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March 19, 2008

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COMMISSION
CLERK

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

Dear Ms. Cole:

RE: Docket No. 080001-EI

Enclosed are an original and 10 copies of Gulf Power Company's Request for Confidential Classification regarding certain information submitted by Gulf Power in response to Commission Staff's First Set of Interrogatories to Gulf Power Company (Nos. 1-10).

Sincerely,

Susan D. Ritenour

CMP _____

COM _____

CTR _____

ECR _____

bh

GCL 2 _____

OPC _____

Enclosures

RCA _____

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

SCR _____

SGA _____

SEC _____

OTH 1 conf records _____

DOCUMENT NUMBER-DATE

02075 MAR 20 08

FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

Docket No.: 080001-EI
Date: March 19, 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 information submitted by Gulf Power in response to Commission Staff's First Set of Interrogatories to Gulf Power Company (Nos. 1-10). As grounds for this request, the Company states:

1. On February 29, 2008, Gulf Power filed a Notice of Intent to Request Confidential Classification of information submitted in response to interrogatories numbered 1, 2, 5 and 6 of Commission Staff's First Set of Interrogatories pursuant to Rule 25-22.006, F.A.C. Because the documents are still in possession of the Commission Staff, Gulf files this Request for Confidential Classification pursuant to Rule 25-22.006(3)(a)1, F.A.C.

2. A portion of the information submitted by Gulf Power in response to interrogatories numbered 1, 2, 5 and 6 of Commission Staff's First Set of Interrogatories is proprietary confidential business information regarding 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 were disclosed to the general public. The information is entitled to confidential classification pursuant to §366.093(3) (d) and (e), Florida Statutes. Specifically, the confidential information consists of pricing terms for coal and natural gas offered to and/or purchased by Mississippi Power and Gulf Power in connection with

DOCUMENT NUMBER-DATE

02075 MAR 20 08

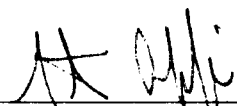
COMMISSION CLERK

Requests for Proposal issued by Mississippi Power¹ and Gulf Power in 2007. Disclosure of this information would negatively impact Gulf's ability to negotiate pricing favorable to its customers in the future. In addition, potential counterparties may refuse to enter into contracts with Gulf or would charge higher prices if the contract terms were made public.

3. 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.

4. Submitted as Exhibit "A" are copies of the subject documents, on which is highlighted the information for which confidential classification is requested. 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.



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(850) 432-2451
Attorneys for Gulf Power Company

¹ Gulf Power is a co-owner of coal units at Mississippi Power's Plant Daniel.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: **Fuel and Purchased Power Cost**)
Recovery Clause with Generating)
Performance Incentive Factor)

Docket No.: **080001-EI**

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing was furnished by U. S. mail this 19th day of March, 2008, on the following:

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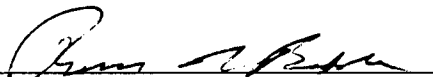
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Attorneys for Gulf Power Company

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

Docket No.: 080001-EI

Date: March 19, 2008

_____)

REQUEST FOR CONFIDENTIAL CLASSIFICATION

EXHIBIT "A"

Provided to the Commission Clerk
under separate cover as confidential information

EXHIBIT "B"

1. For each Request for Proposal for coal issued in 2007 by Gulf Power Company (GULF), list the bids received. Include the supplier, tonnage bid, coal quality, and delivered price information, as well as the method and route of delivery.

ANSWER:

No requests for proposals were issued for coal purchases in 2007 by Gulf Power Company. Mississippi Power Company issued one Request for Proposal that included the coal units at Plant Daniel, which are co-owned by Gulf.

A list of bids received including supplier, tonnage bid, coal quality, and delivered price information, as well as the method of delivery is attached. The route of delivery for rail shipments of coal is determined solely by the railroad(s) participating in the movement. However, generally coal shipments that originate on the western railroads, BNSF Railway and UP Railroad, will ship to Memphis, TN where it interchanges with the CN Railway, which ships the coal to Evansville, MS where it interchanges with the Mississippi Export Railroad for ultimate delivery to Plant Daniel. Coal shipments that originate on the eastern railroads will either load directly on the CN Railroad or the CSX Railroad or will interchange with either of these two railroads at some point, and the CN or CSX will interchange with the Mississippi Export Railroad either in Evansville, MS or Pascagoula, MS for ultimate delivery to Plant Daniel.

