Susan D. Ritenour
Secretary and Treasurer
and Regulatory Manager

One Energy Place
Pensacola, Florida 32520-0781

Tel 850.444.6231
Fax 850.444.6026
SDRITENO@southernco.com

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GULF POWER
A SOUTHERN COMPANY

July 29, 2011

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

Dear Ms. Cole:

RE: Docket No. 110001-EI

Enclosed for official filing in the above referenced docket is an original and fifteen copies of Gulf Power Company's Risk Management Plan dated August 1, 2011.

Regards,

Susan Ritenour (RWS)

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Enclosures

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

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DOCUMENT NUMBER-DATE
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GULF POWER COMPANY

Risk Management Plan
For
Fuel Procurement
Docket No. 110001-EI

Date of Filing: August 1, 2011

GULF POWER
A SOUTHERN COMPANY

GULF POWER LONG-TERM COAL PROCUREMENT STRATEGY AND TACTICAL PLAN
AUGUST 1, 2011

Introduction

Gulf owns and operates three coal-fired plants (Crist, Smith and Scholz) with a combined normal full-load gross rating of 1,469 megawatts (MWs) and annual coal consumption of more than 3 million tons. The procurement of this coal is critical to the success of Gulf Power.

Gulf also co-owns 50 percent of Plant Daniel, which is operated by Mississippi Power (MPC) and has a projected annual coal consumption of 1.1 million tons. The normal full-load capacity of Gulf's ownership at Daniel is 537 MWs.

Competition in the electric utility industry, consolidation in the coal industry, and environmental laws and regulations are just a few of the challenges facing power generators today. As the electric utility industry evolves, a procurement strategy must address several issues in order to provide a reliable, cost-competitive, environmentally acceptable fuel supply.

The following is:

- A procurement strategy that identifies and addresses specific risks and risk mitigation strategies and discusses a strategic plan
- A tactical plan detailing specific actions required to achieve the strategy

Procurement Strategy

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

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

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

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

Risks and Risk Mitigation Strategies

Volume Risk and Strategy

The uncertainty in the amount of coal generation and therefore coal supply that will be needed in the future remains one of the most critical risks to be addressed in developing a strategy for long-term coal procurement. Weather, economic conditions and natural gas price volatility will continue to impact future coal burn requirements.

Southern Company currently owns or manages [redacted] of natural gas generating capacity and is projected to install an additional [redacted] between 2010 and 2013. This increase in natural gas capacity within the Southern Company system, in conjunction with the recent increased competitiveness of natural gas generation, has resulted in additional uncertainty for future coal generation. [redacted]

[redacted]

[redacted]

[redacted]

[redacted]

Pricing Risk and Strategy

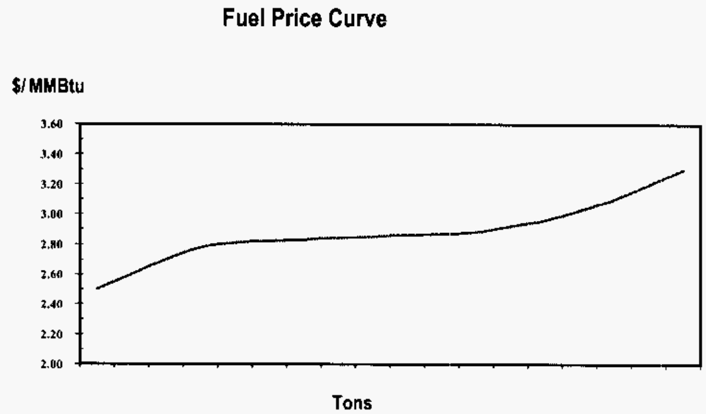
Competing for energy market share with other utilities and power marketers requires competitive energy pricing. Because more than 50 percent of the cost for coal-fired generation is fuel, competitively priced coal supplies should be maintained.

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

Where negotiations allow, mechanisms to achieve this objective include:

[redacted]

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



[redacted]

[redacted]

[redacted]

<u>Diversity of Supply Risk and Strategy</u>

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

[redacted]

<u>Reliability Risk and Strategy</u>

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

[redacted]

[redacted]

[redacted]

Environmental Risk and Strategy

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

One new regulation, the Cross-State Air Pollution Rule, was finalized on July 6, 2011. The U.S. Environmental Protection Agency (EPA) finalized (CSAPR), replacing the 2005 Clean Air Interstate Rule (CAIR). The CSAPR was previously referred to as the Clean Air Transport Rule, or CATR, in EPA's initial draft. A December 2008 court decision found flaws in CAIR, but kept CAIR requirements in place temporarily while directing EPA to issue a replacement rule. According to the EPA, the CSAPR meets the Clean Air Act requirements and responds to the court's concerns. Similar to CAIR and the Title IV Acid Raid program, CSAPR is a regional market-based compliance regime requiring reductions of power plant SO2 and NOx emissions that cross state lines and contribute to ground-level ozone and fine particle pollution in other states. The state of Florida is included in the 27 states that are covered by CSAPR and are only subject to Seasonal NOx compliance during May through September beginning in 2012.

[redacted]

[redacted]

Strategic Plan

As mentioned above, when procuring coal for Gulf, the Crist and Smith plants will be grouped together because of their common supply source and transportation mode. Diversity of supply and flexibility will be important aspects of their fuel supply strategy.

On the other hand, Scholz can burn similar quality coals, but its transportation mode differs because it is rail served. The co-owned plant, Daniel, will be treated individually.

Crist – In 2012, Crist will be served by Marquette Transportation Company LLC. Crist burns between 1.9 and 3 million tons of coal a year and must comply with a state SO2 emission limit of 2.4 pounds SO2/MMBTU. For the past several years, Crist has burned low sulfur Illinois Basin coal from the Galatia mine. [redacted] Crist can also burn Colombian import coals, as well as coals from Colorado, Utah and the Central Appalachian regions. Crist is considered an intermediate coal plant with a projected capacity factor of more than 60 percent.

Smith – In 2012, Smith will also be served by Marquette Transportation Company LLC. It burns between 675,000 and 1.2 million tons of coal a year and must comply with the state SO2 emission limit of 2.1 pounds SO2/MMBTU. Smith can burn a variety of coals, including Illinois Basin and import coals such as Colombian, Australian and Venezuelan.

