> <ol style="list-style-type: none"> <li>1. Including the impact of the hedging program for each fuel type</li> <li>2. Excluding the impact of the hedging program for each fuel type:</li> </ol> <p>How have these variables in fuel costs impacted customer rates?</p>		
G	Has the Utility's fuel procurement hedging program been successful,	The utility should report the success of its risk management activities with respect to the	Gulf Power management believes that its fuel hedging program has met its goal of reducing price	

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Ref No.	Audit Areas	Audit Task/Questions	Audit Notes	Finding
	as reported by the company?	objectives set forth in its fuel hedging risk management plan, per Order No. PSC-02-1484-FOF-EI.	uncertainty for its customers. Overall, management believes that its customers benefit from the use of financial hedging. While management states that the company will adjust its program to meet the expectations of the Commission, it believes that the current Hedging Order has achieved its original intent.	
H	<p>What factors influence the Utility's decisions to purchase fuel using hedging instruments?</p> <p>What factors influence the Utility's decision to use financial derivatives in purchasing fuel?</p>	<p>The utility should have in place written policies, procedures, and guidelines, based on its fuel purchasing goals, which direct its fuel purchasing decisions. These procedures should include all prudent fuel purchasing options.</p> <p>The utility should have in place guidelines and procedures that direct its purchasing options. The utility should have an evaluation model in place to provide insight on the most prudent purchasing option at any given time.</p>	<p>Gulf Power only initiates financial hedges on its natural gas purchases, which comprise approximately 15 percent of the company's overall fuel purchases. Gulf Power has taken a reserved approach to its hedging program during the period, hedging between 40 and 60 percent of its annual total fuel forecasts. When comparing to actual burns, the annual percent of gas hedged ranges from 30 to 59 percent during the period. SCS evaluates the volume and price it should set for its hedging position. The company's overall hedging strategy includes safeguards to limit its staff's ability to interject speculative components into its hedging decisions. SCS's hedging</p>	



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Ref No.	Audit Areas	Audit Task/Questions	Audit Notes	Finding
			<p>strategy allows Gulf Power to purchase hedges up to 36 months from settlement. This can allow the company to benefit from the effects of volume-cost averaging and also ensures that the majority of its purchasing decisions are not based upon a single market condition. Overall, SCS's approach is to hedge on market declines. The company believes that hedging during dips in the market avoids having to explain hedging high peaks. The company will supplement its approach, on occasion, with volume-cost averaging.</p>	

**III. Risk Management Plan**

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Ref No.	Audit Areas	Audit Task/Questions	Audit Notes	Finding
I	Does the utility have an adequate Fuel procurement Risk Management plan? (ref: Order No. PSC-02-1484-FOF-EI, section 2)	<p>Commission Order No. PSC-02-1484 states a utility's fuel procurement Risk Management plan should:</p> <ol style="list-style-type: none"> <li>1. Identify overall quantitative and qualitative risk management objectives;</li> <li>2. Identify minimum quantity of fuel to be hedged;</li> <li>3. Identify and quantify each risk, general and specific, that the utility may encounter with its fuel procurement.</li> <li>4. Describe the utility's oversight of its fuel procurement activities.</li> <li>5. Verify that the utility provides its fuel procurement activities with independent and unavoidable oversight;</li> <li>6. Describe the utility's corporate risk policy regarding fuel procurement activities;</li> <li>7. Verify that the utility's corporate risk policy clearly delineates individual and group transaction limits and authorizations for all fuel procurement activities;</li> <li>8. Describe the utility's strategy to fulfill its risk</li> </ol>	<p>Gulf Power Company has annually filed its Risk Management Plan as prescribed in the Hedging Order. The company has not made any significant changes to its plans submitted during the period 2003-2007. Gulf Power has met the majority of the expectations of the Hedging Order through its Risk Management Plan.</p> <p>Gulf's plan is a detailed explanation of its hedging program and the company's overall risk assessment of its process. Audit staff does note, however, that there is one area of deficiency with Gulf Power's plan. The company does not include the quantities of fuel that it expects to hedge through physical and financial hedges. Gulf Power includes its Risk Oversight Committee's approved acceptable risk level within the plan; however, this is not Gulf Power's established annual hedging goal.</p>	Audit staff believes that Gulf Power should include the annual financial hedging goal within its plan going forward.