DANIEL BIDDERS 2007 LINEUP

Plant Daniel 4 year Lineup w/ PRB not sorted

<u>A</u> <u>Bid</u>	<u>B</u> <u>Supplier</u>	<u>C</u> 2008 <u>Price (\$/ton)</u>	<u>D</u> 2008 <u>Trans. Rate</u>	<u>E</u> HV <u>Btu/lb</u>	<u>F</u> Sulfur <u>%</u>	<u>G</u> Ash <u>%</u>	<u>H</u> Moisture <u>%</u>	<u>I</u> <u>Comments</u>
1 Bid # 1	Interocean Coal Sales			11,300	0.50%	9.0%	15.0%	fob railcar McDuffie
2 Bid # 3	Coal Marketing Company, USA			11,300	0.70%	9.3%	13.5%	CIF McDuffie
3 Bid # 5a	Alliance Coal, LLC			12,500	0.75%	8.0%	10.0%	fob railcar MC Mining, Scott's Branch CSX 84171, KY
4 Bid # 6a	Glencore Ltd.			11,300	0.62%	7.0%	11.5%	CIF McDuffie
5 Bid # 6b	Glencore Ltd.			11,300	0.65%	7.0%	11.5%	CIF McDuffie
6 Bid # 6c	Glencore Ltd.			12,400	0.75%	7.0%	8.0%	CIF McDuffie
7 Bid #8a	Arch Coal Sales			11,700	0.53%	7.0%	11.0%	fob railcar Somerset, CO
8 Bid #8b	Arch Coal Sales			11,700	0.53%	7.0%	11.0%	fob railcar Somerset, CO
9 Bid # 9	Peabody CoalTrade, Ltd.			12,800	0.80%	6.5%	7.5%	CIF McDuffie
10 Bid #10b	CoalSales, LLC			10,800	0.43%	9.0%	18.0%	fob barge Evansville Terminal Ohio River M.P#784.1 to McDuffie
11 Bid #11	CoalSales, LLC			11,300	0.51%	9.0%	12.0%	fob railcar Routt, CO
12 Bid #12	Oxbow Carbon & Minerals, LLC			12,000	0.50%	12.0%	12.0%	fob railcar Somerset, CO
13 Bid #13	Consol of Kentucky, Inc.			12,000	0.72%	14.0%	8.0%	fob railcar NS #0106 Big Omer, Kenova, WV fob railcar-Samples Complex, CSX Station # 81750, IL
14 Bid #16	Magnum Coal			12,300	0.70%	12.0%	7.0%	fob railcar Gurnee Junction, AL
15 Bid #17a	Twin Pines Coal Company			12,000	0.69%	12.0%	12.0%	fob railcar Savage Coal Terminal, Price Utah
16 Bid #20	Commonwealth Coal Services, Inc.			11,600	0.67%	12.0%	10.5%	fob railcar Custer, MT
17 Bid #21	Carpenter Creek Resources, LLC			10,800	0.50%	5.0%	16.0%	fob railcar Black Thunder Mine, WY
18 Bid # PRB-1	Arch Coal Sales			8,800	0.35%	5.7%	26.4%	fob railcar NARM, WY
19 Bid # PRB-2	Coal Sales, LLC			8,700	0.22%	4.5%	27.7%	fob railcar Campbell County, WY
20 Bid # PRB-3a	Rio Tinto Energy America, Inc.			8,800	0.24%	5.3%	26.7%	fob railcar Campbell County, WY
21 Bid # PRB-3b	Rio Tinto Energy America, Inc.			8,800	0.40%	5.3%	27.4%	fob railcar Big Horn County, MT
22 Bid # PRB-3c	Rio Tinto Energy America, Inc.			9,350	0.37%	4.1%	25.4%	Loadpoint-Buckskin Junction, WY
23 Bid # PRB-4	Buckskin Mining Company, LLC			8,350	0.48%	7.0%	33.0%	

2. For each Request for Proposal for coal issued in 2007 by GULF, what action was taken? Include with your response, a summary of the evaluation process, and how the successful proposals were selected.

ANSWER:

No requests for proposals were issued for coal purchases in 2007 by Gulf Power Company. Mississippi Power Company issued one Request for Proposal that included the coal units at Plant Daniel, which are co-owned by Gulf.

A summary of the evaluation process and how the successful proposals were selected is attached. This document is titled "Purchase Recommendation Letter" from Scott Clouse, Southern Company Services (SCS) Coal Procurement Agent, to David Mauffray, Fuel Manager of Mississippi Power Company.



DATE: January 18, 2008

RE: MISSISSIPPI POWER COMPANY
LONG-TERM COAL SOLICITATION 2008-2011

FROM: Scott Clouse

TO: David Mauffray

This letter is written to document the long-term coal purchases that were made on behalf of Mississippi Power Company's Plants Daniel and Watson. This solicitation was made to support the projected 2008 through 2011 coal burn and inventory requirements at these plants. In addition, these purchases were made in order to support Mississippi Power Company's Long-Term Coal Procurement Strategy and Tactical Plan.

A bid invitation was mailed on April 25, 2007, soliciting bids from all approved suppliers listed on the Mississippi Power Company Bid List. The solicitation requested bids for the purchase of coal for a term of four (4) years beginning January 1, 2008 and ending on December 31, 2011. The initial bid close date was May 16, 2007. An email was sent to all suppliers on May 8, 2007 informing that due to extenuating circumstances the bid deadline would be extended to June 11, 2007. In response to this solicitation, thirty-two (32) offers were received from nineteen (19) different coal suppliers including six (6) offers from four (4) different coal suppliers from the Powder River Basin. The offer selection consisted of one, two, three and four year terms. Offers were received from the Northern Appalachian, Central Appalachian, Southern Appalachian, Illinois Basin, Colorado, PRB, Venezuelan and Colombian coal supply regions.