Domestic sources such as Colorado, Utah and Central Appalachian coals also have been burned in the past. Smith is considered an intermediate coal plant with a projected capacity factor of more than 60 percent.

Scholz-Scholz is served by the CSX Railroad. Scholz is projected to burn [redacted] tons of coal in 2012 and must comply with a state SO2 emission limit of 6.17 pounds SO2/MMBTU. Scholz has burned Central Appalachian coals in the past [redacted]. Scholz currently has no commitments for [redacted]. It is considered a peaking coal plant with a projected capacity factor of less than 50 percent.

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

Daniel – Daniel is served by the Mississippi Export Railroad (MSE) which is approximately 40 miles in length and runs between Moss Point and Evanston, Miss. The MSE is served by two large Class 1 railroads: the Canadian National Railroad connecting at Evanston and the CSX Railroad connecting at Moss Point. Classified as an NSPS plant, Daniel must use "compliance" coal with a maximum of 1.2 pounds SO2/MMBtu (0.6 pounds Sulfur/MMBtu). Daniel can burn import coal in addition to coal from Colorado and the Central Appalachian regions. PRB coal is also burned in Daniel's units and blended with bituminous coal at an average of 60 percent bituminous/40 percent PRB ratio. Daniel is considered an intermediate coal plant with a projected capacity factor of more than 60 percent.

[redacted]

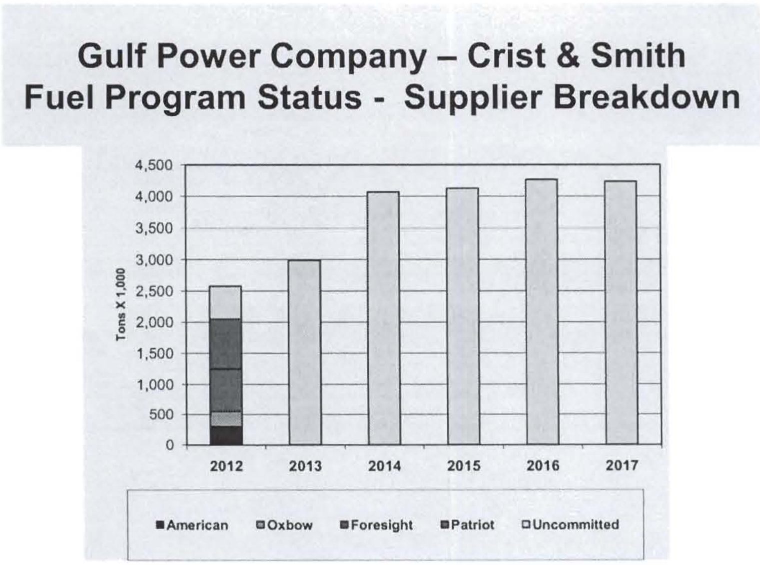
[redacted]

[redacted]

Tactical Plan

Crist and Smith

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



Sources: 2012 & 2013 – July DEPS Burn File, 2012 committed per Committed/Uncommitted Sheets
2014 Forward – 2011 Official Budget

The strategy for the intermediate plants is to have a certain percentage of firm commitments established for the next several years. [redacted]

[redacted]

In recent years, Crist and Smith have undertaken a plan to blend Illinois Basin coal with other low sulfur bituminous coals such as Colombian, Central Appalachian and Colorado coals in order to take advantage of an increased BTU content and decreased sulfur content of the blended product. This practice of blending Illinois Basin coal with lower sulfur coals is scheduled to continue.

Both Crist and Smith's portfolio currently includes coals from other supply regions such as the Central Appalachian region and the western bituminous regions of Colorado and Utah. These coals are being delivered by rail to the Alabama State Docks (ASD) in Mobile, Ala.

In 2009, the ASD upgraded the rail unloading facility at the Bulk Terminal to allow for an increase in volume of rail coal at this facility. Shipments can also be delivered to various ports along the Mississippi River and transloaded into barges for ultimate delivery to Crist and Smith.

Crist and Smith have an uncommitted need of [redacted]. The plan is to [redacted] to fulfill a portion or, depending on pricing, all of this uncommitted need. Beginning in 2013, Crist and Smith have a combined uncommitted need of [redacted] tons. This uncommitted need increases to [redacted]. The plan will be to [redacted] to fulfill percentages of firm commitments that conform to Gulf's long-term procurement strategy through [redacted].

[redacted]

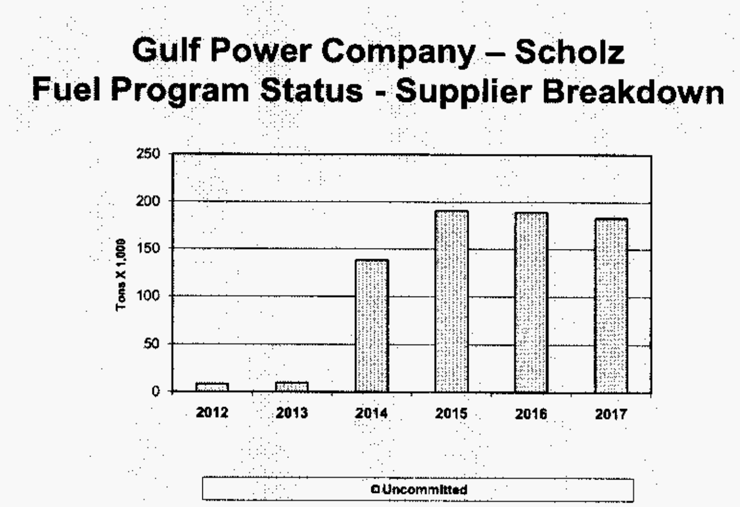
[redacted]

As mentioned above, Illinois Basin coal and lower sulfur coals such as Central Appalachian and/or Colorado coals must be blended on a 50/50 basis before delivery to Crist and Smith. This is currently accomplished by railing both coals to the ASD and blending them for transloading into barges. This blending process could be performed at other off-site locations as economics permit.