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Ref No.	Audit Areas	Audit Task/Questions	Audit Notes	Finding
		<p>management objectives;</p> <p>9. Verify that the utility has sufficient policies and procedures to implement its strategy;</p> <p>10. Indicate that number and type of personnel who are responsible for fulfilling the utility's risk management objectives.</p> <p>11. Verify that the utility has a sufficient number and type of personnel who can fulfill its risk management objectives.</p> <p>12. Describe the utility's cost effective response to each general and specific associated with its fuel procurement.</p> <p>13. Describe the utility's reporting system for fuel procurement activities;</p> <p>14. Verify that the utility's reporting system consistently and comprehensively identifies, measures, and monitors all forms of risk associated with fuel procurement activities; and</p> <p>15. If the utility has current limitations in implementing certain hedging techniques that would provide a net benefit to</p>		

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Ref No.	Audit Areas	Audit Task/Questions	Audit Notes	Finding
		ratepayers, provide the details of a plan for developing the resources, policies, and procedures for acquiring the ability to use effectively the hedging technique.		
<b>IV. Program Oversight</b>				
J	Does the Utility have adequate policies and procedures for its fuel procurement hedging program?	Each utility's should have procedures, controls, and necessary safeguards in place to ensure that the hedging program is being administered professionally and fairly.	Southern Company's Risk Oversight Committee has implemented its <i>Generation Risk Management Policy</i> and the <i>Credit Policy</i> that outlines the authorized process for implementing and initiating financial hedging transactions. The <i>Generation Risk Management Policy</i> details the preset limits and guidelines for each employee authorized to conduct financial transactions on behalf of the company. The procedures also establish the required management	

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Ref No.	Audit Areas	Audit Task/Questions	Audit Notes	Finding
			<p>oversight of the process and the monitoring of the risks associated with initiating financial transactions.</p> <p>The company's <i>Credit Policy</i> also applies to Gulf Power and SCS's generation and fuel services. The policy dictates that all of its trading activities must be recorded and managed within Southern Company's risk management books, which are governed by its <i>Risk Management Policy</i>. Specifically, the <i>Credit Policy</i> establishes:</p> <ul style="list-style-type: none"> <li>Counterparty evaluation criteria</li> <li>Credit limits</li> <li>Requirements for securing transactions</li> <li>Portfolio and diversification requirements</li> <li>Non-compliance with standards</li> </ul>	
K	Is there adequate management oversight and controls of the fuel procurement hedging program to ensure prudent operations?	Utility management should remain focused and involved in fuel purchase oversight to ensure the corporate goals are followed. The utility should have established management updates on the fuel procurement programs,	Southern Company Board of Directors has authorized the use of financial hedging transactions for fuel procurement. The board also established a Risk Oversight Committee to oversee the program. The committee establishes the company's overall risk tolerance,	

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Ref No.	Audit Areas	Audit Task/Questions	Audit Notes	Finding
		<p>including routine reports that provide detailed accounts of fuel purchases.</p> <p>The Utility should also inform and seek approval from Board of Directors for hedging programs.</p> <p>The Utility should have a Risk Management Executive Committee composed of Senior Executive management.</p>	<p>determining the company's acceptable and unacceptable level of overall risk. The Risk Oversight Committee has established a Southern Company Generation Risk Management Policy to govern the administration of fuel procurement program. The Risk Management Policy requires that the Chief Financial Officer of Gulf Power must approve any financial hedging strategy prior to its initiation.</p> <p>The company has a series of financial and management controls in place to ensure that its hedging transactions are accurately initiated and executed. These controls are monitored by different offices and company staff, allowing for separation of duties and oversight. Specific controls include:  Recording the negotiated trade execution via telephone or instant message.  Recording of all transacted deals in the trading logbook.  Confirming all deals independently within the company's system by an SCS Risk Control associate.  Reviewing all signed trade</p>	

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Ref No.	Audit Areas	Audit Task/Questions	Audit Notes	Finding
			<p>confirmations for accuracy by the SCS Risk Control associates.</p> <p>Notifying appropriate Gulf Power personnel when a new hedge position is initiated, allowing the company to ensure SCS is operating according to the approved hedging strategy.</p> <p>Producing appropriate management reports to monitor transaction details, settlement values, and mark-to-market values.</p> <p>Complying with Sarbanes-Oxley required certification of internal controls.</p>	
L	Describe any specialized fuel purchasing software, tools, or mechanisms to assist in evaluating and initiating fuel procurement and hedging decisions?	<p>What factors influenced the utility's decision to invest in specialized hedging evaluation tools.</p> <p>How have these tools improved the utility's fuel hedging purchases</p>	Gulf uses a number of specialized software programs to assist and evaluate its physical and financial hedging purchases and fuel generation needs.	
M	Has the Utility conducted Internal Audits of its fuel procurement program and hedging instruments?	The utility's Internal Audit group should routinely conduct audits of its fuel procurement programs to evaluate it effectiveness.	Southern Company has an Internal Audit division that performs both risk based audits and scheduled audits for its corporate and operating companies. The Southern Company audit offices are located in Birmingham, Alabama and Atlanta, Georgia. Gulf Power	Audit staff believes management should consider updating its 2004 process evaluation.