A review of Daniel and Watson's inventory plans and burn projections for the 2008 through 2011 timeframe indicated the need of approximately 1.9 million tons of coal for year 2008, 4.8 million tons in 2009, 5.5 million tons in 2010 and approximately 5.4 million tons in 2011. As mentioned above, the goal is to purchase volumes that will conform to the contracting philosophy contained in the MPC Long-Term Coal Procurement Strategy and Tactical Plan.

The thirty-two proposals that were received were evaluated to Daniel and Watson on a fully delivered present value basis, including the value of sulfur, and when applicable, mercury and NO_x. In support of the evaluation process, transportation rates and lease and maintenance costs were provided by Alan Miller, Transportation Agent and SO₂, NO_x, and mercury allowance values were provided by Ashley Robinett, Manager of Emissions Trading.

An evaluation to derive a delivered least cost line-up, on a net present value basis, was performed using the two, three and four-year term offers, their applicable transportation rates and emission allowance values. This evaluation resulted in a short list of the most competitive offers to both plants. Included in the shortlist of suppliers were import suppliers whose bids had expired. The import suppliers notified me that due to an increase cost in ocean freight, their bid would need to be refined to reflect then current ocean freight prices. As a result, both import and domestic suppliers who made the competitive tier were asked to revisit their offer and confirm their pricing. All competitive suppliers were contacted via email and asked to submit their modified offer by July 20, 2007. While most offers remained firm, one import offer increased substantially as a result of the increase cost in ocean freight. The evaluation of all offers received indicated the need to purchase term coal from Coal Sales LLC, Interocean Coal Sales, LDC, and Oxbow Mining, LLC. The following documentation was based on the evaluation of these modified offers:

Plant Daniel

Based on the delivered economics of all offers, PRB coal was the most economical coal into Plant Daniel. Coal Sales offer from their North Antelope Rochelle Mine was the most competitive PRB offer with a starting price of [REDACTED] including sulfur. In order to realize the maximum economic benefits of PRB coal in 2008 and 2009, MPC elected to divert a portion of previously contracted Plant Daniel coal to Plant Watson to create a larger need for PRB coal. Coal Sales offered 1.3M tons for 2008 through 2012. When the railroads were contacted about this long-term PRB opportunity, the Canadian National (CN) railroad communicated that they

would not commit to a term longer than two years. Therefore, a two year deal with Coal Sales was entered into for 1M tons per year for 2008 and 2009.

^A Oxbow's offer from their Elk Creek mine in Somerset, CO was the most competitive bituminous offer. The Union Pacific (UP) railroad was contacted and expressed interest in maintaining business to the east. They therefore offered to revise the existing rail contract with MPC to add term and decrease the percentage increase in the base price (initial 7% increase from 2007 to 2008, revised 3% increase). With the updated rail rates, Oxbow's offer delivered at a starting price of [REDACTED] including sulfur. As with the PRB coal, the CN was unwilling to commit to term longer than two years. Based on current commitments to Daniel coupled with the desire for volume flexibility, it was decided that small tonnage should be contracted in 2008. Therefore, a two year deal with Oxbow was entered into for 300,000 tons in 2008 and 1.2M tons in 2009.

I entered into contract negotiations with Coal Sales and Oxbow and contracts were entered into by both parties based on mutually acceptable terms and conditions.

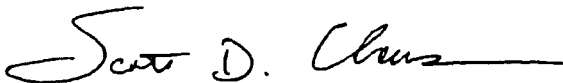
Due to the CN's reluctance to enter into long term contracts as discussed, coupled with the small committed tonnage in the out years, which did not conform to the long-term coal procurement strategy, it was determined that Daniel needed to investigate committing to tonnage in 2010 and 2011. The next least cost offer was from Interocean's Mina Pribbenow mine in Colombia, South America which had a starting delivered price of [REDACTED] including sulfur.

Plant Watson

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[REDACTED]

After review and concurrence of the above information with you, contracts and new purchase orders were executed covering these purchases. These contracts and purchase orders were verified and entered into FAACS. Documentation for these purchases can be found in the SCS Fuels file room located in the APC Corporate Headquarters.