Western bituminous coals can either be railed direct to ASD and transloaded into barges or railed to the Mississippi River and transloaded into barges for ultimate delivery to Crist and Smith. Currently, no transportation infrastructure improvements will be necessary for the movement of these coals to Gulf's plants. At this time, it is unknown whether the plant will need some time to acquire additional equipment for burning large volumes of the Illinois Basin coals.

Scholz

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

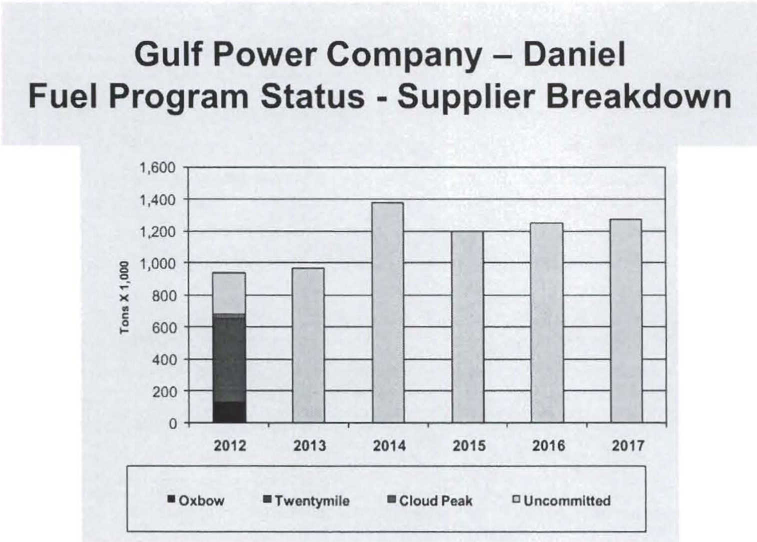


Sources: 2012 & 2013 – July DEPS Burn File
2014 Forward – 2011 Official Budget

As mentioned previously, Scholz is served by the CSX Railroad [redacted]. Scholz's burn is projected to be [redacted] the requirements at Scholz will continue to be satisfied [redacted] Because Scholz is a peaking plant, its fuel supply will be based on limited-term, firm commitments and/or spot purchases depending on burn projections. Contract commitment terms will be two years or less. If commitments are made for more than 50 percent of projected burn requirements, the contract will match the maximum annual tonnage purchased to the plant burn requirements.

Daniel

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



Sources: 2012 & 2013 – July DEPS Burn File
2014 Forward – 2011 Official Budget

As mentioned earlier, the strategy for intermediate plants is to have a certain percentage of firm commitments established for the next several years. [redacted]

[redacted]

[redacted] The goal for future years, if economics warrant, would be to maintain this diversity. Should supply problems occur, this diverse portfolio of suppliers would help ensure that other suppliers could continue seamless deliveries to the plant. Another important element of this diversification philosophy is that Daniel can share most coal supplies with MPC's Watson plant should operational, supply or transportation problems occur at either plant. Gulf will also continue its policy of testing various import as well as domestic coals.

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

The strategic objective is to include import, Colorado, and PRB sources in future coal commitments for Daniel. Colorado and/or PRB coal will continue to make up a significant portion of Daniel's committed volumes provided that economics warrant and that Union Pacific and BN Railroad transportation capacity is available. As part of this objective, Gulf will explore expanding its plant quality parameters through the continuation of an active test burn program.

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

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

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

GULF POWER
TRANSPORTATION STRATEGY
AUGUST 1, 2011

Introduction

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

The following is:

1) A transportation strategy that identifies and addresses specific risks and risk mitigation strategies.
2) A tactical plan detailing specific actions required in order to achieve the strategy.

Coal Transportation Procurement Strategy

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

Risks and Risk Mitigation Strategies

Reliability Risk and Strategy

Reliable delivery of coal ensures that fuel will be available to generate electricity. Term agreements will be negotiated and signed with the transportation carriers that ensure the barge and rail companies will have available infrastructure and resources in place to transport the required coal supply. The terms of the transportation agreements will coincide with the terms of single-source coal supply agreements as closely as possible.

[redacted]

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

Pricing Risk and Strategy

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

[redacted]

Volume Risk and Strategy

The uncertainty in the amount of coal generation and transportation that will be needed in the future is still one of the most critical risks that must be addressed in developing a strategy for long-term transportation procurement. Weather, natural gas pricing, and economic growth will continue to impact future coal burn requirements, as will the addition of gas-fueled capacity to the Southern Company system. During recent years, the coal industry has become more susceptible to influences of the global commodities market. Given the global market dynamics that occurred during this time frame, the coal market has reacted by becoming more volatile from both a pricing and volume availability standpoint. This has, in turn, impacted the dynamics between natural gas and coal, leading to increased uncertainty in coal burn.

[redacted]

[redacted]

[redacted]

Supply Risk and Strategy

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

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

The Alabama State Docks' McDuffie Coal Terminal has the capacity to receive approximately 16 million tons of import coal per year. In addition, the Alabama State Docks recently completed the Bulk Unloader Railcar Project at the Alabama State Docks' Bulk Materials Handling Plant (Bulk Plant). Upgrade of railcar handling facilities provides the Bulk Plant with the ability to receive an additional 3 million tons of coal per year by rail.

Tactical Plan

Plants Crist and Smith

UP Agreement UP-53281 provides for rail transportation of Colorado and Utah coal to the Cora Dock terminal on the Mississippi River through Dec. 31, 2011. There are no annual minimum or maximum volume requirements in this agreement.

[redacted]

UP Agreement UP-53286 with UP/CN provides for rail transportation of Colorado and Utah coal to the Alabama State Docks through [redacted]. The agreement has [redacted]

[redacted]

CSXT Agreement CSXT-84986 provides for rail transportation of Central Appalachian coal from Patriot Coal Sales to the Alabama State Docks through [redacted]. The agreement has [redacted]

[redacted]

CN Agreement CN- 517554-AA provides for rail transportation of Illinois Basin coal to the Alabama State Docks through [redacted]. The coal will be transported by rail to the Alabama State Docks and transloaded to barges for shipment to Crist. There are [redacted]

[redacted]

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

[redacted]

[redacted]

<u>Plant Scholz</u>

CSXT Agreement CSXT-C-83791 provides for rail transportation of domestic and import coal to Scholz through Dec. 31, 2011. This agreement specifies that [redacted]

[redacted]

<u>Plant Daniel</u>

UP Agreement UP-52624 with UP/CN/MSE provides for rail transportation of Colorado coal to Daniel through Dec. 31, 2011. The agreement has an annual minimum volume requirement of 1 million tons and a maximum of 2.2 million tons of coal that can be shipped.

