



November 9, 2018

Southern Company is considering the purchase of sub-bituminous coal to meet a portion of the coal requirements at its PRB Plants.

QUANTITY & TERM

Buyer is considering purchasing the following:

Up to 600,000 tons per month for January – March 2019 deliveries

QUANTITY AND TERM WILL BE DETERMINED BY BUYER, BASED ON BID EVALUATION AND WILL BE NOMINATED BY BUYER AT TIME OF BID ACCEPTANCE. IF BIDDER'S PRICE IS DEPENDENT UPON A CERTAIN QUANTITY AND TERM, BIDDER MUST SPECIFY.

PRICING

Seller is requested to submit pricing based on fixed price f.o.b. mine.

Bids shall remain valid through November 30, 2018.

INTERNET BIDS ONLY

Internet Bids only will be received through **12:00 p.m. EST (noon), Friday, November 16, 2018**. Bids need to be submitted under the RFP solicited folder "Southern Co – PRB Q1 2019 Solicitation". The Internet Coal Sales Proposal screen must be entirely and correctly completed. The Producer-Broker information should be completed where applicable, for bid consideration. **Faxed or mailed bids will not be considered.** If you have any business questions concerning a Request for Proposal, please contact the fuels agent listed in the RFP directly. If you have already registered as a new user in CIBS and need to have your personal and business information entered into the system please email Southern Company Fuel Services: CIBSFUEL@SOUTHERNCO.COM

If you need technical support regarding the Coal Internet Bid System, please contact CIBS Tech Support: CIBSTECH@SOUTHERNCO.COM

FLEXIBILITY/OPTION TONS

Buyer is looking for seller to provide any flexibility/option tons in scheduled shipments. If seller desires to provide any flexibility, the conditions of the flexibility can be outlined under the comment section of the bid. It is not the intent of Buyer to resell or remarket flexible/option quantities.

RAIL SHIPMENTS

Offers from all Burlington Northern Santa Fe (BNSF) and Union Pacific (UP) origins will be considered.

Offered coal must have a sulfur level no greater than 0.6 lbs per million Btu or 1.2 lbs SO₂ per million Btu. Seller must have, at the loading point, a mechanical sampling system of “cutting the full coal stream” type or other system acceptable to Buyer in order to have the proposal considered. Samples taken by Seller at the loading point will be analyzed by Buyer and will govern for payment and quality administration purposes. Please include with the proposal additional information about Seller’s ability to meet the sampling requirements of this bid. Seller will be required to determine the sulfur, btu/lb, ash and moisture content of each shipment of coal. Seller will provide an Electronic Data Interchange (EDI) to Buyer prior to the arrival of each coal shipment at the destination plant which will include the manifest and quality for each shipment. ***Fax and/or email will not be proof of shipment and quality.***

If Seller has certified scales that conform to the Association of American Railroads “Scale Handbook,” Seller’s scales may be used to determine the weight of coal sold, subject to the approval of Buyer. Please include information about Seller’s weighing system with the proposal. In the absence of acceptable scale weights from Seller, the weight of coal sold and delivered shall be determined by railroad scales.

Shipments must be loaded in electro-pneumatic quick dump hopper cars. Unit train shipments will be scheduled by the SCS Fuel Department after Seller’s transportation coordinator has received complete purchase documentation (i.e. Purchase Order and Terms and Conditions). Seller must be prepared to load unit trains 7 days per week, 24 hours per day.

Price should be quoted f.o.b. railcar at the proposed loading facility.

ANALYSIS

All bidders are required to return analyses of the coal offered (taken and analyzed within six months of bid opening date) that will represent the quality of shipments under a Purchase Agreement. The analyses must include the hardgrove grindability index, a short proximate analysis (including Btu, sulfur, and four point reducing atmosphere ash fusion temperature), an ash mineral analysis, an ultimate analysis, and a trace element analysis (including arsenic, barium, beryllium, chlorine, chromium, cobalt, copper, fluorine, lead, mercury, nickel, manganese, and vanadium). These items should be shown in percentages.

CALORIFIC VALUE

Please note that negative calorific value adjustments will be based on the total delivered price, including transportation costs. Positive calorific value adjustments will be based on f.o.b. mine price. **In order to avoid negative calorific value adjustments, please base guaranteed calorific value on demonstrated typical quality. If Seller takes exception to this provision,**

then the bid evaluation will be based on the rejection limit for Btu/Lb specified in the attached Coal Sales Proposal form and the quoted price will be btu-adjusted to that value.

SULFUR

For all units with scrubbers in service during the term specified in the solicitation no sulfur adjustments shall apply to those scrubbed units and Purchaser will take this into consideration when evaluating bids. Seller should base his bid price on demonstrated typical sulfur quality.

MISREPRESENTATIONS OF QUALITY

There are serious economic and operational costs associated with the receipt of off-specification coals. Because of this fact, we urge you to represent Seller's coal as it will typically be received. Sellers who consistently ship coal which is outside the guaranteed specification range will be removed from the Southern Company bid list indefinitely.

TERMS AND CONDITIONS

Please review the attached "Terms and Conditions of Coal Purchase", dated June 9, 2016, which is applicable to your proposal.

EVALUATION

Seller proposals will be evaluated using the bid price, sulfur and mercury content, and NOx emissions (where applicable) to determine a bid ranking based on \$/MMBtu delivered cost. **Buyer will also take into consideration the cost associated with applying a dust control to coal loaded into purchaser's railcars.**

The evaluation will be based on the most attractive total package, including delivered price (\$/MMBtu), quality, reliability, and quantity flexibility. Buyer reserves the right to reject any and all bid proposals.

If you have any questions or require additional information, please contact me at (205) 992-5385.

Sincerely,

Cheryl F. Gullledge
Coal Procurement