Sincerely,



Scott D. Clouse
Coal Procurement Agent

Cc
S.B Comensky
D.J. Rouse
J.R. Grubb
S. J. Clayton
H.T. Swindle

5. For each Request for Proposal for natural gas issued in 2007 by GULF, list the bids received.

ANSWER:

2007 Average Basis - May through September of 2007

- ANR = (\$0.015)
- CGT Mainline = (\$0.010)
- TZ4 Basis = \$0.272
- Tennessee 500 = \$0.001
- FGT Zone 3 Basis = \$0.735
- SNG LA Basis = \$0.044

Bidder	Term	Delivery Period	Quantity DTH/day	Receipt Pipe	Bid Price	Demand Adder	Bid Adder	Basis	to Henry Hub	Optionality
Constellation- 1	Up to 2 years	Jun 08 - May 10	20,000	Destin	GD FGT Z3	[REDACTED]	[REDACTED]	\$0.7354	[REDACTED]	Z3, SNG Z2, or Sta 85 - depending on mainline point requested
Constellation- 2	Up to 4 years	Jun 08 - May 12	20,000	Destin	GD FGT Z3	[REDACTED]	[REDACTED]	\$0.7354	[REDACTED]	SNG Z2, or Sta 85 - depending on mainline point requested
Chevron- 7	1 year	Jun 08 - May 9	20,000	Destin	GD FGT Z3	[REDACTED]	[REDACTED]	\$0.7354	[REDACTED]	
Chevron- 8	2 years	Jun 08 - May 10	20,000	Destin	GD FGT Z3	[REDACTED]	[REDACTED]	\$0.7354	[REDACTED]	
Louis Dreyfus- 2	1 year	Jun 08 - May 10	20,000	Destin	GD FGT Z3	[REDACTED]	[REDACTED]	\$0.7354	[REDACTED]	
Louis Dreyfus-13	3 months	Jun - Aug	20,000	Destin	GD FGT Z3	[REDACTED]	[REDACTED]	\$0.7354	[REDACTED]	
Shell- 2	1 year	Jun 08 - May 9	20,000	Destin	GD FGT Z3	[REDACTED]	[REDACTED]	\$0.7354	[REDACTED]	
ConocoPhillips- 1	1 year	Jun 08 - May 9	10,000	Destin	GD FGT Z3	[REDACTED]	[REDACTED]	\$0.7354	[REDACTED]	
Constellation- 15	Up to 2 years	Jun - Aug	20,000	Destin	GD FGT Z3	[REDACTED]	[REDACTED]	\$0.7354	[REDACTED]	FGT Z3, SNG Z2, or Sta 85 - depending on mainline point requested
Constellation- 16	Up to 4 years	Jun - Aug	20,000	Destin	GD FGT Z3	[REDACTED]	[REDACTED]	\$0.7354	[REDACTED]	FGT Z3, SNG Z2, or Sta 85 - depending on mainline point requested

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Staff's First Set of Interrogatories
Docket No. 080001-EI
GULF POWER COMPANY
February 29, 2008
Item No. 5
Page 2 of 2

						A	B	C		
Bidder	Term	Delivery Period	Quantity DTH/day	Receipt Pipe	Bid Price	Demand Adder	Bid Adder	Basis	to Henry Hub	Optionality
1 Chevron- 25	3 months	Jun - Aug	20,000	Destin	GD FGT Z3			\$0.7354		
2 Chevron- 26	3 months	Jun - Aug	20,000	Destin	GD FGT Z3			\$0.7354		
3 Chevron- 27	3 months	Jun - Aug	20,000	Destin	GD FGT Z3			\$0.7354		
4 Shell- 5	3 months	Jun - Aug	20,000	Destin	GD FGT Z3			\$0.7354		
5 Noble- 1	1 year	Jun 08 - May 9	10,000	Mobile Bay-FGT	IF FGT Z3					IF FGT Z3 + .08 from 4/08 to 10/08, IF Transco Z4 + .03 from 11/08 to 3/09
6 Chevron- 9	1 year	Jun 08 - May 9	10,000	Mobile Bay-FGT	IF FGT Z3					
7 Shell- 4	1 year	Jun 08 - May 9	10,000	Mobile Bay-FGT	IF FGT Z3					
8 Constellation- 3	Up to 2 years	Jun 08 - May 10	10,000	Mobile Bay-FGT	IF FGT Z3					FGT Z3 when FGT requested, or any Mobile Bay plant
9 Chevron- 10	2 years	Jun 08 - May 10	10,000	Mobile Bay-FGT	IF FGT Z3					
10 Constellation- 4	Up to 4 years	Jun 08 - May 12	10,000	Mobile Bay-FGT	IF FGT Z3					FGT Z3 when FGT requested, or any Mobile Bay plant
11 Chevron- 28	3 months	Jun - Aug	20,000	Mobile Bay-FGT	IF FGT Z3					
12 Chevron- 29	3 months	Jun - Aug	20,000	Mobile Bay-FGT	IF FGT Z3					
13 Constellation- 17	Up to 2 years	Jun - Aug	40,000	Mobile Bay-FGT	GD FGT Z3			\$0.7354		FGT Z3 when FGT requested, or any Mobile Bay plant
14 Constellation- 18	Up to 4 years	Jun - Aug	40,000	Mobile Bay-FGT	GD FGT Z3			\$0.7354		FGT Z3 when FGT requested, or any Mobile Bay plant
15 BG- 2	3 months	Jun - Aug	25,000	Mobile Bay-FGT	GD FGT Z3			\$0.7354		

6. For each Request for Proposal for natural gas issued in 2007 by GULF, what action was taken? Include with your response, a summary of the evaluation process, and how the successful proposal was selected.