[redacted]

BNSF Agreement BNSF-12523 with BNSF/CN/MSE provides for rail transportation of PRB coal to Daniel through Dec. 31, 2011. The agreement has an annual minimum volume requirement of 1 million tons and a maximum of 1.3 million tons of coal that can be shipped.

[redacted]

CN/MSE Agreement CN-694308-AA provides for rail transportation of import coal from the Alabama State Docks facility to Daniel. The agreement expires [redacted]

Gulf Power's Natural Gas Procurement Strategy

August 1, 2011

Gas Program Overview

Natural Gas is used for primary fuel at the Smith 3 combined cycle unit, boiler lighter fuel at Crist Units 4-7, and for generation secured under purchased power agreements beginning in 2009. Prior to 2002, natural gas represented a relatively small portion of Gulf's overall fuel budget. With the addition of the Smith 3 combined-cycle unit in 2002, natural gas became a more significant portion of Gulf's overall fuel budget.

Gulf Power's natural gas procurement strategy is to purchase a cost effective yet highly reliable fuel supply to support the operation of its generating facilities. Securing competitive fuel prices for its customers and minimizing both price and supply risk are the governing considerations in developing Gulf's fuel procurement strategy.

Projected Natural Gas Purchases

Southern Company Services (SCS) as agent for Gulf purchases natural gas to be delivered to Plant Crist for lighter purposes on the coal fired units and to Plant Smith as primary fuel for Unit 3 which is a combined cycle generating unit. SCS will also purchase natural gas to serve as primary fuel for the Coral (Baconton), Southern Power (Dahlberg) and Shell (Central Alabama) purchased power agreements. Gulf has contracted for storage capacity at Bay Gas Storage near Mobile, AL and at Southern Pines Energy Center near Hattiesburg, MS and will purchase natural gas to maintain targeted quantities of gas in storage during the year. The following chart shows the total projected gas burn for 2011 through 2014 in MMBTU that these purchases will support:

PROJECTED NATURAL GAS BURN (MMBTU)

Month	2011	2012	2013	2014
January	2552836	[redacted]	[redacted]	[redacted]
February	1485814	[redacted]	[redacted]	[redacted]
March	2325480	[redacted]	[redacted]	[redacted]
April	2149033	[redacted]	[redacted]	[redacted]
May	3208511	[redacted]	[redacted]	[redacted]
June	5975155	[redacted]	[redacted]	[redacted]
July	1520126	[redacted]	[redacted]	[redacted]
August	1290826	[redacted]	[redacted]	[redacted]
September	1118224	[redacted]	[redacted]	[redacted]
October	1169487	[redacted]	[redacted]	[redacted]
November	672369	[redacted]	[redacted]	[redacted]
December	330826	[redacted]	[redacted]	[redacted]
TOTAL	**12419365**	[redacted]	[redacted]	[redacted]

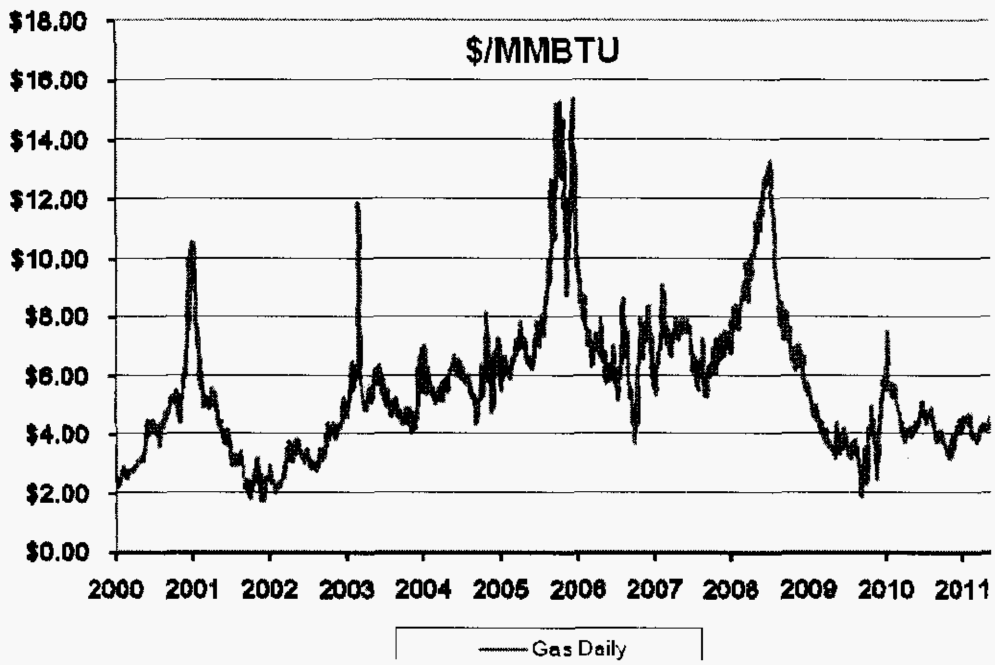
Procurement Strategy

Gulf's strategy for gas procurement is to purchase the commodity using long term and spot agreements at market prices. Fuel purchased at market over a long period is a low cost option for customers. [redacted]

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

The following graph of actual natural gas prices is an indication of price volatility in the gas commodity market:

Historical Natural Gas Prices - NYMEX



Pricing Strategy

Gulf Power will continue to purchase gas, both under long-term and spot contracts at market based prices. However, pursuant to Commission order, Gulf Power will financially hedge gas prices for some portion, generally between [redacted] percent of Gulf Power's projected annual gas burn for the current year, in order to protect against short-term price swings and to provide some level of price certainty. This [redacted] percent hedge range allows Gulf Power to provide a degree of price certainty and protection against short-term price swings while still allowing the customers to participate in markets where natural gas prices are low. Gulf Power will secure natural gas hedges over a time period not to exceed [redacted] months, per the following schedule:

