**Coal Transportation - Georgia Power Company**

The following is the coal transportation strategy for Georgia Power prepared in 2022 and effective January 1, 2023.

**Coal Transportation Procurement Strategy**

Southern Company’s coal transportation and railcar strategies address reliability, are cost-effective, include flexibility in volume commitments and provide the ability to adjust coal movements to changing coal supply sources and destinations as well as fluctuations in the market. The following information addresses risks associated with each of these areas and identifies strategies to mitigate them.

**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 providers that ensure barge, rail, transloading, and trucking companies have available infrastructure and resources in place to transport the required coal supply.

When single-source origins are specified, it is not desirable in most cases to have transportation agreements in place that extend beyond the coal agreement. With the competitive electric utility markets and changing environmental laws and regulations, such disconnects could expose the operating company to significant costs, should coal sources change dramatically or plant retirements occur earlier than projected. An exception to this rule occurs if it is projected that significant volumes will be taken from a coal region, and the carrier will quote rates from the entire region versus being specific to only one origin. This enhances reliability and allows longer-term rate incentives.

**Pricing Risk and Strategy**

Competition is created with diversity of coal supply sources and alternative transportation modes serving 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.

The goal is to obtain the most competitive pricing possible and to limit the escalation of prices to a percentage adjustment that is below the expected rate of inflation. Other cost optimization practices include mitigating demurrage charges that occur when there are delays in the loading and/or unloading process, strategically establishing annual volumes, seeking volume discount pricing, and seeking guaranteed cycle time provisions.

**Volume Risk and Strategy**

The uncertainty in the amount of coal generation and, therefore, coal burn remains one of the most critical risks that have to be addressed in our strategy for coal transportation procurement. Weather, economic conditions, and natural gas price will continue to impact future coal burn requirements.

To mitigate this risk of coal burn uncertainty, the goal is to minimize volume commitments as new agreements are put in place. This is counter to the desire of the rail and barge carriers who seek assurance of specific volume commitments. Therefore, the goal is to minimize volume commitments while ensuring carriers have the needed volume for capital investments necessary to maintain infrastructure and provide competitive pricing. An alternative method would be to sign requirement agreements that assure the carrier that it will move all volumes of coal at a particular plant or group of plants. Even in these instances, most carriers will require some minimum amount of volume.

Where it is possible and prudent, we will negotiate longer-term transportation agreements. An example of such would be an agreement to deliver coal from the Powder River Basin (PRB), which is a large and stable coal supply with a large reserve base, relatively low costs, and is projected to be a source of substantial future coal supply. Illinois Basin coal transportation agreements can also be logical choices if the carriers quote rates from freight districts, rather than specific mines. Where coal sourcing is quoted from a specific source, then the term of the transportation agreement should closely mirror the coal supply agreement.

**Supply Risk and Strategy**

Across the Southern Company system, multiple transportation modes and carriers are utilized in case there is a rail accident or other service disruption that might impact the supply chain. Diversity of transportation modes and carriers is also important because the location of coal supply sources changes as environmental laws and regulations evolve, and as coal is depleted in established regions. One component of a successful coal and transportation program is to maintain infrastructure to move and transload the coal from changing locations as this occurs. This may include enhancements to existing facilities or the development of new facilities.