ANSWER:

The proposals were evaluated based on quoted price and supply receipt point relative to Gulf's existing firm natural gas transportation contracts. The low-cost suppliers with terms that met Gulf's supply needs were selected from the submitted proposals. Two proposals were selected and supply agreements initiated with the successful bidders.

These were:

A B

SUPPLIER: Constellation Energy-15

QUANTITY: 20,000 DTH/Day,

TERM: (Summer) June - August 2008 and June - August 2009,

PRICE: Gas Daily FGT Zone 3 plus [REDACTED]

SUPPLIER: Chevron-9

QUANTITY: 10,000 DTH/Day

TERM: (Annual) June 2008 - May 2009

PRICE: FGT Zone 3 plus [REDACTED]

1. For each Request for Proposal for coal issued in 2007 by Gulf Power Company (GULF), list the bids received. Include the supplier, tonnage bid, coal quality, and delivered price information, as well as the method and route of delivery.

ANSWER:

No requests for proposals were issued for coal purchases in 2007 by Gulf Power Company. Mississippi Power Company issued one Request for Proposal that included the coal units at Plant Daniel, which are co-owned by Gulf.

A list of bids received including supplier, tonnage bid, coal quality, and delivered price information, as well as the method of delivery is attached. The route of delivery for rail shipments of coal is determined solely by the railroad(s) participating in the movement. However, generally coal shipments that originate on the western railroads, BNSF Railway and UP Railroad, will ship to Memphis, TN where it interchanges with the CN Railway, which ships the coal to Evansville, MS where it interchanges with the Mississippi Export Railroad for ultimate delivery to Plant Daniel. Coal shipments that originate on the eastern railroads will either load directly on the CN Railroad or the CSX Railroad or will interchange with either of these two railroads at some point, and the CN or CSX will interchange with the Mississippi Export Railroad either in Evansville, MS or Pascagoula, MS for ultimate delivery to Plant Daniel.

DANIEL BIDDERS 2007 LINEUP

Plant Daniel 4 year Lineup w/ PRB not sorted

<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>	<u>H</u>	<u>I</u>
<u>Bid</u>	<u>Supplier</u>	<u>2008</u>	<u>2008</u>	<u>HV</u>	<u>Sulfur</u>	<u>Ash</u>	<u>Moisture</u>	<u>Comments</u>
		<u>Price (\$/ton)</u>	<u>Trans. Rate</u>	<u>Btu/lb</u>	<u>%</u>	<u>%</u>	<u>%</u>	
1 Bid # 1	Interocean Coal Sales			11,300	0.50%	9.0%	15.0%	fob railcar McDuffie
2 Bid # 3	Coal Marketing Company, USA			11,300	0.70%	9.3%	13.5%	CIF McDuffie
3 Bid # 5a	Alliance Coal, LLC			12,500	0.75%	8.0%	10.0%	fob railcar MC Mining, Scott's Branch CSX 84171, KY
4 Bid # 6a	Glencore Ltd.			11,300	0.62%	7.0%	11.5%	CIF McDuffie
5 Bid # 6b	Glencore Ltd.			11,300	0.65%	7.0%	11.5%	CIF McDuffie
6 Bid # 6c	Glencore Ltd.			12,400	0.75%	7.0%	8.0%	CIF McDuffie
7 Bid #8a	Arch Coal Sales			11,700	0.53%	7.0%	11.0%	fob railcar Somerset, CO
8 Bid #8b	Arch Coal Sales			11,700	0.53%	7.0%	11.0%	fob railcar Somerset, CO
9 Bid # 9	Peabody CoalTrade, Ltd.			12,800	0.80%	6.5%	7.5%	CIF McDuffie
10 Bid #10b	CoalSales, LLC			10,800	0.43%	9.0%	18.0%	fob barge Evansville Terminal Ohio River M.P#784.1 to McDuffie
11 Bid #11	CoalSales, LLC			11,300	0.51%	9.0%	12.0%	fob railcar Routt, CO
12 Bid #12	Oxbow Carbon & Minerals, LLC			12,000	0.50%	12.0%	12.0%	fob railcar Somerset, CO
13 Bid #13	Consol of Kentucky, Inc.			12,000	0.72%	14.0%	8.0%	fob railcar NS #0106 Big Omer, Kenova, WV fob railcar-Samples Complex, CSX Station # 81750, IL
14 Bid #16	Magnum Coal			12,300	0.70%	12.0%	7.0%	fob railcar Gurnee Junction, AL
15 Bid #17a	Twin Pines Coal Company			12,000	0.69%	12.0%	12.0%	fob railcar Savage Coal Terminal, Price Utah
16 Bid #20	Commonwealth Coal Services, Inc.			11,600	0.67%	12.0%	10.5%	fob railcar Custer, MT
17 Bid #21	Carpenter Creek Resources, LLC			10,800	0.50%	5.0%	16.0%	fob railcar Black Thunder Mine, WY
18 Bid # PRB-1	Arch Coal Sales			8,800	0.35%	5.7%	26.4%	fob railcar CAMPBELL COUNTY, WY
19 Bid # PRB-2	Coal Sales, LLC			8,700	0.22%	4.5%	27.7%	fob railcar Big Horn County, MT
20 Bid # PRB-3a	Rio Tinto Energy America, Inc.			8,800	0.24%	5.3%	26.7%	fob railcar Buckskin Junction, WY
21 Bid # PRB-3b	Rio Tinto Energy America, Inc.			8,800	0.40%	5.3%	27.4%	fob railcar Big Horn County, MT
22 Bid # PRB-3c	Rio Tinto Energy America, Inc.			9,350	0.37%	4.1%	25.4%	fob railcar Big Horn County, MT
23 Bid # PRB-4	Buckskin Mining Company, LLC			8,350	0.48%	7.0%	33.0%	Loadpoint-Buckskin Junction, WY