Period	Lower Target Hedge %	Upper Target Hedge %
Prompt Year (2012)	[redacted]	[redacted]
Year 2 (2013)	[redacted]	[redacted]
Year 3 (2014)	[redacted]	[redacted]
Year 4 (2015)	[redacted]	[redacted]
Year 5 (2016)	[redacted]	[redacted]

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

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

SCS, working in partnership with Gulf Power, develops short-term hedge strategies based on current and projected market conditions. [redacted]

[redacted] SCS will employ both technical and fundamental analysis to determine appropriate times to hedge. However, the objective is not to speculate on market price or attempt to outguess or "beat the market". Gulf will utilize fixed priced swaps as its primary financial gas price hedging instrument but may also utilize options when appropriate. [redacted]

While the hedging program will protect the customer from short-term price spikes, hedges can also lead to higher costs when natural gas prices fall subsequent to entering hedges. Gulf Power will limit the amount of fixed-price hedges to a maximum of 100 percent of the projected fuel burn for the upcoming year. In addition, Gulf Power will limit option priced hedges to [redacted] percent of its projected burn. Finally, in order to protect its customers from market exposure in subsequent years, Gulf Power will take forward hedge positions for up to [redacted] months into the future.

Gulf Power's Oil Procurement Strategy

August 1, 2011

Oil Program Overview

Oil is used at Gulf predominantly for boiler lighting. Oil is used as a boiler lighter fuel at Crist units 4-7, Daniel 1&2, Scherer 3, Scholz 1&2 and Smith 1&2. Oil is also the primary fuel at the Smith A CT unit and as back-up fuel at the Coral (Baconton) and Southern Power (Dahlberg) CT units and the Shell (Central Alabama) CC Plant currently under purchase power agreements with Gulf. Overall, oil use is projected to be a small portion of Gulf's overall fuel budget.

Procurement Strategy

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

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

Pricing Strategy

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

Gulf Power Company Risk Management Policy

I. Introduction

Natural gas has become a large part of the Gulf Power Company (Company) fuel program. This increased need, combined with the market price volatility associated with natural gas and purchased energy, has created a need to begin hedging the risks related to the Company's overall fuel program.

II. Objectives

The primary objective of this Risk Management Policy (RMP) is to establish guidelines for use of hedging transactions associated with the Company's fuel program. Hedging transactions will allow the Company to:

- Reduce price volatility
- Provide more predictable stability to customers, and
- Provide additional flexibility and options in the procurement of fuel.

III. Guidelines

The risk management guidelines of The Southern Company require any business unit engaging in risk management activities to establish a Risk Oversight Committee (ROC). The officer listed below in Section IV will serve as the Company's ROC for this program.

The Southern Company Derivatives Policy states:

> "It is the policy of The Southern Company that derivatives are to be used only in a controlled manner, which includes identification, measurement, management, control and monitoring of risks. This includes, but is not

limited to, well-defined segregation of duties, limits on capital at risk, and established credit policies. When the use of derivatives is contemplated, this policy requires that a formal risk management plan be developed that adheres to The Southern Company Risk Oversight Committee Business Unit Guidelines. This policy also requires that, prior to initiation of a risk management program that makes use of derivatives, the risk management program must be approved by both the Chief Financial Officer of the respective Southern Company subsidiary and the Chief Financial Officer of The Southern Company."

The Southern Company Generation Risk Management Policy (SCGen RMP), attached in Section 6 of this document, will be the governing policy in the administration of the Company's fuel procurement program. The SCGen RMP provides all criteria specified in the above extract from the Southern Company Derivatives Policy.

The Gulf Power Company Board of Directors has authorized the use of hedging transactions relating to contracts and other agreements for fuel supplies. The board resolution is shown below:

"**RESOLVED,** That The Southern Company System Policy on Use of Derivatives (the "Policy") as presented to the meeting is hereby approved; and

RESOLVED FURTHER, That the Officers are hereby authorized to effect derivative transactions that comply with the policy, including swaps, caps, collars, floors, swap options, futures, forward and options, relating to energy and associated commodities, weather, interest rates, currencies, and contracts and other arrangements for fuel supplies; and

RESOLVED FURTHER, That in connection with the foregoing, the officers are hereby authorized to take any and all actions and to execute, deliver and perform on behalf of the Company any and all agreements and other instruments as they consider necessary, appropriate or advisable, each such agreement or other instrument to be in such form as the officers executing the same shall approve, the execution thereof to constitute conclusive evidence of such approval."

IV. Process

Certain officers of the Company were given authority to enter into hedging transactions that they consider necessary in order to reduce risk associated with procuring fuel and energy. The authorized officers are Vice President, Chief Financial Officer and Comptroller for Gulf Power Company or his designee.

Once authorization has been received, Southern Company Services Fuel Services, agent for Gulf Power Company, will conduct all hedging transactions in accordance with the Southern Company Generation Risk Management Policy.

It is the responsibility of SCGen Risk Control (the mid-office) to inform the Fuel Manager for Gulf Power Company or the Regulatory Accounting Manager for Gulf Power Company about the use of hedging transactions associated with Gulf generation resources and to provide open position values (mark to market) to the above noted individuals and the Gulf Chief Financial Officer and Comptroller.

Southern Company
Energy Trading Risk Management Policy

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CONTENTS

Introduction

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

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

The Southern Company Derivatives Policy requires any business unit engaging in energy trading and marketing activities to develop a risk management policy. This policy must be consistent with the Southern Company Enterprise Risk Management Framework document and must include, but not be limited to, well-defined segregation of duties, limits on capital at risk and established credit policies.