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Ref No.	Audit Areas	Audit Task/Questions	Audit Notes <b>A</b>	Finding
			<p>also maintains an audit staff in Pensacola, Florida. The company's Fuel Procurement activities are not on a scheduled audit cycle. Fuel Procurement is reviewed as-needed based on the company's annual internal risk assessment.</p> <p>The last financial hedging review completed by the company's Internal Audit Division was in 2003. This review examined the <i>Natural Gas Hedging Process of Southern Company Services</i>. In 2004, the Internal Audit unit completed a follow-up to the <i>2003 Natural Gas Hedging Review</i>. The follow-up review examined the company's process in implementing its recommended action plan.</p> <p>1 2 3 4 5 6 7 8 9 10 11 12</p>	



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Ref No.	Audit Areas	Audit Task/Questions	Audit Notes	Finding
N	Does the utility have adequate records maintenance for all commodity costs, and the gains and losses from financial or physical fuel hedging transactions?	Commission Order PSC-02-1484 requires the utility to report non-speculative, prudently-incurred commodity costs, gains and losses associated with financial and or physical hedging transactions, including transaction costs associated with derivatives, gains and losses on futures contracts, premiums on options contracts, and net settlements from swap transactions. Also, the order requires the reporting of operating and maintenance expenses incurred for the purpose of initiating and/or maintaining a new or expanded hedging program.	<p>Gulf maintains detailed records of its trading transactions and employs an organizational structure that provides a check-and-balance approach to monitoring and recording transactions.</p> <p>Southern Company Services has in place a three-prong organizational structure for its fuel procurement hedging group that allows for adequate initiation and monitoring of its procurement transactions, including all hedging transactions. The three units are commonly referred to as the front office, middle office, and back office. Each unit has specified roles and responsibilities within the procurement and hedging process.</p> <p>The Trading group staff, known as the front office, is responsible for executing the financial transactions. The front office staff has an approved set of guidelines and procedures that must be followed when initiating a financial hedging transaction. The traders must remain within the hedging strategy that has been approved by the Risk Oversight Committee and outlined in the</p>	

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Ref No.	Audit Areas	Audit Task/Questions	Audit Notes	Finding
			<p>Generation Risk Management Policy</p> <p>Risk Control, commonly referred to as the middle office, is an independent group that reports to the SCS Comptroller. The group monitors the transactions purchased by the front office. The group is also responsible for the risk control negotiations of master agreements between the counterparties.</p> <p>The back office handles the accounting transactions for the financial hedges settlements. The group monitors and enters the settlement cost into the company's accounting systems and ensures that the correct operating company is credited for each settlement.</p>	
O	Does the utility separate its fuel procurement responsibilities for its regulated and non-regulated entities?	The parent corporation should have clearly defined, separate fuel procurement units for its regulated and non-regulated entities.	As previously stated, Gulf Power's fuel procurement is outsourced to an affiliated company, Southern Company Services (SCS). This company transacts the fuel procurement activities for all of Southern Company's regulated and non-regulated entities. While coal is purchased specifically for each operating company's fleet, SCS purchases natural gas in bulk depending on the entry point, and	

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Ref No.	Audit Areas	Audit Task/Questions	Audit Notes	Finding
			<p>distribute to each affiliate, accordingly. SCS maintains separate financial transactions for each operating company. When a financial transaction is initiated on behalf of Gulf Power, the SCS system will segregate these transactions into the Gulf Power database. This allows for monitoring and tracking of all Gulf Power transactions independent of the other companies.</p>	

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**Bureau of Performance Analysis  
Document Summary and Control Log**

**Company:** GULF  
**Area:** Hedging  
**Auditor(s):** Coston, Hallenstein

**Workload Control #:** \_\_\_\_\_  
**File Name:** GulfDR2summ.com

**Document # 1:**  
**Date Requested:**  
**Date Received:**  
**Comments: (i.e., Confidential)**

**Document Title and Purpose of Review:**

- A. Please provide, annually, for the years 2003-2007, the percent of Gulf's natural gas purchases using long-term procurement (Upstairs group), and daily gas procurement (Downstairs group).  
 B. For each, please include the percentage of financial hedges associated with each type of purchase.