2. For each Request for Proposal for coal issued in 2007 by GULF, what action was taken? Include with your response, a summary of the evaluation process, and how the successful proposals were selected.

ANSWER:

No requests for proposals were issued for coal purchases in 2007 by Gulf Power Company. Mississippi Power Company issued one Request for Proposal that included the coal units at Plant Daniel, which are co-owned by Gulf.

A summary of the evaluation process and how the successful proposals were selected is attached. This document is titled "Purchase Recommendation Letter" from Scott Clouse, Southern Company Services (SCS) Coal Procurement Agent, to David Mauffray, Fuel Manager of Mississippi Power Company.



DATE: January 18, 2008
RE: MISSISSIPPI POWER COMPANY
LONG-TERM COAL SOLICITATION 2008-2011
FROM: Scott Clouse
TO: David Mauffray

This letter is written to document the long-term coal purchases that were made on behalf of Mississippi Power Company's Plants Daniel and Watson. This solicitation was made to support the projected 2008 through 2011 coal burn and inventory requirements at these plants. In addition, these purchases were made in order to support Mississippi Power Company's Long-Term Coal Procurement Strategy and Tactical Plan.

A bid invitation was mailed on April 25, 2007, soliciting bids from all approved suppliers listed on the Mississippi Power Company Bid List. The solicitation requested bids for the purchase of coal for a term of four (4) years beginning January 1, 2008 and ending on December 31, 2011. The initial bid close date was May 16, 2007. An email was sent to all suppliers on May 8, 2007 informing that due to extenuating circumstances the bid deadline would be extended to June 11, 2007. In response to this solicitation, thirty-two (32) offers were received from nineteen (19) different coal suppliers including six (6) offers from four (4) different coal suppliers from the Powder River Basin. The offer selection consisted of one, two, three and four year terms. Offers were received from the Northern Appalachian, Central Appalachian, Southern Appalachian, Illinois Basin, Colorado, PRB, Venezuelan and Colombian coal supply regions.

A review of Daniel and Watson's inventory plans and burn projections for the 2008 through 2011 timeframe indicated the need of approximately 1.9 million tons of coal for year 2008, 4.8 million tons in 2009, 5.5 million tons in 2010 and approximately 5.4 million tons in 2011. As mentioned above, the goal is to purchase volumes that will conform to the contracting philosophy contained in the MPC Long-Term Coal Procurement Strategy and Tactical Plan.

The thirty-two proposals that were received were evaluated to Daniel and Watson on a fully delivered present value basis, including the value of sulfur, and when applicable, mercury and NO_x. In support of the evaluation process, transportation rates and lease and maintenance costs were provided by Alan Miller, Transportation Agent and SO₂, NO_x, and mercury allowance values were provided by Ashley Robinett, Manager of Emissions Trading.

An evaluation to derive a delivered least cost line-up, on a net present value basis, was performed using the two, three and four-year term offers, their applicable transportation rates and emission allowance values. This evaluation resulted in a short list of the most competitive offers to both plants. Included in the shortlist of suppliers were import suppliers whose bids had expired. The import suppliers notified me that due to an increase cost in ocean freight, their bid would need to be refined to reflect then current ocean freight prices. As a result, both import and domestic suppliers who made the competitive tier were asked to revisit their offer and confirm their pricing. All competitive suppliers were contacted via email and asked to submit their modified offer by July 20, 2007. While most offers remained firm, one import offer increased substantially as a result of the increase cost in ocean freight. The evaluation of all offers received indicated the need to purchase term coal from Coal Sales LLC, Interocean Coal Sales, LDC, and Oxbow Mining, LLC. The following documentation was based on the evaluation of these modified offers:

Plant Daniel

Based on the delivered economics of all offers, PRB coal was the most economical coal into Plant Daniel. Coal Sales offer from their North Antelope Rochelle Mine was the most competitive PRB offer with a starting price of [REDACTED] including sulfur. In order to realize the maximum economic benefits of PRB coal in 2008 and 2009, MPC elected to divert a portion of previously contracted Plant Daniel coal to Plant Watson to create a larger need for PRB coal. Coal Sales offered 1.3M tons for 2008 through 2012. When the railroads were contacted about this long-term PRB opportunity, the Canadian National (CN) railroad communicated that they

would not commit to a term longer than two years. Therefore, a two year deal with Coal Sales was entered into for 1M tons per year for 2008 and 2009.