I. Purpose

[redacted]

[redacted]

[redacted]

II. Business Objectives

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

III. Business Strategies

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

[redacted]

[redacted]

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

IV. Authorizations

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

V. Segregation of Duties

[redacted]

[redacted]

[redacted]

Appendix E shows the organizational separation of function required by this RMP. The following is a summary of the responsibilities of the different functions:

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

[redacted]

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

[redacted]

Settlement: The function of settlement includes the following responsibilities:

[redacted]

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

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

VI. Market Risk Identification

[redacted]

VII. Market Risk Measurement and Valuation

[redacted]

[redacted]

[redacted]

[redacted]

VIII. Market Risk Limits

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

IX. Credit Risk

[redacted]

[redacted]

X. New Products

[redacted]

[redacted]

XI. Funding Liquidity

[redacted]

XII. Operating Procedures and Systems

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

XIII. Accounting and Tax

[redacted]

XIV. Legal

[redacted]

XV. Monitoring and Reporting

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

[redacted]

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

XVI. Personal Trading

[redacted]

XVII. Business Recovery

[redacted]

XVIII. Compliance

[redacted]

[redacted]

XIX. Independent Review

[redacted]

XX. Policy Amendments

[redacted]

[redacted]

[redacted]

XXII. Terminology

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

APPENDIX A
APPROVED BUSINESS OBJECTIVES

Fleet Operations and Trading

The primary objectives of Fleet Operations and Trading are to:

[redacted]

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

[redacted]

Southern Power Company Trading & Asset Management

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

[redacted]

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

[redacted]

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

Natural Gas Fulfillment Function

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

[redacted]

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

Environmental Products Management Function

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

[redacted]

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

Coal Fulfillment Function

The primary objectives of the Coal Fulfillment Function are to:

[redacted]

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

APPENDIX B
APPROVED COMMODITIES

The approved commodities for this RMP are:

- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]
  - [redacted]
  - [redacted]
  - [redacted]
  - [redacted]

APPENDIX C
APPROVED INSTRUMENTS

The approved instruments are:

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

APPENDIX D
AUTHORIZATIONS

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

APPENDIX D
AUTHORIZATIONS (continued)
Energy Marketing

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

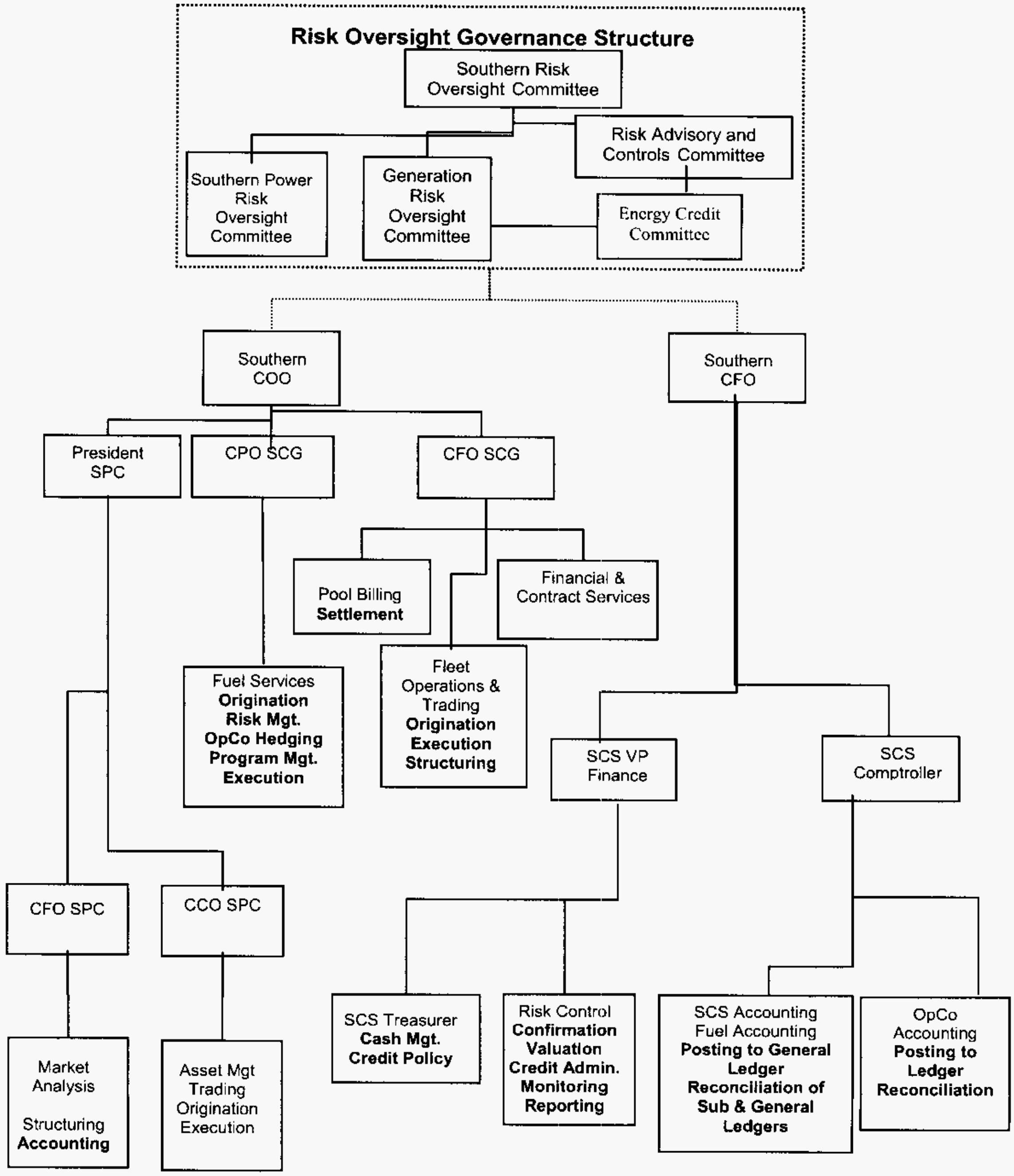
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]

APPENDIX D
AUTHORIZATIONS (continued)
SCS Fuel Services

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

APPENDIX E
SEGREGATION OF DUTIES

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



APPENDIX F
MARKET RISK MEASUREMENT

Approved Commodities	Value at Risk Method
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]

