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Natural Gas Hedging

Docket No. 33302

SUMMARY OF UTILITY FUEL HEDGING PRACTICES:

Each of the Southern Company operating companies (OPCOs), including Southern Power, utilize hedging instruments to manage fuel price risks. SCS utilizes fixed for float financial swaps as well as financial options in its' hedging activities. These transactions are executed "over-the-counter" primarily with financial institutions.

SCS executes hedge transactions as agent for Alabama Power, Georgia Power, Gulf Power, and Mississippi Power.* SCS assists in planning, analyzing and identifying hedge opportunities for this group of operating companies. Execution of hedge transactions for this group occurs as a result of having received previous approval from the appropriate operating company executives. This approval provides SCS with the guidance and latitude to hedge certain quantities of gas within certain price ranges under specific hedge strategies. Once approval is granted, SCS may hedge within these approved limits.

Each gas trade is entered into Attaché Financial, the SCS deal capture system, for a specific operating company. SCS, as agent for each of the Southern Company OPCOs, enters into hedge transactions with financial counterparties for each specific OPCO individually, not as a group, and the costs for that particular hedge are assigned to and accounted for that specific company. For example, when SCS executes a hedge for Georgia Power, it is entered into Georgia Power's gas book via the SCS hedge accounting system (Attaché Financial). The attached Microsoft Excel workbook contains a summary of the administrative costs of the hedging program and a summary of hedging gains and losses. In addition, the attached PowerPoint files include correspondence related to hedging strategy and recommendations.

Additionally, SCS operates per the applicable hedging orders issued by each state's Public Service Commission. In 2007, the Georgia Public Service Commission (PSC) issued a Hedging Policy Statement as an amendment to the ongoing Hedging Program in Docket No. 22403. As part of the amended order, the Company provides an Implementation schedule to the Georgia PSC Staff before the beginning of each quarter.

In June 2010, the Company partially suspended a portion of the VCA hedging program in response to the deferred start-up of Plant McDonough. Because the in-service dates of Plant McDonough Units 4, 5 and 6 were delayed, the forecasted gas usage had to also be adjusted. Therefore, the Company stopped adding new hedges for January 2011 – December 2011 to prevent the possibility of becoming over-hedged. This reduction in planned hedge volumes was submitted to the PSC in the 3rd Quarter 2010 Implementation schedule.

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Beginning in the 1st Quarter 2011, the Company will begin adding hedges to the November and December periods in 2011 based on new gas burn forecasts.

The current target hedge percentage is REDACTED, which represents a REDACTED adjustment that was reflected in the 3rd Quarter Implementation Schedule. This new target remains within the framework of the PSC approved Hedging Guidelines and reflects GPC's proactive response to the rapidly changing natural gas market. With over-supply conditions existing in the natural gas market, volatility has decreased somewhat over the past year. The adjustment to the target hedge percentage REDACTED REDACTED REDACTED REDACTED. The Company will continue to monitor market conditions . Any further adjustments to the target hedge percentage would continue within the bounds of the Hedging Guidelines set forth by the Commission.

Finally, through discussions with the PSC Staff, the Company has begun regularly utilizing options in its hedging portfolio. With the cost of using options decreasing over the past 12 months, the Company is able to utilize options as an effective tool to manage price risk and provide adequate protection for its ratepayers against the always changing natural gas market. The Company intends to continue utilizing options as a hedging tool as long as market conditions allow.

* SCS executes hedge transactions for Southern Power at its direction.

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Administrative Costs

	Georgia Power
November-09	Redacted
December-09	Redacted
January-10	Redacted
February-10	Redacted
March-10	Redacted
April-10	Redacted
May-10	Redacted
June-10	Redacted
July-10	Redacted
August-10	Redacted
September-10	Redacted
October-10	Redacted
November-10	Redacted
December-10	Redacted
January-11	Redacted

Note: SCS allocates a portion of the administrative costs of the Company's hedging program per the Commission's Order 19142.

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Hedging Gains/Losses:

	Total Hedge Savings (Losses)
November-09	Redacted
December-09	Redacted
January-10	Redacted
February-10	Redacted
March-10	Redacted
April-10	Redacted
May-10	Redacted
June-10	Redacted
July-10	Redacted
August-10	Redacted
September-10	Redacted
October-10	Redacted
November-10	Redacted
December-10	Redacted
January-11	Redacted