^A Oxbow's offer from their Elk Creek mine in ^B Somerset, CO was the most competitive bituminous offer. The Union Pacific (UP) railroad was contacted and expressed interest in maintaining business to the east. They therefore offered to revise the existing rail contract with MPC to add term and decrease the percentage increase in the base price (initial 7% increase from 2007 to 2008, revised 3% increase). With the updated rail rates, Oxbow's offer delivered at a starting price of [REDACTED] including sulfur. As with the PRB coal, the CN was unwilling to commit to term longer than two years. Based on current commitments to Daniel coupled with the desire for volume flexibility, it was decided that small tonnage should be contracted in 2008. Therefore, a two year deal with Oxbow was entered into for 300,000 tons in 2008 and 1.2M tons in 2009.

I entered into contract negotiations with Coal Sales and Oxbow and contracts were entered into by both parties based on mutually acceptable terms and conditions.

Due to the CN's reluctance to enter into long term contracts as discussed, coupled with the small committed tonnage in the out years, which did not conform to the long-term coal procurement strategy, it was determined that Daniel needed to investigate committing to tonnage in 2010 and 2011. The next least cost offer was from Interocean's Mina Pribbenow mine in Colombia, South America which had a starting delivered price of [REDACTED] including sulfur.

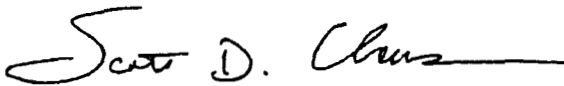
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Plant Watson

[REDACTED]

After review and concurrence of the above information with you, contracts and new purchase orders were executed covering these purchases. These contracts and purchase orders were verified and entered into FAACS. Documentation for these purchases can be found in the SCS Fuels file room located in the APC Corporate Headquarters.

Sincerely,



Scott D. Clouse
Coal Procurement Agent

- Cc
- S.B Comensky
- D.J. Rouse
- J.R. Grubb
- S. J. Clayton
- H.T. Swindle

5. For each Request for Proposal for natural gas issued in 2007 by GULF, list the bids received.

ANSWER:

2007 Average Basis - May through September of 2007

- ANR = (\$0.015)
- CGT Mainline = (\$0.010)
- TZ4 Basis = \$0.272
- Tennessee 500 = \$0.001
- FGT Zone 3 Basis = \$0.735
- SNG LA Basis = \$0.044

Bidder	Term	Delivery Period	Quantity DTH/day	Receipt Pipe	Bid Price	A Demand Adder	B Bid Adder	C Basis	to Henry Hub	Optionality
Constellation- 1	Up to 2 years	Jun 08 - May 10	20,000	Destin	GD FGT Z3	[REDACTED]		\$0.7354	[REDACTED]	Z3, SNG Z2, or Sta 85 - depending on mainline point requested
Constellation- 2	Up to 4 years	Jun 08 - May 12	20,000	Destin	GD FGT Z3	[REDACTED]		\$0.7354	[REDACTED]	SNG Z2, or Sta 85 - depending on mainline point requested
Chevron- 7	1 year	Jun 08 - May 9	20,000	Destin	GD FGT Z3		[REDACTED]	\$0.7354	[REDACTED]	
Chevron- 8	2 years	Jun 08 - May 10	20,000	Destin	GD FGT Z3		[REDACTED]	\$0.7354	[REDACTED]	
Louis Dreyfus- 2	1 year	Jun 08 - May 10	20,000	Destin	GD FGT Z3	[REDACTED]		\$0.7354	[REDACTED]	
Louis Dreyfus-13	3 months	Jun - Aug	20,000	Destin	GD FGT Z3	[REDACTED]		\$0.7354	[REDACTED]	
Shell- 2	1 year	Jun 08 - May 9	20,000	Destin	GD FGT Z3		[REDACTED]	\$0.7354	[REDACTED]	
ConocoPhillips- 1	1 year	Jun 08 - May 9	10,000	Destin	GD FGT Z3		[REDACTED]	\$0.7354	[REDACTED]	
Constellation- 15	Up to 2 years	Jun - Aug	20,000	Destin	GD FGT Z3	[REDACTED]		\$0.7354	[REDACTED]	FGT Z3, SNG Z2, or Sta 85 - depending on mainline point requested
Constellation- 16	Up to 4 years	Jun - Aug	20,000	Destin	GD FGT Z3	[REDACTED]		\$0.7354	[REDACTED]	FGT Z3, SNG Z2, or Sta 85 - depending on mainline point requested