Parametric VaR Methodology

Formula Components

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

Equation

VaR = PSN * ΔP * Square Root of HP * CI

Parameters Commodity	Holding Period (HP)	Multiplier (CI)
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]

APPENDIX F
STRESS TESTING METHODOLOGY

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

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

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

Specifically, the expected downward stress is calculated as

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

and the expected upward stress is calculated as

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

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

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

Ad Hoc Stress Testing

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

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

APPENDIX G
NOTIFICATION LEVELS

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

APPENDIX G
NOTIFICATION LEVELS

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

APPENDIX G
NOTIFICATION LEVELS

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

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

APPENDIX G
NOTIFICATION LEVELS

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

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

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

APPENDIX H
MARKET RISK LIMITS

Net Open Position Limits

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

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

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

APPENDIX I
INCUMBENT LISTING; AUTHORIZED INDIVIDUALS

Incumbent Listing

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

Southern Company Risk Oversight Committee

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

APPENDIX I
INCUMBENT LISTING; AUTHORIZED INDIVIDUALS

Southern Company Risk Advisory & Controls Committee

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

Southern Company Generation Risk Oversight Committee

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

Southern Power Risk Oversight Committee

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

Southern Company Generation Energy Credit Committee

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

APPENDIX I
INCUMBENT LISTING; AUTHORIZED INDIVIDUALS (continued)

Authorized Individuals

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

Notes:
(1) Authority to make changes to transactions including entering transactions related to loss adjustments and full/partial requirements customers.
(2) Authority to direct a transaction.

APPENDIX I
INCUMBENT LISTING; AUTHORIZED INDIVIDUALS (continued)

Authorized Individuals

Title	Name	Approved Commodities								
		Electricity		Natural Gas			Coal	Oil	Allow-ances	RECs
		Energy	Trans.	Gas	Trans-port	Storage				
SCS Fuel Services										
Gas Services, Director	Carl Haga			X	X	X		X		
Gas Operations Mgr.	Roy Hiller			X	X	X				
NG Buyer - Physical	John Benefield			X	X	X				
NG Buyer - Physical	Karen Gandy			X	X	X		X		
NG Buyer - Physical	Carol Thomasson			X	X	X				
NG Buyer - Physical NG Buyer - Financial	Vicki Gaston			X	X	X				
Gas Trading Mgr.	Paul Hughes			X				X		
NG Buyer - Financial	Tonya Gary			X	X	X		X		
NG Buyer - Physical NG Buyer - Financial	Bronson Kilgore			X				X		
NG Scheduler	Tisha Dale				X	X				
NG Scheduler	Russ Hall				X	X				
NG Scheduler	Cherie McDaniel			X	X	X				
NG Scheduler	David Sokira				X	X				
NG Scheduler	Billie Williams				X	X				
Coal & Transport Procure Manager	Debra Rouse						X			
Emissions Trader	Vacant								X	X
Emissions Trading Mgr	Josh Hale								X	X
Emissions Trader	Richard Taylor								X	X

Title	Name	Approved Commodities								
		Electricity		Natural Gas			Coal	Oil	Allow-ance	RECs
		Energy	Trans.	Gas	Trans-port	Storage				
Southern Power Company										
Manager - Trading & Asset Management	Joe Styslinger	X		(2)			(2)	(2)	(2)	(2)
Asset Management	Casey Blythe			(2)						
Asset Management	Vacant			(2)						
Asset Management	Ty Story			(2)			(2)	(2)	(2)	(2)
Project Manager	Kenneth Wills	X		(2)			(2)	(2)	(2)	(2)
Term Trader	Scott Morales	X		(2)			(2)	(2)	(2)	(2)
Term Trader	John Spratley	X		(2)			(2)	(2)	(2)	(2)
Asset Manager	Bryan Mitchell			(2)	(2)	(2)				

Notes:
(1) Authority to make changes to transactions including entering transactions related to loss adjustments and full/partial requirements customers.
(2) Authority to direct a transaction.

APPENDIX J
ACCOUNTING AND TAX

[redacted]

[redacted]

[redacted]

[redacted]

APPENDIX K
EMPLOYEE ACKNOWLEDGMENT

I have been provided a copy of the Southern Company Energy Trading Risk Management Policy (RMP) and have had an opportunity to read and familiarize myself with its contents and understand the requirements that apply to my position.

I understand that the officers and Board of Directors of SCS place a very high priority on each employee adhering to the requirements, policies, and procedures described in the RMP and on the accurate tracking and reporting of levels and types of risks as described in the RMP.

I agree to comply with the policies, requirements, and procedures of the RMP as all or portions of the RMP apply to my position. I do not have any questions regarding or need to clarify any matters contained in the RMP. I understand that failure to comply with the RMP or associated or related policies can result in disciplinary actions up to and including termination of employment.

____
Printed Name

____
Signature

Date: __________________ ____, 200_

APPENDIX L
DEFINITIONS

Allowances	An authorization to emit chemical pollutants, including but not limited to sulfur dioxide, nitrous oxide, or green house gases. These are usually traded in over-the-counter markets via brokers with one allowance permitting the emission of one ton of the pollutant.
Approved Business Objectives	Those business objectives defined in Appendix A which have been approved.
Approved Commodity	Those commodities listed in Appendix B which have been approved.
Authorities	All applicable limitations imposed on SCG RMP trading activities, and shall include, but not necessarily be limited to, authorized trading limits, daily loss exposure limits, maximum approved value at risk, income limits, and term limits.
Authorized Individuals	Employees whose position may involve: (1) the authority (or appearance of authority) to directly bind the Company to agreements with third parties; and/or (2) the authority (or appearance of authority), acting through its various brokers and other representatives, to the Company to exchange-traded futures and option contracts.
Approved Risk Management Instruments	Those instruments listed in Appendix C which have been approved.
Authorized Trading Limit	The levels set out in Appendix H. Such levels are expressed in dollars that establish boundaries for maximum value at risk due to changes in market prices.
Credit Policy	Southern Company Energy Trading Credit Risk Management Policy
Daily Portfolio Value	The net present value on a mark-to-market basis of yet to be performed transactions from all approved portfolios.
Financial Instruments	Futures, forwards, options, swaps, and other derivative or financial risk management transactions entered into to hedge price risks.
Forwards	An agreement to buy or sell a quantity of a product, at an agreed price, on a given date, with a specific counterparty. Forwards are typically trading in the over-the-counter (OTC) markets.
Futures	An agreement to buy or sell a quantity of a product, at an agreed price, on a given date, traded on an exchange, and cleared by a clearinghouse.
Hedging Strategy	A trading strategy intended to reduce risk.
Illiquid Market	A market characterized by wide bid/offer spreads, lack of transparency, and large movements in price after any sizable deal.
Mark to Market (MTM)	The value of a financial instrument, or risk book of such instruments, at current market rates, or prices of the underlying commodity.