**Summary of Contents:**

- A. Upstairs group contracts are typically one year in advance of delivery and the term ranges from one season up to three years. Although the contracts are long-term, the pricing are based on a daily index. Daily procurement provides SC the flexibility to provide the amount of fuel on a near-term condition.  
 B. Gulf does not believe that there is a correlation to hedging long or short term contracts.

**Conclusions: Company did not provide the percent**

**Data Request(s) Generated:**

No. \_\_\_\_\_ Description:  
 No. \_\_\_\_\_ Description:

**Follow-up Required:**

**Document # 2 :**  
**Date Requested:**  
**Date Received:**  
**Comments: (i.e., Confidential)**

**Document Title and Purpose of Review:**

- For each of the years 2003-2007, please provide:  
 A. The annual volume heading goals.  
 B. The actual percent of natural gas hedged in relation to the total gas purchased by the company.

**Summary of Contents:**

The annual hedging goal is 40-60 percent

Annual, the company has hedged:

2003- 54.68  
 2004- 50.61  
 2005- 59.10  
 2006- 48.56  
 2007- 29.95

**Conclusions:**

**Confidential**

	<b>Data Request(s) Generated:</b> No. _____ Description: No. _____ Description:
	<b>Follow-up Required:</b>
<b>Document # 3:</b> <b>Date Requested:</b> <b>Date Received:</b> <b>Comments: (i.e., Confidential)</b>  Confidential	<b>Document Title and Purpose of Review:</b> Does Gulf Power set counterparty trading limits based on the party's credit rating (e.g. – The counterparty rated AAA has a higher threshold than the counterparty rated AA-). If so, please provide a breakdown of the credit thresholds and the related trading limits?
	<b>Summary of Contents:</b> Chart provided with the credit ratings (AAA, AA-, A+, etc.) and the dollar limits assigned to each rating
	<b>Conclusions:</b>
	<b>Data Request(s) Generated:</b> No. _____ Description: No. _____ Description:
	<b>Follow-up Required:</b>
<b>Document # 4:</b> <b>Date Requested:</b> <b>Date Received:</b> <b>Comments: (i.e., Confidential)</b>  Pgs. 20,22, 23 Confidential	<b>Document Title and Purpose of Review:</b> Please provide a copy of the PowerPoint presentation that was presented by Mr. Paul Hughes during staff's on-site visit, February 19, 2008.
	<b>Summary of Contents:</b> PowerPoint presentation of Southern Company's hedging program.
	<b>Conclusions:</b>
	<b>Data Request(s) Generated:</b> No. _____ Description: No. _____ Description:
	<b>Follow-up Required:</b>
<b>Document # 5:</b> <b>Date Requested:</b> <b>Date Received:</b> <b>Comments: (i.e., Confidential)</b>  Confidential	<b>Document Title and Purpose of Review:</b> Please provide a copy of the updated <i>Gulf Power Company Risk Management Plan</i> , including updated Appendices.
	<b>Summary of Contents:</b> An updated copy of the plan (originally provided in DR1)
	<b>Conclusions:</b>
	<b>Data Request(s) Generated:</b> No. _____ Description: No. _____ Description:

<p><b>Document # 6:</b>  <b>Date Requested:</b>  <b>Date Received:</b>  <b>Comments: (i.e., Confidential)</b></p>	<p><b>Follow-up Required:</b></p> <p><b>Document Title and Purpose of Review:</b>  A. Please describe the purpose and responsibilities of the Southern Company Risk Oversight Committee, as it relates to Purchased fuel.  B. For the past 24 months, please provide copies of the minutes from the Southern Company Risk Oversight Committee.</p> <p><b>Summary of Contents:</b>  The committee has broad responsibility of the sound management of risk that could affect the Co.s ability to achieve its target risk/return objectives as determined by the Board and senior management, and comply with all relevant legal and regulatory requirements.</p> <p>The company also provided a listing of its responsibilities outlined in its Charter.</p> <p><b>Conclusions:</b></p> <p><b>Data Request(s) Generated:</b>  No. _____ Description:  No. _____ Description:</p> <p><b>Follow-up Required:</b></p>
<p><b>Document # 7:</b>  <b>Date Requested:</b>  <b>Date Received:</b>  <b>Comments: (i.e., Confidential)</b></p>	<p><b>Document Title and Purpose of Review:</b>  As an addendum to DR1.9b, please provide the number of transactions and total mmbtu volume, annually, separated by counterparties for years 2003-2007.</p> <p><b>Summary of Contents:</b>  Gulf provided updated information that includes detail transaction per counterparty.</p> <p>Two largest relationships were CIBC (Canadian) and Mitsui &amp; Co. (Japanese).</p> <p><b>Conclusions:</b></p> <p><b>Data Request(s) Generated:</b>  No. _____ Description:  No. _____ Description:</p> <p><b>Follow-up Required:</b></p>
<p><b>Document # 8:</b>  <b>Date Requested:</b>  <b>Date Received:</b>  <b>Comments: (i.e., Confidential)</b></p>	<p><b>Document Title and Purpose of Review:</b>  For each year 2003 through 2007, please break-down all the settled Financial Hedging transactions within each of these years as follows:</p> <p><b>Summary of Contents:</b>  Company provided the number of transactions for each year.  2007: [REDACTED]</p>

1	2006:	[REDACTED]
2	2005:	[REDACTED]
3	2004:	[REDACTED]
4	2003:	[REDACTED]
<b>Conclusions:</b>		
<b>Data Request(s) Generated:</b>		
No. _____	Description:	
No. _____	Description:	
<b>Follow-up Required:</b>		

Division of Competitive Markets and Enforcement  
Bureau of Performance Analysis  
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EXHIBIT C

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

<u>Line(s)/Field(s)</u>	<u>Justification</u>
Response to Data Request 1.7a Page 1 of 1 Lines 1-10	This information is entitled to confidential classification pursuant to §366.093(3) (b), Florida Statutes. The basis for this information being designated as confidential is more fully set forth in paragraph 3.
Response to Data Request 1.10b  Page 9 of 15 Column A  Page 11 of 15 Column A  Page 13 of 15 Column A  Page 15 of 15 Column A	This information is entitled to confidential classification pursuant to §366.093(3) (d)-(e), Florida Statutes. The basis for this information being designated as confidential is more fully set forth in paragraph 2.
Response to Data Request 2.3 Page 1 of 1 Lines 1-15; Columns A-D	This information is entitled to confidential classification pursuant to §366.093(3) (d)-(e), Florida Statutes. The basis for this information being designated as confidential is more fully set forth in paragraph 2.
Response to Data Request 2.4 Page 23 of 33 Columns A- B	This information is entitled to confidential classification pursuant to §366.093(3) (d)-(e), Florida Statutes. The basis for this information being designated as confidential is more fully set forth in paragraph 2.



Response to Data Request 2.5

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Columns A-B

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Columns A-B

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Columns A-B

This information is entitled to confidential classification pursuant to §366.093(3) (a)-(e), Florida Statutes. The basis for this information being designated as confidential is more fully set forth in paragraph 4.

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Lines 1-4, Columns A-B  
Lines 5-9, Columns A-C  
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Response to Data Request 2.8  
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Lines 1-5; Columns A-G

This information is entitled to confidential classification pursuant to §366.093(3)(e), Florida Statutes. The basis for this information being designated as confidential is more fully set forth in paragraph 5.

Bureau of Regulatory Review Workplan  
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Lines 1-12; Column A

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Bureau of Performance Analysis Document  
Summary and Control Loge

Page 3  
Line 1, Column A

Page 4  
Lines 1-4; Column A

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

STATE OF FLORIDA

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**CONFIDENTIAL**

**Public Service Commission**

**ACKNOWLEDGEMENT**

DATE: June 26, 2008

TO: Susan Ritenour, Gulf Power Company  
FROM: Ruth Nettles, Office of Commission Clerk  
RE: Acknowledgement of Receipt of Confidential Filing

This will acknowledge receipt of a **CONFIDENTIAL DOCUMENT** filed in Docket Number 080000 or, if filed in an undocketed matter, concerning certain documents produced by staff and GPC in connection with 2008 Management Review of Gulf's fuel procurement hedging practices (PA-07-11-007), 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 Lockard, Deputy Clerk, at (850) 413-6770.

DOCUMENT NUMBER-DATE  
05516 JUN 26 2008  
PSC-COMMISSION CLERK

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