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Staff's First Set of Interrogatories
Docket No. 080001-EI
GULF POWER COMPANY
February 29, 2008
Item No. 5
Page 2 of 2

						A	B	C		
Bidder	Term	Delivery Period	Quantity DTH/day	Receipt Pipe	Bid Price	Demand Adder	Bid Adder	Basis	to Henry Hub	Optionality
1 Chevron- 25	3 months	Jun - Aug	20,000	Destin	GD FGT Z3			\$0.7354		
2 Chevron- 26	3 months	Jun - Aug	20,000	Destin	GD FGT Z3			\$0.7354		
3 Chevron- 27	3 months	Jun - Aug	20,000	Destin	GD FGT Z3			\$0.7354		
4 Shell- 5	3 months	Jun - Aug	20,000	Destin	GD FGT Z3			\$0.7354		
5 Noble- 1	1 year	Jun 08 - May 9	10,000	Mobile Bay-FGT	IF FGT Z3					IF FGT Z3 + .08 from 4/08 to 10/08, IF Transco Z4 + .03 from 11/08 to 3/09
6 Chevron- 9	1 year	Jun 08 - May 9	10,000	Mobile Bay-FGT	IF FGT Z3					
7 Shell- 4	1 year	Jun 08 - May 9	10,000	Mobile Bay-FGT	IF FGT Z3					
8 Constellation- 3	Up to 2 years	Jun 08 - May 10	10,000	Mobile Bay-FGT	IF FGT Z3					FGT Z3 when FGT requested, or any Mobile Bay plant
9 Chevron- 10	2 years	Jun 08 - May 10	10,000	Mobile Bay-FGT	IF FGT Z3					
10 Constellation- 4	Up to 4 years	Jun 08 - May 12	10,000	Mobile Bay-FGT	IF FGT Z3					FGT Z3 when FGT requested, or any Mobile Bay plant
11 Chevron- 28	3 months	Jun - Aug	20,000	Mobile Bay-FGT	IF FGT Z3					
12 Chevron- 29	3 months	Jun - Aug	20,000	Mobile Bay-FGT	IF FGT Z3					
13 Constellation- 17	Up to 2 years	Jun - Aug	40,000	Mobile Bay-FGT	GD FGT Z3			\$0.7354		FGT Z3 when FGT requested, or any Mobile Bay plant
14 Constellation- 18	Up to 4 years	Jun - Aug	40,000	Mobile Bay-FGT	GD FGT Z3			\$0.7354		FGT Z3 when FGT requested, or any Mobile Bay plant
15 BG- 2	3 months	Jun - Aug	25,000	Mobile Bay-FGT	GD FGT Z3			\$0.7354		

6. For each Request for Proposal for natural gas issued in 2007 by GULF, what action was taken? Include with your response, a summary of the evaluation process, and how the successful proposal was selected.

ANSWER:

The proposals were evaluated based on quoted price and supply receipt point relative to Gulf's existing firm natural gas transportation contracts. The low-cost suppliers with terms that met Gulf's supply needs were selected from the submitted proposals. Two proposals were selected and supply agreements initiated with the successful bidders.

These were:

A B

SUPPLIER: Constellation Energy-15

QUANTITY: 20,000 DTH/Day,

TERM: (Summer) June - August 2008 and June - August 2009,

1 PRICE: Gas Daily FGT Zone 3 plus [REDACTED]

SUPPLIER: Chevron-9

QUANTITY: 10,000 DTH/Day

TERM: (Annual) June 2008 - May 2009

2 PRICE: FGT Zone 3 plus [REDACTED]

EXHIBIT "C"

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

Line(s)/Field(s)

Response to Interrogatory # 1

Page 2 of 2, Lines 1-23, Columns C and D

Response to Interrogatory # 2

January 18, 2008 Correspondence

Page 1, Line 1, Column A

Page 2, Line 1, Column B

Page 2, Line 2, Column A

Page 2, Lines 3-11

Response to Interrogatory #5

Page 1 of 2, Lines 1-10, Columns A-C

Page 2 of 2, Lines 1-15, Columns A-C

Response to Interrogatory # 6

Lines 1, Column B

Lines 2, Column A

Justification

This information is entitled to confidential classification pursuant to §366.093(3) (d) and (e), Florida Statutes. The basis for this information being designated as confidential is more fully set forth in paragraph 2.

STATE OF FLORIDA

COMMISSIONERS:
MATTHEW M. CARTER II, CHAIRMAN
LISA POLAK EDGAR
KATRINA J. MCMURRIAN
NANCY ARGENZIANO
NATHAN A. SKOP



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(850) 413-6770

Public Service Commission **CONFIDENTIAL**

ACKNOWLEDGEMENT

DATE: March 20, 2008

TO: Susan D. 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 080001 or, if filed in an undocketed matter, concerning responses to staff's 1st set of interrogatories, 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
02076 MAR 20 08
FPSC - COMMISSION CLERK

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