Market Positions	Positions taken that are readily liquidated at a readily observable and transparent price.
Net Open Position	The sum of all open positions for the approved commodities on an equivalent basis.
Open Position	The difference between long positions and short positions in any given risk book.
Option	An instrument which provides the holder the right, but not the obligation, to sell to (or buy from) the option seller the underlying commodity at a specified price and time.
Originator	The lead individual responsible for negotiating the transaction with the counterparty.
P&L	Profit and loss
Premises	Southern Company Generation business office located in Birmingham, Alabama.
Products	Financial instruments and related transactions for approved commodities as dictated by usage.
Risk Book	The official record in which details of all transactions are maintained for valuing, monitoring, managing, and reporting said risk.
RMP	Risk Management Policy
Separation Protocol	The separation of SPC functions from the Southern Operating Companies (Alabama Power Company, Georgia Power Company, Gulf Power Company, and Mississippi Power Company) including information sharing and a separation of personnel in order to comply with a Federal Energy Regulatory Commission (FERC) Order.
SCS	Southern Company Services, Inc.
SPC	Southern Power Company
Swaps	An agreement to exchange net future cash flows.
Structured Transaction	Any negotiated transaction not readily traded in the market and the price of which is not easily validated.
Transactions	Futures, forwards, options, swaps, or other instruments conducted over-the-counter or via organized exchanges including long- and short-term agreements involving approved commodities or financial instruments.
Value at Risk (VaR)	The expected loss that will be incurred on the portfolio with a given level of confidence over a specified holding period, based on the distribution of price changes over a given historical observation period. (This is not an estimate of worst possible loss.)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: **Fuel and Purchased Power Cost Recovery Clause with Generating Performance Incentive Factor**))) Docket No.: **110001-EI**

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing was furnished by U.S. mail this 29th day of July, 2011, on the following:

John T. Burnett
Dianne M. Triplett
Progress Energy Service Co.
P. O. Box 14042
St. Petersburg FL 33733-4042
john.burnett@pgnmail.com

John T. Butler, Esq.
Senior Attorney
Florida Power & Light Company
700 Universe Boulevard
Juno Beach FL 33408-0420
john_butler@fpl.com

Jennifer Crawford, Sr. Attorney
Office of General Counsel
FL Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee FL 32399-0850
jcrawfor@psc.state.fl.us

Patrick K. Wiggins
Post Office Drawer 1657
Tallahassee, FL 32302
wigglaw@gmail.com

Paula K. Brown
Tampa Electric Company
P. O. Box 111
Tampa FL 33601
Regdept@tecoenergy.com

Kenneth Hoffman
Florida Power & Light Co.
215 S. Monroe Street, Ste. 810
Tallahassee FL 32301-1859
Ken.Hoffman@fpl.com

Randy B. Miller
White Springs Agricultural Chemicals
PO Box 300
15483 Southeast 78th Street
White Springs, FL 32096
RMiller@pcsphosphate.com

James D. Beasley, Esq.
J. Jeffry Wahlen
Attorneys for Tampa Electric Co.
Ausley & McMullen
P. O. Box 391
Tallahassee FL 32302
jbeasley@ausley.com

Mr. Thomas A. Geoffroy
Florida Public Utilities Company
PO Box 3395
West Palm Beach, FL 33402-3395
tgeoffroy@fpuc.com

Paul Lewis, Jr.
Progress Energy Florida, Inc.
106 E. College Ave., Ste. 800
Tallahassee FL 32301
paul.lewisjr@pgnmail.com

Robert Scheffel Wright
John T. LaVia, III
Young Law Firm
225 S. Adams Street, Suite 200
Tallahassee FL 32301
swright@yvlaw.net

Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 South Monroe St., Suite 618
Tallahassee, Florida 32301
bkeating@gunster.com

Vicki Kaufman
Jon Moyle
Keefe Anchors Gordon & Moyle PA
118 N. Gadsden St.
Tallahassee, FL 32301
vkaufman@kagmlaw.com
jmoyle@kagmlaw.com

JR. Kelly
P. Christensen
C. Rehwinkel
Associate Public Counsel
Office of Public Counsel
111 West Madison Street, Rm. 812
Tallahassee, FL 32399- 1400
christensen.patty@leg.state.fl.us
Rehwinkel.Charles@leg.state.fl.us
Kelly.jr@leg.state.fl.us

James W. Brew
F. Alvin Taylor
Brickfield, Burchette, et al., P.C.
1025 Thomas Jefferson St., NW
Eighth Floor, West Tower
Washington, DC 20007-5201
jbrew@bbrslaw.com
ataylor@bbrslaw.com

Karen S. White, Staff Attorney
AFLSA/JACL-ULGSC
139 Barnes Drive, Suite 1
Tyndall AFB, FL 32403-5319
karen.white@tyndall.af.mil

Michael C. Barrett
Div Of Economic Regulation
Fl Public Service Commission
2540 Shumard Oak Blvd
Tallahassee, Fl 32399-0850
mbarrett@psc.state.fl.us

Lisa Bennett
Office of General Counsel
FL Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee FL 32399-0850
lbennett@psc.state.fl.us

JEFFREY A. STONE
Florida Bar No. 325953
RUSSELL A. BADDERS
Florida Bar No. 007455
STEVEN R. GRIFFIN
Florida Bar No. 0627569
BEGGS & LANE
P. O. Box 12950
Pensacola FL 32591-2950
(850) 432-2451
Attorneys for Gulf Power Company